London Borough of Barking and Dagenham

Notice of Meeting

THE EXECUTIVE

Tuesday, 24 February 2004 - Civic Centre, Dagenham, 7:00 pm

Members: Councillor C J Fairbrass (Chair); Councillor C Geddes (Deputy Chair); Councillor J L Alexander, Councillor G J Bramley, Councillor S Kallar, Councillor M E McKenzie, Councillor B M Osborn, Councillor J W Porter, Councillor L A Smith and Councillor T G W Wade

Declaration of Members Interest: In accordance with Article 1, Paragraph 12 of the Constitution, Members are asked to declare any direct/indirect financial or other interest they may have in any matter which is to be considered at this meeting

16.02.04

Graham Farrant
Chief Executive

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AGENDA

1. **Apologies for Absence**

2. **Minutes - To confirm as correct the minutes of the meeting held on 17 February 2004 (to follow)**

Business Items

The Chair will move that business items be agreed without discussion, unless any Member asks to raise a specific point. Any discussion of a Private Business Item will take place after the exclusion of the public and press.

There are currently no business items.

Discussion Items

3. **Comprehensive Performance Assessment 2005 - The Way Ahead (Pages 1 - 6)**

4. **Performance Monitoring (Pages 7 - 10)**

5. **Calendar of Meetings (Pages 11 - 13)**

A copy of the draft Calendar will be circulated to all Members separately.

6. **Revised Budget 2003 / 2004 and Base Budget 2004 / 2005 (Pages 15 - 42)**

7. **Council Tax 2004 / 2005 and Medium Term Financial Strategy (Pages 43 - 75)**

Appendix D - Medium Term Financial Strategy is to follow.

8. **Capital Programme 2004 / 2005 to 2007 / 2008 (Pages 77 - 96)**

9. **Treasury Management Annual Strategy Statement and the Council's Prudential Indicators (Pages 97 - 124)**

10. **Housing Investment Programme for 2004/5/6 (Pages 125 - 132)**

11. **Any other public items which the Chair decides are urgent**

12. **To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

Private Business

The public and press have a legal right to attend Council meetings such as the Executive, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972). There are no such items at the time of preparing this agenda.

Discussion Items

13. **Any confidential or exempt items which the Chair decides are urgent**

THE EXECUTIVE

24 FEBRUARY 2004

REPORT FROM THE DIRECTOR OF CORPORATE STRATEGY

COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA) 2005 - THE WAY AHEAD	FOR DECISION

This report presents the content of the Audit Commission's consultation on Comprehensive Performance Assessment for 2005.

Summary

This report summarises the recently published Audit Commission Consultation document CPA 2005 - The Way Ahead. The Audit Commission requires a response to this document by 27th February 2004. The consultation paper indicates quite far reaching changes to the corporate assessment methodology, particularly relating to the role of the shared priorities between central and local government, the Community Strategy and Use of Resources.

The consultation document indicates a phased process of revised corporate assessments. The currently proposed timetable means that Barking and Dagenham will be in the first round in 2005. Local authorities are being asked if they wish to be pilots for this new approach in 2004. This would appear to offer some advantages to the Council if it agrees to participate in this pilot.

The consultation states that the Audit Commission hope that the CPA process becomes more transparent and accessible. However, it appears to remain both complex and obscure.

Recommendations

The Executive is asked to

1. Note the content of the CPA Consultation Document and provide feedback and that that a final response will be submitted by the deadline; and

2. Agree that Barking and Dagenham Council applies to be a pilot for the new approach.

Reason

This report is presented to the Executive as it concerns a consultation process, which will determine how the key external assessment of local authority performance will be undertaken from 2005.

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1. Introduction

1.1 The Audit Commission have released a consultation document entitled (CPA The Way Forward 2005), outlining their proposals on how to undertake the next round of CPA. Responses to this paper are invited from the Local Authorities by 27th February 2004. The approach integrates various elements of how the CPA has worked for single tier Authorities and District Councils, and will have a profound impact on how the Local Authority performance will be assessed from next year.

1.2 This Consultation document represents the first example of the Audit Commission's strategic regulation approach announced in their plan in 2003.

2. Community Leadership and the Delivery of the Shared Priorities

2.1 The Audit Commission proposals for CPA present the preferred option for assessment of performance through the shared priorities agreed by local and central government in June 2003. These seven priorities have now been harmonised into four areas. The Audit Commission's rationale for this approach is that it promotes a stronger user or citizen's focus, and provides an opportunity to strengthen the community leadership aspect of CPA beyond service delivery roles. The paper emphasises that this is not at the expense of a robust assessment of service performance as in 2002.

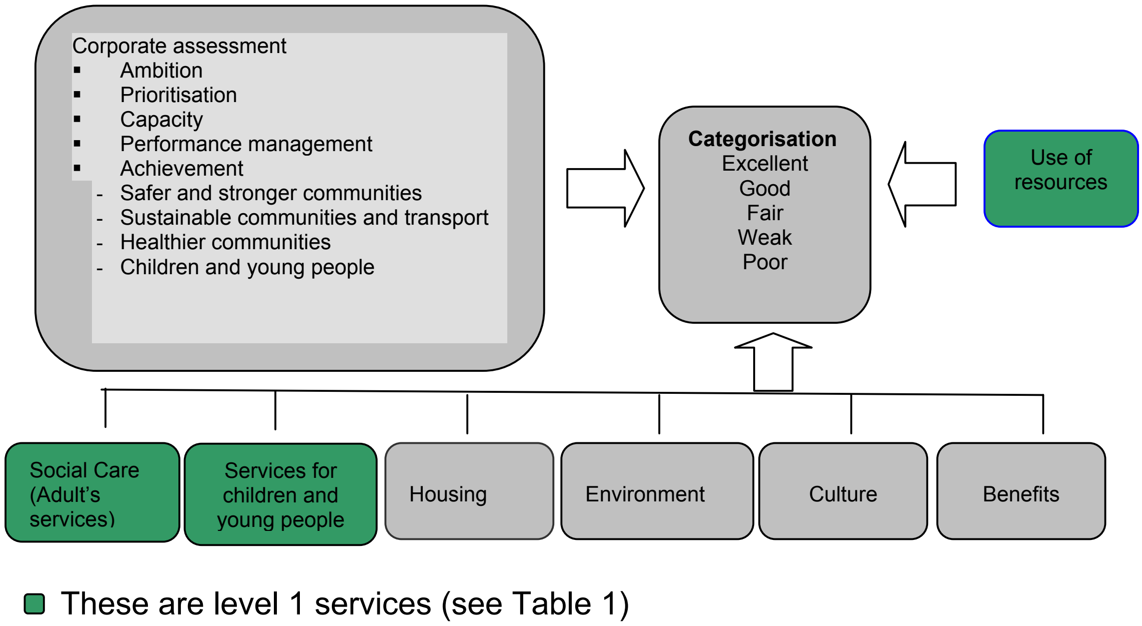
2.2 The four shared priorities which are suggested for this assessment include: -

- **Sustainable Communities and Transport** –improving the local economic conditions through regulation, housing and support into work. Improving the environment, emphasising buildings, public spaces and recycling, and highlighting accessibility and externalities, meaning congestion, pollution and accidents
- **Safer and Stronger Communities –** based on reductions in crime, Anti-Social Behaviour, drug abuse and more active citizenship, public safety and community cohesion.
- **Healthier Communities** - a stronger emphasis on older people, their independence and experience of public service. Also a focus of inequalities through support for families and communities related to the Health and Equalities assessments.
- **Children and Young People –** enabling children to fulfil their potential ensuring services are integrated, educational attainment, and focusing on children at risk, and the corporate parenting role.

2.3 The Audit Commissions proposals where comments are requested are broken down into the following sections of this report.

3. The Architecture of CPA from 2004

3.1 The Audit Commission's preferred approach is based upon a strategic regulation "model" with service assessments alongside the shared priorities. Categorisation would bring together the corporate assessment based on the shared priorities, service scores and a use of resources element. This is presented in figure 1.



3.2 These proposals mark a significant shift in the principles of CPA, which appear to conflict with statement about reducing the burden of regulation. It is difficult to envisage how a methodology could be developed around this which wouldn't require significant further inspection in the next round of CPA. They also remain very complex, and as with all such methods the devil will be in the detail.

3.3 The Audit Commission argue that the shared priorities will focus on those things that are important to local people. However, the emphasis will clearly be different in different areas of the country, and as a result of local needs. Councils will needs to argue strongly for an enhanced role for the self-assessment process, to ensure local variation is adequately represented.

3.4 There are proposals to drop current themes such as learning, and focus, and pick these up throughout. The Achievement section will be enhanced by the integration of the shared priorities.

4. Revisions to the Corporate Assessment

4.1 The Audit Commission argue that their research indicates that the key drivers in effective corporate management are leadership, financial management, performance management, diversity and successful partnerships. It would appear that these are likely to be part of the corporate assessment from 2005.

4.2 The Audit Commission state that Council's contribution to the community strategy will be a key measure, but there is a lack of information on how partnership work will be measured, or any clear performance indicator on this. This process can be particularly difficult to measure as a snapshot given that a period of conflict and challenge may be a very necessary part of the development of a strong relationship.

5. Changes to the Service Assessment

5.1 The Audit Commission state that service assessment will be reduced wherever possible if this duplicates assessment processes utilised in the shared priority assessment. The report is not specific about how housing, environment and cultural services will be developed. It is stated that further methodologies will be formulated to assess these areas.

5.2 In view of the developments around the Children's Green Paper, it is proposed that a new single service block is introduced for children and young people to replace the current education and social care service blocks. This would appear to offer many benefits, but it is of some concern whether services will be in a position to undertake assessment on this basis from as early as 2005. There is a particularly strong risk of duplication, and double jeopardy, around education and social services given that there would be both corporate and service assessment of children and young people.

6. Revisions to the 'Use of Resources' Assessment

6.1 The Audit Commission have singled out this element for particular attention as more emphasis will be given to this area. The 'Use of Resources' judgement will be retained, but will be enhanced through more focused evaluation on value for money and cost effectiveness. There will also be an attempt to integrate the annual audit letter from the District Auditor. This does not appear to consider other issues, which will impact, such as Central Government grant support.

6.2 The Audit Commission are stating that there will be additional emphasis on procurement policy and practice and human resources management. This seems to be a positive development given all the available evidence suggesting effective procurement and organisational development are pivotal to organisational success.

7. The Overall CPA Rating

7.1 The Audit Commission wish to change the rules for assessment of categories from a formula driven to a rule driven system. The current approach uses both of these methods. This revised approach is attempting to be future proof, in being able to respond to additional or deletion of service judgements over time. It is important that the stability principle is not at the expense of responding to tangible shifts in local government policy and practice.

7.2 The proposed system sets minimum standards for the corporate assessment, level one services and level two services.

Table 1

A 'deterministic' rule driven model

Corporate Assessment	Level 1 services*	Level 2 services**	Category
4	All more than 2	All more than 1	Excellent
4	All more than 1	No more than one as low as 1	Good
4	Any other combination		Fair
3	All more than 2	All more than 2	Excellent
3	All more than 1	All more than 1	Good
3	All more than 1	No more than one as low as 1	Fair
3	Any other combination		Weak
2	All more than 2	All more than 1	Good
2	All more than 1	All more than 1	Fair
2	All more than 1	No more than one as low as 1	Weak
2	Any other combination		Poor
1	All more than 2	All more than 1	Fair
1	All more than 1	All more than 1	Weak
1	Any other combination		Poor

* Level 1 services are: Social Care (adults), Children and young people, Use of Resources
** Level 2 services are: Housing, environment, benefits and culture

7.3 The Audit Commission is suggesting a risk based and proportionate approach to the next round of corporate assessments. Unfortunately, all these approaches remain complex and obscure, with different ways of assessing performance across different services.

7.4 **The Audit Commission's preferred sequence in its corporate assessments states that any authority that is fair or weak and did not receive a corporate assessment in 2004 will be assessed in 2005. Since Barking and Dagenham Council would need to request a further corporate assessment to move to Good, this clearly indicates that the Council will be subject to a corporate assessment in 2005.**

7.5 This is important information in deciding whether the Council wishes to express an interest in becoming a pilot for the new corporate assessment. There do appear to be some distinct advantages in choosing to do this:

- it would demonstrate the Council's commitment to continuous improvement, and an openness to learning following on from being shortlisted as the most improved Council by LGC
- the new format could work to our advantage given the work that has been undertaken in revising our community strategy, and linking this to balanced scorecards for 2004-5
- it would allow us to shape and influence the new process rather than simply responding to the end result
- the results would be private, and not published at that stage, but the inspection activity will be counted when the full Corporate Assessment is undertaken In 2005.

If we chose to participate we would need to confirm this by the 27th February. If chosen, we would undertake a self-assessment in April, and the pathfinder corporate assessments would take place in June-early July.

7.6 The Audit Commission state that the Direction of Travel Reports will continue on an annual basis, and greater attention needs to be given to these. They are a positive development as they provide a narrative indication of how the authority is performing at local level.

Background Papers

The CPA 2005 - The Way Ahead – the Audit Commission www.audit-commission.gov.uk

THE EXECUTIVE

24 FEBRUARY 2004

REPORT OF THE DIRECTOR OF CORPORATE STRATEGY

PERFORMANCE MONITORING	**FOR INFORMATION**

To update the Executive on 3rd Quarter and end of year projections performance of:
- *Best Value Performance Indicators in CPA Basket*
- *High Risk Performance Indicators that are considered in CPA*
- *Council Scorecard Performance Indicators*
- *PSA targets*

Summary

This report:

- Provides background information on the monitoring of the Statutory and Council Scorecard Performance Indicators detailed in Barking & Dagenham's annual Best Value Performance Plan.
- Presents a series of graphs reporting performance on a number of Performance Indicators highlighted by TMT for your consideration.

Recommendation

The Executive is asked to discuss performance as highlighted by performance indicators presented.

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1. Background

1.1 In June 2003, Barking & Dagenham Council published its fourth Best Value Performance Plan setting out how the Authority aims to improve its services over the next 12 months. The document has been published in line with the new corporate branding for the Council.

1.2 The Statutory Performance Indicators are National Indicators, which have been determined by ODPM (Office of the Deputy Prime Minister *[formerly DTLR*] - the Government department overseeing Best Value) and the Audit Commission.

1.3 The Council is required by law to collect and publish this information. In the process of developing the scorecards, services have identified key indicators for measuring improvement. This year's plan lists the Council Scorecard Performance Indicators for 2003/04 (Chapter 2 - Managing the Council). Internal Audit has carried out an audit of all the Council Scorecard Indicators to ensure they are robust and collectable.

1.4 A central system has been established to monitor each Performance Indicator, which is updated by departments on a quarterly basis. TMT have again selected a number for your consideration for 3rd Quarter and end of year projections for 2003/2004.

1.5 From April 2002, Key Performance Indicators for the quarterly monitoring process have consisted of the Council Scorecard PIs together with a selection of other PIs from each of the departments (these can consist of BVPIs; service scorecard PIs or local PIs). With statutory BVPIs - the emphasis will be on those PIs that are currently in the bottom quartile or have shown deterioration since the previous quarter.

1.6 For 3rd quarter we have focused on those performance indicators that are considered in CPA together with the Council Scorecard performance indicators and for the first time – progress on our PSA targets.

1.7 For presentational purposes, each Performance Indicator is being reported in a graphical format, which allows performance to be shown over time and compared with other Local Authorities. PI headings are traffic light colour-coded and "smiley faces" have been added to clearly express how we are performing.

1.8 For the national indicators, figures have been included for neighbouring Boroughs together with lines showing the top 25% of performing Councils both nationally and across London. *(Please note it is only possible to compare our performance with the previous year's top quartile targets as these are only released in the December of each year following the outturns for that year).* This will not be possible for the majority of Council Scorecard or local PIs, as they are unique to Barking & Dagenham.

1.9 For Social Services performance information, comparison is no longer made with top quartile data. Comparison is now made with Performance Assessment Framework (PAF) performance targets for England and Outer London. The "smiley faces" will not be shown on Social Services graphs. Instead we have used the "blobs" to indicate whether performance is good or bad. i.e. □ = poor performing □□□□□ = high performing. The Social Services graphs also show a darker grey band to highlight what is good performance.

1.10 The note section underneath the graph has been revised to enable Chief Officers to be consistent in the way they report the PI's performance. *(See new headings over the page)*.

Headings
<u>Improvement / Deterioration</u>
<u>Action taken / update since last quarter</u>
<u>Further Action</u>
<u>Corporate Impact</u>
<u>Additional Information</u>

1.11 For the majority of Council Scorecard PIs this is the second year of reporting. Targets have been set for the next three years for the majority of these and are presented on the graphs.

1.12 The annual deadline for the publication of the Best Value Performance Plan is 30 June. It is still a requirement that a summary of performance information should be published by 31 March. Our summary of performance information for 2003/04 will appear in the March 2004 Citizen.

1.13 The Government have specified 98 best value national (statutory) PIs for 2003/04 compared to 97 in 2002/03 and 123 specified for 2001/02. The ODPM Consultation paper issued in July 2002 required comments from authorities on the proposals to change the number of performance indicators and the rationalisation of statutory plans.

2. Quarterly Monitoring

2.1 Each Performance Indicator contained in the Performance Plan is being monitored on a quarterly basis where possible. Some indicators can only be calculated on an annual basis and this is shown on the individual graphs. As the majority of the Council Scorecard PIs are strategic, they will only be reported annually unless otherwise stated at the front of the Council Scorecard section in the presentation. The 2002/03 Council Scorecard PIs have been reviewed for 2003/04. Please see chapter 2 of our BVPP for more information.

2.2 Quarterly monitoring allows the Council to identify problem areas at an early stage and take remedial action to improve performance. It also identifies areas of good practice within the Council and to share this throughout the organisation. The graphs are a useful visual aid to enable Members of the Executive to challenge Chief Officers on poor performance. The changes to the notes section should further assist Members in performing this role.

2.3 This quarterly process is now being used to monitor our Public Service Agreement (PSA) targets which were agreed with Government in 2003. From April 2003 the following council scorecard indicator, **CS29: Percentage of PSA targets met on an annual basis** will be used to monitor its progress.

3. Comparing Performance

3.1 Guidance from the ODPM advises each Authority to compare performance with other Local Authorities. The monitoring system established allows the comparison of performance across a number of levels. National indicators provide the greatest opportunity for comparing performance as each Local Authority is collecting and reporting identical information.

3.2 *Neighbouring Boroughs*. Research undertaken by the Audit Commission has identified that people are particularly interested in comparing the performance of their Local Authority with neighbouring areas. In the Barking and Dagenham Performance Plan, the neighbouring boroughs of Redbridge, Havering and Newham have been selected for this purpose.

3.3 *Top 25% of performing Councils – both Nationally and London*. It is a requirement under Best Value that each Council must aim to perform within the top 25% of Councils within 5 years. For indicators relating to the quality of services, comparison should be made with the top 25% of Councils across the country. For indicators relating to the cost of the service, comparison should be made with the top 25% in London. The ODPM have determined that in most cases, a low service cost is preferable.

3.4 *Local targets – For the majority of Council Scorecard, Service Scorecard and local Performance Indicators* comparisons can be made both over time and against the target set. These are identified on the relevant graphs.

4. Conclusion

4.1 This is the latest report on the monitoring of the Best Value Performance Plan. Subsequent reports to both TMT and the Executive will follow after each quarter and at year-end.

Background papers used in the preparation of the report

- ODPM Consultation document July 2002
- Best Value Performance Indicators 2003/2004 (burgundy book)
- Futures 2003/2004 – Barking & Dagenham Performance Plan

THE EXECUTIVE

24 FEBRUARY 2004

REPORT OF THE DIRECTOR OF CORPORATE STRATEGY

CALENDAR OF MEETINGS	FOR DECISION

To seek the Executive's comments on the draft Calendar of meetings in accordance with the terms of the Constitution (Article 1 - paragraph 5).

Summary

This report sets out the draft Calendar of Meetings for the coming Municipal Year and requests the Executive to recommend it for approval by the Assembly in March 2004 as required by the Constitution. In so doing, to:

- Re-affirm the basis of the Calendar, the principles around which have previously been set by the Assembly;
- Note that as a result of a review of the appropriate Regulations it is necessary for the Assembly to sign off the Council's Annual Statement of Accounts as opposed to the Executive, the deadline for which this year is 31 August 2004. For those reasons the meeting of the Assembly in September has been brought forward to 25 August 2004.
- Consider continuing with daytime meetings of Community Forums;
- Note that in addition to Member training sessions, it is proposed to continue with Departmental and Chief Executive briefings, but to discontinue with "Open Days" as these are not generally supported by Members. These will, however, be reconsidered in Borough Election years;
- Note that meetings of Community Housing Partnerships have been scheduled to avoid clashes with corresponding Forums;
- Note the implications of the Licensing Act 2003 insofar as the make up, and/or frequency of the Regulatory and General Matters Board is concerned;
- Note that pre-Assembly briefings are now programmed in the Diary;

Recommendation / Reason

The Executive is asked to consider the content of the draft Calendar and, subject to any changes, recommend it to the Assembly for approval in accordance with the Council's Constitution.

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1. Calendar of Meetings

The attached draft Calendar sets dates for various meetings in the Council's political structure. Dates for certain meetings of the Scrutiny Management Board, subject to Call-In, will be confirmed as and when required. The Calendar adopts the following principles:

- No meetings on Thursday evenings or all day Friday (other than Ceremonial Council);
- Mondays reserved for Community Forums;
- Tuesdays reserved for the Executive and Regulatory and General Matters Board;
- Alternate Tuesdays / Wednesdays reserved for the Development Control Board;
- Wednesdays reserved for the Assembly and the Scrutiny Management Board. .As a result of a review of relevant Regulations it is necessary for the Assembly rather than the Executive to sign off the Council's Annual Statement of Accounts by 31 August 2004. For that reason the Assembly meeting originally scheduled for 1 September 2004 will be brought forward to 25 August 2004
- Two provisional dates earmarked for the Executive in August.

Where the venue has been determined this is shown in brackets.

(B) = Town Hall Barking (D) = Civic Centre Dagenham

2. Community Forums

A decision was taken last year to schedule one daytime meeting per Forum commencing at 11.00 am, with the exception of Wellgate (10.00 am), in order to avoid clashes of Forums and to encourage a broader mix of attendees.

Whilst the number and mix did not change dramatically, many of the community canvassed supported the idea of some daytime meetings. Members are therefore asked to consider continuing with one daytime meeting per Forum during 2004/05 for further review.

The programme also includes prospective dates for the Chairs/Deputy Chairs of Forums briefings and the BAD Youth Forum.

3. **Members' Training/Departmental Briefings**

Ongoing Members' Training will continue to be scheduled on a monthly basis, together with regular departmental and Chief Executive briefings for all Members. Departmental "Open Days" are being discontinued as generally Members do not favour them. They will, however, be reconsidered in Borough Election years.

4. **Community Housing Partnerships**

Dates of CHPs have been programmed in so as to avoid clashes with corresponding Forums.

5. **Regulatory and General Matters Board**

The programme continues to include a monthly provisional meeting of the Regulatory and General Matters Board. The introduction however of the Licensing Act 2003 has transferred many of the licensing functions from the Magistrates Courts to local authorities.

The Executive has still to consider how these functions will be dealt with at a Member level; which may or may not affect the make up and/or frequency of the RGM Board.

6. **Assembly**

The pre-Assembly briefings are now programmed in the Diary.

7. **Other Meetings**

Other meetings such as Community/Police Consultative Group, ELWA, Barking and Dagenham Partnership have been agreed at each relevant meeting and these have also been programmed into the Diary.

The Executive is also reminded that in terms of keeping Members informed generally, officers are now logging programmed and non-programmed meetings electronically onto the Members' Calendar, which can be accessed via the Intranet.

Background papers used in the preparation of this report:
None

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THE EXECUTIVE

24 FEBRUARY 2004

REPORT OF THE DIRECTOR OF FINANCE

REVISED BUDGET 2003/04 AND BASE BUDGET 2004/05	**FOR DECISION**

This report advises on the Council budget position for 2003/04 and 2004/05.

Summary

This report sets out the position of the Council's revenue budgets for 2003/04 and a base budget position for 2004/05.

The report reflects:

(a) a revised budget for 2003/04, taking into account changes approved by Members during the year;

(b) issues relating to the likely outturn for the year as currently projected;

(c) a base budget for 2004/05, which is the starting point for decisions on the 2004/05 budget.

Recommendations

The Executive is recommended to:

1. Agree the revised budget for 2003/04 and the base budget for 2004/05 as set out in Appendix A (i).

2. The budget transfers reflected within the 2003/04 revised budget as set out at Appendix A (iii).

3. Note the position on the projected outturn for 2003/04.

Reason

The Council's budget position for 2003/04 needs to be amended to reflect decisions made during the year. The base budget for 2004/05 also needs to be approved as the initial position for deciding the overall 2004/05 budget.

Contact Officer Joe Chesterton	Head of Financial Services	Tel: 020 8227 2932 Minicom: 020 8227 2413 E-mail: joe.chesterton@lbbd.gov.uk

1. Background

1.1 Each year the Council's budget needs to be updated to reflect agreed changes in the base arising from various factors e.g. inflation, Executive decisions, etc. They also need to reflect the latest views of Directors in the allocation of the overall budget to and within specific services under their control.

1.2 The process for updating these budgets commences in about September each year and in arriving at these final budgets relevant Departments have been consulted throughout the process.

2. Revised Budget for 2003/04

2.1. The revised budget of the Council and matters relating to it are set out at Appendix A. These show a total revised budget for the Council of £205.2 million.

2.2. Appendix A (i) to the report sets out the original budgets for each Service adjusted for allocations from contingencies and reserves during the year. The figures also reflect certain changes to central department recharges between Services which it is appropriate to include in the budgets at this stage. The budget arising from these changes is the revised budget for the Authority which will be used to monitor financial performance for the remainder of the financial year 2003/04.

2.3. The revised budget for 2003/4 also reflect transfers between budgets (virements within Service's), which are required in order to stay within the overall approved budget. Some of these transfers exceed £50,000 in value and under the Constitution, these require formal approval by the Executive. A complete listing of these transfers is provided at Appendix A (iii) and Executive's approval to these changes is sought.

3. Base Budget for 2004/05

3.1. The base budget is the starting point for each year's budget and for 2004/05 the overall position is £215.560 million. The base budget for 2004/05 for each Service is also shown at Appendix A (i) along with a reconciliation of these budgets at Appendix (ii).

4. Projected Outturn 2003/04

4.1. Monitoring reports have been provided to the Executive throughout the year highlighting budgetary control issues and year end forecasts. The last report to Executive on 16th December 2003 indicated the projected outturn may exceed the budget for 2003/04 by about £1.1 million.

4.2. This projection for the year was based on the position at the end of September 2003. Those projections indicated that there were still significant financial pressures within Education and Social Services that could impact on the outturn by the end of the current financial year. The position at the end of September showed that for Education there was a projected overspend of £1.157 million and for Social Services a projected overspend of some £0.658 million. In addition, there were pressures on Housing due to homelessness but the intention was to balance this budget by the year end. Offsetting these factors was currently a favourable position on interest on balances of £0.7 million.

4.3 The latest forecast is that for Education there are pressure areas of around £1.34 million which are offset by expected savings of about £1 million by the freezing of centrally held Standards Funds and staff vacancies. Further work is being undertaken to address the remaining sum of about £300,000 by the year end. In the light of this projected overspend the Director of Education, Arts and Libraries is continuing to monitor an Action Plan aimed at bringing the budget back into line by the year end.

4.4 The latest position for Social Services shows a net overspend of some £188,000 by the year end. The Social Services Action Plan approved by the Executive in the last monitoring report is being closely monitored by the Director of Social Services to address the anticipated overspends to ensure a balanced budget is achieved by the year end. The Action Plan is continuing to impact on the overspend and at the time of writing this report the projected overspend for Social Services is still targeted to be eliminated by the year end.

4.5 The Housing Service has indicated pressures arising from Homelessness but these are to be contained within existing resources. Additionally, the position in respect of interest on balances now shows an anticipated favourable position of £1m by the year end, which if necessary could be used to offset any unforeseen circumstances before the year end.

4.6 It is important that Directors continue to make every effort to find compensating savings to reduce the predicted overspend in the remaining months of the year, as required under the Constitution.

4.7 If action to address the projected overspend is not successful, any overspend would need to be considered as part of the final outturn report to be met from the following years' budget for the relevant Service. This position was approved as part of the Budget monitoring report to the Executive on 16 December 2003.

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REVISED BUDGET 2003/04
BASE BUDGET 2004/05

Appendix A (i)	Original Budget 2003/04, Revised Budget and Base Budget 2004/05 by Service
Appendix A (ii)	Reconciliation of Original Budget 2003/04 to Base Budget 2004/05
Appendix A (iii)	Budget transfers over £50,000 included in Revised Budget.

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Appendix A(i)

BARKING AND DAGENHAM SPENDING 2004/2005

	Original Budget 2003/04 £'000	Revised Budget 2003/04 £'000	Base Budget 2004/05 £'000
Service Areas			
Education	125,892	128,464	124,670
Corporate Management	4,964	4,960	5,533
Corporate Strategy	2,644	2,779	1,935
Finance	0	0	0
Health and Consumer Services	2,560	2,504	2,612
Environment, Highways, Roads & Transport	17,336	17,336	16,603
Housing (General Fund)	2,430	2,815	2,915
Planning & Development	1,755	1,880	2,451
Regeneration Partnerships	1,159	1,159	1,195
Arts, Libraries & Cultural Services	5,022	5,152	5,044
Social Services	59,125	59,314	63,785
Open Spaces, Recreation & Sport	8,209	8,063	8,492
General Finance	(34,844)	(36,852)	(26,045)
Land & Property	841	27	(335)
Housing Revenue Account	0	0	0
Thames Gateway London Partnership	0	0	0
Total Spending on Services	**197,093**	**197,601**	**208,855**
Other Operating Income and Expenditure			
Contingency	1,913	1,405	1,170
Levies and Precepts :			
East London Waste Authority	4,819	4,819	4,881
Lee Valley Regional Park Authority	139	139	142
London Pension Fund Authority	167	167	134
Environmental Agency	794	794	88
G.L. Magistrates Court Authority	275	275	290
Sub Total	6,194	6,194	5,535
Base Budget	**205,200**	**205,200**	**215,560**

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EDUCATION
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
SCHOOLS DELEGATED FUNDS						
Primary Schools	58,101	59,958	56,382	(54)	(54)	(55)
Secondary Schools	49,318	48,995	48,921	(6,082)	(6,082)	(6,264)
Special Needs - Schools & Services	20,036	20,471	20,683	(351)	(351)	(362)
School Meals Service	3,930	3,929	4,101	(3,757)	(3,757)	(3,870)
EDUCATION GRANT PROGRAMMES						
Other Education Grant Programmes	10,791	10,791	11,196	(7,427)	(7,427)	(7,650)
EARLY YEARS AND NURSERIES	2,118	2,118	2,204	(4,551)	(4,551)	(4,688)
CONTINUING EDUCATION						
Barking Adult College	1,850	2,370	1,936	(1,481)	(1,481)	(1,526)
Barking & Dagenham Training Unit	891	891	920	(477)	(477)	(492)
Student Awards and Pensions	1,291	1,291	1,348	(433)	(433)	(446)
YOUTH AND COMMUNITY SERVICE	2,313	2,313	2,327	(474)	(474)	(488)
OTHER SERVICES						
Education Support Services	8,032	8,114	8,295	(10)	(10)	(10)
Education Transport Services	2,299	2,299	2,386	(255)	(255)	(262)
TOTAL EXPENDITURE	160,969	163,540	160,699	(25,353)	(25,353)	(26,113)
LESS INCOME	(25,353)	(25,353)	(26,113)			
LESS SUPPORT SERVICES RECHARGED	(9,724)	(9,724)	(9,916)			
NET EXPENDITURE	125,892	128,464	124,670			

CORPORATE MANAGEMENT
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core (Corporate Management & Democratic Representation)	4,964	4,960	5,533	0	0	0
TOTAL	4,964	4,960	5,533	0	0	0
LESS INCOME	0	0	0			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	0	0	0			
NET EXPENDITURE	4,964	4,960	5,533			

CORPORATE STRATEGY DEPARTMENT
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's Office	323	343	363	0	0	0
Corporate Human Resources	3,140	1,664	1,699	(8)	0	0
Legal and Democratic Services	4,735	4,709	5,393	(865)	(865)	(875)
Policy and Review	3,500	3,517	3,540	(519)	(519)	(176)
Grants to Voluntary Bodies and Charities	1,753	1,890	1,709	0	0	0
Chief Executive's Central Support	390	390	408	0	0	0
TOTAL	13,841	12,513	13,112	(1,392)	(1,384)	(1,051)
LESS INCOME	(1,392)	(1,384)	(1,051)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	(9,805)	(8,350)	(10,126)			
NET EXPENDITURE	2,644	2,779	1,935			

FINANCE DEPARTMENT
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Finance Department	17,239	18,311	18,611	(1,029)	(604)	(761)
TOTAL	17,239	18,311	18,611	(1,029)	(604)	(761)
LESS INCOME	(1,029)	(604)	(761)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	(16,209)	(17,707)	(17,850)			
NET EXPENDITURE	0	0	0			

HEALTH & CONSUMER SERVICES
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Trading Standards	738	720	756	(93)	(114)	(159)
Environmental Health	2,189	2,132	2,244	(274)	(234)	(229)
TOTAL	2,927	2,852	3,000	(367)	(349)	(388)
LESS INCOME	(367)	(349)	(388)			
NET EXPENDITURE	2,560	2,504	2,612			

ENVIRONMENT, HIGHWAYS, ROADS AND TRANSPORT
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Public Conveniences	439	440	374	(6)	(6)	(6)
Refuse Collection	3,339	3,341	3,441	(530)	(480)	(535)
Cleansing Services	2,580	2,567	2,581	(5)	(50)	(5)
Vehicle Fleet Management	5,509	5,509	5,952	(22)	(22)	(23)
Waste Disposal	261	261	226	(261)	(261)	(226)
Sewerage/Sewage Disposal	766	766	565	(19)	(14)	(21)
Civic Amenity Site	100	100	107	(100)	(100)	(107)
Traffic Management & Control	542	557	504	(1)	(1)	(1)
Off & On Street Parking	1,847	1,897	2,418	(1,236)	(1,356)	(1,327)
Road Safety	501	501	513	0	0	0
Frizlands Depot Account	539	539	512	0	0	(15)
Departmental Internal Support	1,576	1,736	1,538	0	0	0
Technical Division Support	3,574	3,574	3,061	0	0	0
Streetscene, Transport & Waste Support	3,215	3,320	4,725	0	0	0
Registrar of Births, Deaths & Marriages, Emergency Planning & Security Services & Municipal Buildings	4,476	4,480	4,279	(322)	(310)	(313)
Highway Maintenance	9,215	9,170	9,133	(557)	(457)	(581)
Former Direct Service Organisation Services	10,454	10,374	3,654	(209)	(209)	0
TOTAL EXPENDITURE	48,931	49,130	43,582	(3,269)	(3,267)	(3,159)
LESS INCOME	(3,269)	(3,267)	(3,159)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	(28,326)	(28,527)	(23,820)			
NET EXPENDITURE	17,336	17,336	16,603			

HOUSING - GENERAL FUND
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
General Housing	3,261	3,693	7,039	(831)	(878)	(4,125)
Housing Benefits	65,791	65,791	73,220	(28,829)	(28,829)	(73,137)
TOTAL	69,052	69,484	80,259	(29,660)	(29,707)	(77,261)
LESS INCOME	(29,660)	(29,707)	(77,261)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	(36,962)	(36,962)	(83)			
NET EXPENDITURE	2,430	2,815	2,915			

PLANNING AND DEVELOPMENT
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Planning - General & Strategy	2,028	2,153	3,070	(548)	(548)	(904)
Barking Reach	275	275	286	0	0	0
Building Control, Development Control & Forward Planning	2,243	2,293	4,115	0	0	(489)
Barking & Other Street Markets	638	638	755	(533)	(533)	(640)
TOTAL EXPENDITURE	5,184	5,360	8,225	(1,080)	(1,080)	(2,033)
LESS INCOME	(1,080)	(1,080)	(2,033)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	(2,349)	(2,399)	(3,741)			
NET EXPENDITURE	1,755	1,880	2,451			

REGENERATION PARTNERSHIPS
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
A13 Artscape	354	325	2,204	(100)	(71)	(1,752)
Thames Gateway London Partnership LBBD Contribution	355	355	236	0	0	0
Employment & Training ESF Projects	381	324	450	(202)	(145)	(202)
London Riverside Support	370	1,855	259	0	(1,485)	0
London Riverside	951	2,205	3,955	(951)	(2,205)	(3,955)
London Riverside Single Programme	577	577	720	(577)	(577)	(720)
Sure Start Under 4's Partnership Thames View	597	673	597	(597)	(673)	(597)
Neighbourhood Renewal Fund	1,882	1,748	1,700	(1,882)	(1,748)	(1,700)
Sure Start Under 4's Partnership Marks Gate	450	450	450	(450)	(450)	(450)
Sure Start Under 4's Partnership Abbey	0	600	750	0	(600)	(750)
Sure Start Under 4's Partnership Gascoigne	0	0	700	0	0	(700)
New Opportunities Fund	0	0	373	0	0	(373)
Intensive Surveilance and Supervision	700	700	700	(700)	(700)	(700)
Childrens Fund	900	900	765	(900)	(900)	(765)
TOTAL EXPENDITURE	7,518	10,713	13,859	(6,359)	(9,554)	(12,664)
LESS INCOME	(6,359)	(9,554)	(12,664)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	0	0	0			
NET EXPENDITURE	1,159	1,159	1,195			

ARTS LIBRARIES & CULTURAL SERVICES
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Libraries Service	4,060	4,018	4,129	(160)	(160)	(164)
Museum Service	367	361	352	(34)	(34)	(35)
Other Catering	554	554	229	0	0	(187)
Eastbury Manor House	287	284	277	(90)	77	(92)
Arts Development	137	385	140	(28)	(28)	(29)
Butler Court	206	234	191	(176)	(176)	(180)
Broadway Theatre	350	249	285	0	0	0
Heritage	70	65	67	(5)	(5)	(5)
Corporate Web-Site	64	64	66	0	0	0
TOTAL	6,095	6,213	5,736	(493)	(326)	(692)
LESS INCOME	(493)	(480)	(692)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	(580)	(580)	0			
NET EXPENDITURE	5,022	5,152	5,044			

SOCIAL SERVICES
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
CHILDREN AND FAMILIES SERVICES						
Residential Care Providers	8,016	8,132	8,843	(1,606)	(1,584)	(85)
Other Care Providers & Commissioning & Social Work	25,819	26,172	28,004	(17,223)	(17,333)	(16,452)
OLDER PERSONS SERVICES						
Residential Care Providers	17,245	18,379	17,101	(3,906)	(5,518)	(6,175)
Other Care Providers, Assessment and Care Management	18,955	19,213	20,157	(2,248)	(2,660)	(3,180)
PHYSICAL DISABILITY						
Residential Care Providers	979	976	1,021	(277)	(306)	(338)
Other Care Providers, Assessment & Care Management	4,842	4,738	5,164	(131)	(228)	(235)
LEARNING DISABLED						
Residential Care Providers	6,051	6,882	7,149	(3,350)	(3,829)	(4,085)
Other Care Providers, Purchasing Assessment & Care Management	3,202	3,618	3,653	(176)	(176)	(171)
MENTAL HEALTH						
Residential Care Providers	1,485	1,805	1,772	(479)	(782)	(794)
Other Care Providers, Purchasing Assessment & Care Management	2,540	2,805	3,277	(1,117)	(1,285)	(1,268)
Support Services & Management	9,936	7,938	7,308	(532)	(556)	(526)
Service Strategy & Regulation	411	412	485	(94)	(116)	(58)
TOTAL EXPENDITURE	99,480	101,069	103,933	(31,139)	(34,373)	(33,366)
LESS INCOME	(31,139)	(34,373)	(33,366)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	(9,216)	(7,382)	(6,782)			
NET EXPENDITURE	59,125	59,314	63,785			

LEISURE AND AMENITIES
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Parks & Open Spaces	4,107	4,138	4,300	(185)	(190)	(292)
Cemeteries	863	925	851	(483)	(483)	(495)
Allotments	42	42	36	(2)	(2)	(2)
Community Halls	0	0	1,134	0	0	(161)
Security	0	0	130	0	0	0
Sports Centres & Broadway Theatre	3,533	3,299	5,162	(91)	(91)	(2,528)
General Entertainments, Dagenham Town Show and Barking Carnival	326	326	326	(74)	(74)	(76)
Recreation and Parks Division Departmental Support	1,252	1,252	1,344	0	0	0
Recreation Development	332	332	282	(18)	(18)	(18)
Former Direct Service Organisation Trading Accounts	7,787	7,787	5,279	(1,427)	(1,427)	(10)
TOTAL EXPENDITURE	18,243	18,102	18,843	(2,281)	(2,286)	(3,583)
LESS INCOME	(2,281)	(2,286)	(3,583)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	(7,753)	(7,753)	(6,769)			
NET EXPENDITURE	8,209	8,063	8,492			

GENERAL FINANCE
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
General and Capital Financing & Interest Receipts	(27,849)	(26,760)	(18,888)	(6,995)	(10,093)	(7,157)
TOTAL	(27,849)	(26,760)	(18,888)	(6,995)	(10,093)	(7,157)
LESS INCOME	(6,995)	(10,093)	(7,157)			
LESS EXPENDITURE RECHARGED TO OTHER ACCOUNTS	0	0	0			
NET EXPENDITURE	(34,844)	(36,852)	(26,045)			

LAND AND PROPERTY
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Land Management	815	682	433	0	0	0
Dagenham Heathway Properties	167	36	38	(120)	(120)	(126)
Roycraft House	424	437	457	(62)	(62)	(50)
Vicarage Field	97	25	28	(85)	(85)	(78)
Other Industrial Areas & Estates	276	33	32	(384)	(384)	(418)
Miscellaneous Properties	338	95	101	(365)	(365)	(371)
Housing Revenue Account Commercial Properties	640	1,235	1,268	(1,235)	(1,235)	(1,268)
Barking Reach	94	91	0	0	0	0
Property Services	932	932	960	0	0	0
TOTAL EXPENDITURE	3,784	3,565	3,317	(2,251)	(2,251)	(2,310)
LESS INCOME	(2,251)	(2,251)	(2,310)			
ADD SURPLUS TRANSFERRED TO HOUSING REVENUE ACCOUNT	595	0	0			
LESS RECHARGES TO OTHER ACCOUNTS	(1,287)	(1,287)	(1,341)			
NET EXPENDITURE	841	27	(335)			

HOUSING REVENUE ACCOUNT
SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATES	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Housing Revenue Account	96,217	95,440	69,328	(96,217)	(95,440)	(69,328)
TOTAL	96,217	95,440	69,328	(96,217)	(95,440)	(69,328)
LESS INCOME	(96,217)	(95,440)	(69,328)			
NET INCOME	0	0	0			

THAMES GATEWAY LONDON PARTNERSHIP

SUMMARY OF ESTIMATES 2003/04 and 2004/05

	EXPENDITURE			INCOME		
	2003/04		2004/05	2003/04		2004/05
	ESTIMATE	REVISED	ESTIMATE	ESTIMATE	REVISED	ESTIMATE
	£'000	£'000	£'000	£'000	£'000	£'000
Thames Gateway London Partnership Core Budget	1,124	1,124	1,313	(1,124)	(1,124)	(1,313)
Thames Gateway Youth Football Project	400	400	300	(400)	(400)	(300)
LDA Projects	0	0	624	0	0	(624)
ODPM projects	0	0	1,100	0	0	(1,100)
LSC projects	0	0	100	0	0	(100)
TOTAL	1,524	1,524	3,437	(1,524)	(1,524)	(3,437)
LESS INCOME	(1,524)	(1,524)	(3,437)			
LESS RECHARGES TO OTHER ACCOUNTS (LBBD CONTRIBUTION)	0	0	0			
NET EXPENDITURE	0	0	0			

N.B. THE THAMES GATEWAY LONDON PARTNERSHIP ESTIMATES ARE SUBJECT TO FORMAL APPROVAL BY THE PARTNERSHIP BOARD

APPENDIX (ii)

RECONCILIATION OF ORIGINAL BUDGET 2003/04 TO BASE BUDGET 2004/05

SERVICE	BUDGET 2003/2004 £000	TRANSFER OF SERVICES £000	INFLATION £000	FSS FUNDAMENTAL CHANGES £000	INCREASED INTEREST RECEIPTS £000	EXECUTIVE DECISIONS £000	TRANSFERS FROM RESERVES £000	CAPITAL CHARGES £000	OTHER ADJUSTMENTS £000	BASE BUDGET 2004/2005 £000	INCREASE £000	%
EDUCATION	125,892		3,575	2,159				(6,956)	0	124,670	(1,222)	(1.0)
CORPORATE MANAGEMENT	4,964		149						420	5,533	569	11.5
CORPORATE STRATEGY DEPARTMENT	2,644	(786)	62					(110)	125	1,935	(709)	
FINANCE DEPARTMENT	0		719			1,470	69		(2,258)	0	0	
HEALTH AND CONSUMER SERVICES	2,560		85						(33)	2,612	52	2.0
ENVIRONMENT HIGHWAYS ROADS & TRANSPORT	17,336	(118)	278					(1,370)	477	16,603	(733)	(4.2)
HOUSING (GENERAL FUND)	2,430		85	(905)			320	339	646	2,915	485	20.0
PLANNING & DEVELOPMENT	1,755	41	64				250	27	314	2,451	696	39.7
REGENERATION PARTNERSHIPS	1,159		36							1,195	36	3.1
ARTS LIBRARIES AND CULTURAL SERVICES	5,022		151					(424)	295	5,044	22	0.4
SOCIAL SERVICES	59,125		1,733	3,119				(392)	200	63,785	4,660	7.9
OPEN SPACES RECREATION AND SPORT	8,209	904	144					(936)	171	8,492	283	3.4
GENERAL FINANCE	(34,844)		34	(612)	(1,394)		(44)	10,736	79	(26,045)	8,799	(25.3)
LAND AND PROPERTY	841	(41)	2				0	(914)	(223)	(335)	(1,176)	(139.8)
HOUSING REVENUE ACCOUNT	0									0	0	0.0
THAMES GATEWAY LONDON PARTNERSHIP	0									0	0	0.0
										0		
										0		
CONTINGENCY	1,913								(743)	1,170	(743)	(38.8)
										0		
TOTAL REQUIREMENTS LONDON BOROUGH OF BARKING AND DAGENHAM	199,006	0	7,117	3,761	(1,394)	1,470	595	0	(530)	210,025	11,019	5.54%
LEVIES												
EAST LONDON WASTE AUTHORITY	4,819		62			0	0	0	0	4,881	62	1.3
LEE VALLEY REGIONAL PARK AUTHORITY	139		3			0	0	0	0	142	3	2.2
LONDON PENSION FUND AUTHORITY	167		(33)			0	0	0	0	134	(33)	(19.8)
ENVIRONMENT AGENCY	794		17	(723)		0	0	0	0	88	(706)	(88.9)
G.L. MAGISTRATES COURT AUTHORITY	275		15			0	0	0	0	290	15	5.5
	205,200	0	7,181	3,038	(1,394)	1,470	595	0	(530)	215,560	10,360	5.05%

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Appendix A(iii)

Budget Transfers in the Proposed Revised Estimate requiring Executive Approval

Service	Detail of Transfer Required	Change in Budget Increase £'s	Reduction £'s
EDUCATION	Admin Department	320,000	
	Non- Maintained School Fees	437,000	
	SEN Transport	350,000	
	Early Years External Provider	230,000	
	Standards Fund Expenditure		(730,000)
	Pupil Number Adjustment		(140,000)
	CIAS & Admin Salaries		(100,000)
	Youth Services Staffing		(40,000)
	Further adjustments for Stds Fund and staffing		(327,000)
		1,337,000	**(1,337,000)**
ARTS, LIBRARIES & CULTURAL SERVICES	Delay in Libraries Restructure	120,000	
	Freeze on Sessional Staff		(120,000)
		120,000	**(120,000)**
SOCIAL SERVICES	Children & Families Social Work	325,000	
	Children & Families External Placements		(215,000)
	Older Persons External Placements		(110,000)
	Older Persons Independent Sector Care Packages	500,000	
	Older Persons Residential Care		(300,000)
	Older Persons Domiciliary Care		(200,000)
		825,000	**(825,000)**

LEISURE & ENVIRONMENTAL SERVICES	Lamppost Advertising – Unachievable Income	100,000	
	Highways Maintenance		(100,000)
	Parking Tickets – Additional Income		(120,000)
	Bulky & Clinical Waste – Under Recovery	50,000	
	IT Licences	50,000	
	No Demand for Cess Pool Emptying	5,000	
	TCSU – Levy Higher than Budget	15,000	
	LES Support Costs	105,000	
	Abandoned Vehicles		(105,000)
		325,000	**(325,000)**

Notes

1. All virements above £50,000 requiring Executive approval have been identified.

THE EXECUTIVE

24 FEBRUARY 2004

REPORT OF THE DIRECTOR OF FINANCE

COUNCIL TAX 2004/05 AND MEDIUM TERM FINANCIAL STRATEGY	FOR DECISION

This report advises on the level of the Council Tax for 2004/05 and the adoption of a Medium Term Financial Strategy.

Summary

- This report refers a proposed budget and Council Tax to Assembly on 3 March for final decision.

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

- The budget needs to be seen within the context of a three-year plan and the implications of the current proposal for the Council's planning over the next three financial years needs to be considered as part of the consideration of the 2004/05 budget. It is likely that the Council will continue to face difficult choices when setting budgets in future years.

- To support the decisions that will need to be made a Medium Term Financial Strategy is included as Appendix D to this report.

Recommendations

The Executive is recommended to refer to the Assembly for approval:

1. The budget, as set out at Appendices A and B;

2. A Council Tax increase of 5.9% (including the Greater London Authority precept), as set out at Appendix C;

3. The three year planning figures arising from this budget proposal indicated at Appendix D within the Medium Term Financial Strategy;

4. The Medium Term Financial Strategy to assist the Council in future decision making on the budget and that it is now reviewed on an annual basis; and

5. The position on reserves as set out in paragraph 2.4

Reason

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

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1. Background

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

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

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

1.3 An initial revenue budget for 2004/05 is presented as a separate report on this agenda. It shows that the base budget requirement for 2004/05 is £215.56 million.

1.4 The purpose of this report is to propose a revenue budget and Council Tax for 2004/05, which will be referred to Assembly for consideration on 3rd March 2004.

1.5 At the time of writing this report the final announcement for the Greater London Authority precept had not been made but is expected to be decided on 18th February 2004. Currently, the proposal is for a 7.54% increase. The outcome of this announcement and any officers' advice on this will be reported to Members as the information becomes available and Members may need to reconsider their proposals in the light of this further information.

2. Budget Considerations

2.1 Inflation

2.1.1 A provision of £6.5 million has been indicated, based on an expected level of inflation of:

	2004/05
Employee costs	3%
Other inflation	2.5%
Fees and charges	2.5%
Pensions costs	½%

This is in line with the Government's forecast for the economy as whole and reflects a projection of the 2004 pay award for officers, and 3% on teachers' pay. This estimate represents inflation on pay and prices and assumes that income from fees and charges should rise in line with inflation. The provision comprises £3.6 million for Education, £1.6 million for Social Services and £1.3 million for other Services.

2.1.2. The impact of not funding inflation is that Directors would have to seek new savings or transfer resources from other budgets to cover the unavoidable costs of pay and price increases.

2.2. Education Issues

2.2.1 Education is a priority for the Council and its single largest service. It also remains a high priority for the Government and local authority, spending on schools is subject to special scrutiny, in the light of this, it requires special consideration.

2.2.2 The 2004/05 budget has been set based on education spending at FSS. The Council has 'passported' the increase in the schools element of the Education FSS in to the schools budget and for 2004/05 passing on the full increase in schools FSS is effectively mandatory.

2.2.3 The Secretary of State for Education and Deputy Prime Minister has written to every local authority, expecting it to passport in full, 'barring exceptional circumstances'. In addition, that a guaranteed per pupil increase at school level and restrictions on increases in central expenditure to be implemented through the fair funding regulations.

2.2.4 This puts a more intense focus on the need to "passport" and the Council's budget is therefore based on this.

2.2.5 The DFES has made a commitment that every LEA will receive an increase in formula grant at least as high as their growth in schools FSS (passporting target). Based on a strategy of spending at education FSS this would only impact on the education element of the budget.

2.2.6 The DFES has also effectively 'capped' the element of centrally funded items such as special educational needs, and could have a significant impact on the education budget for us as SEN is subject to significant budget pressures. This means that LEA's may not increase the centrally retained element of the schools budget by a greater percentage than the amount delegated to schools unless the agreement of both the local schools forum and the Secretary of State is obtained.

2.2.7 The Education Formula Spending Share (FSS) has increased this year by £6.444 million and the proposals for additional growth in the Education Service are shown in Appendix A.

2.2.8 The Schools Forum has been consulted on various options relating to the Education Budget and endorses the proposals being made.

2.3 Social Services Issues

2.3.1 Social Services remain under considerable demographic pressure, and there is continuing uncertainty over funding. In addition, Social Services remain subject to a range of Government initiatives and high levels of scrutiny.

2.3.2 A significant part of the Council's Social Services expenditure is funded by specific grants, and these are used to direct funding to Government priorities. This means that as Government priorities change, specific grants are discontinued and redirected towards new services, which requires careful budget management.

2.3.3 Social Services budget planning for the three year period 2003/04 to 2005/06 is contained with an "Improving Social Services Financial and Commissioning Framework" which was agreed by the Executive on 18/03/03.

This framework is based on a continuation of Social Services funding at the FSS level and a comprehensive service modernisation agenda for social care provision. The strategy being set to facilitate the accelerated improvement in performance towards obtaining three stars for Social Services.

The frame work and spending plan that has been agreed redirects money from Older Persons Services towards Children's Services and Mental Health. This includes the closure and reprovision/modernisation of five residential home and day centres and continued modernisation of service delivery.

2.3.4 Even when funded at the FSS level budget pressures continue to remain in the Social Service budget, particularly in the following areas:

- Children's Social Work Recruitment
- Looked after Children
- Older Persons Care Packages

The plan is based on these pressures being contained within the FSS funding level by achieving efficiency savings from the modernisation of the service and is reflected in the service scorecards.

It should be noted that Social Services have received considerable additional resources in grants outside of the FSS.

The details of these were reported to the Executive on 23.12.03 and can be summarised as follows:

	2003/04 £m	2004/05 £m	Change £m	Change %
FSS	53.911	61.294		
Grants	7.543	6.405		
	61.454	67.699	6.245	10.16%

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

2.3.6 The Social Services Formula Spending Share (FSS) has increased this year by £4.264 million and the proposals for additional growth in Social Services are shown in Appendix A.

2.4. Reserves/Contingency

Reserves

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

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

The CPA guidelines give 5% as a target level. For Barking and Dagenham this would be £10.5m. School balances should form part of the strategy but if possible be in addition to the 5% level.

2.4.3. The advice of the Director of Finance remains that a figure of around 5% of the net budget is the recommended level for working resources. The free balance of the general reserve at 1st April 2004 is estimated to be £11.3 million. Whilst this does not preclude the use of reserves in the short term for items Members regard as essential growth or vital projects, it is important that an adequate level is held.

2.4.4. Annex 7 and 8 of the attached Medium Term Financial Strategy sets out in detail the type of reserves held by the Council along with a profile of their estimated utilisation up to 1st April 2007. It also recommends the establishment of new ear marked reserves and various movements between reserves.

Contingency and Robustness of Budget

2.4.5. 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 will be considered are examples of the factors that will be considered:

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

2.4.6 For 2004/05, the level of contingency included within the proposed budget is £1.17 million.

2.4.7 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's view that the Council's process for setting the 2004/05 budget has, so far, been robust. Further advice will be offered to the Council Assembly should this assessment change.

3. Formula Grants and Levies

3.1 Formula Grant 2004/05

A final announcement of the Formula Grant for 2004/05 was made on 29th January 2004, which allocated £177.122 million to the Council for 2004/05.

3.2 Levies

3.2.1 Certain bodies have the power to levy on the Council to meet their funding requirements and these levies count as Council spending for the purpose of the Council Tax. The latest estimate of the levies for 2004/05 is as follows, and an update will be provided at your meeting if necessary.

	2004/05 £000s
East London Waste Authority	4,881
Environment Agency – Flood Defences	88
London Pension Fund Authority (Final)	134
Lee Valley Regional Park Authority (Final)	142
Greater London Magistrates Court Authority	290
	5535

4. Base Budget

The Base Budget for the authority as reported on a separate report elsewhere on this agenda is £215.56 million.

5. Executive Budget Proposals

The Executive budget proposals are set out in full at Appendix A with further description of the options at Appendix B.

6. Council Tax

6.1 Collection Fund

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. The latest estimate is that a deficit will be made on the Collection Fund this year and that Barking and Dagenham's share will be £1.305 million.

6.2. Greater London Authority Precept

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

The Mayor has revised his original proposals submitted for to the London Assembly last month and now proposes an increase in the precept at Band D for 2004/05 of about 17% which would result in a Band D precept for 2004/05 of £241.32, representing a 7.54% increase over 2003/04. This is a reduction from the original proposals in December, which indicated a 12% increase. The Mayor's budget can be amended by a two-thirds majority of the London Assembly, which meets on the 18th February. The Director of Finance will provide an update at your meeting on the outcome of the Mayor's Budget.

6.3. Capping

There have been a number of Ministerial announcements regarding capping, for example;

"Given the scale of investment in local services and the scope for efficiency improvements in local government, the Government believe next year, local authorities must aim to deliver council tax increases in low single figures"

The Minister has also written to a number of councils who have been considering council tax increases of more than 5%. Any capping decision depends on the view of the Deputy Prime Minister as to whether an Authority's budget requirement – and not the Council Tax – is excessive.

Even if the budget requirement is considered excessive, capping may not result, as there are mechanisms for pre-signalling capping for a following year.

The proposed budget requirement for 2004/05 is £220.168m, compared to our Formula Spending Share (FSS) of £225.87m. The budget requirement, after adjustment for fundamental changes to the FSS, shows a 5.74% increase on 2003/04, compared to a 5.78% increase on FSS.

6.4. Council Tax 2004/05

Appendix C sets out the impact on Council Tax of the budget proposals set out in this report. This reflects the GLA precept as currently proposed by the Mayor of London and thus subject to the final consideration of the London Assembly.

7. Medium Term Financial Strategy

7.1 The Council has previously considered a three-year financial plan. This has now been fully updated to reflect a view up to the financial year 2006/07. The Strategy proposed is attached at Appendix D for Members consideration. The purpose of the three-year plan is to enable the budget to be set in a more strategic context and to pursue budget options over a longer time frame.

7.2 The decisions proposed in this report will have implications later in the three-year budget cycle and these are set out in the papers. Members should bear in mind the ongoing implications of proposals included in the 2004/05 budget, although these will not finally be approved until later budget years.

7.3 Annex 3 of the Strategy sets out indicative planning figures for 2005/06 and 2006/07, which will be subject to further discussion and decision at the appropriate time.

7.4 The revenue budget is likely to increase by more than the Government's indicated Spending Review targets over the next two years. In addition, further pressures are almost certain to come to light. It will also be necessary to consider the use of capital resources and a review of the Council's Debt Free status. Pressures to earmark Government funding for specific purposes, particularly in relation to Schools, are likely to be maintained. In addition, the ongoing effect of the Government's changes to the local government finance system and the impact of Census 2001 data on grant allocations will have an impact on the authority which cannot currently be assessed. Significant budget pressures are expected as a result of increased pension costs and additional statutory requirements.

7.5 It is therefore anticipated that pressure on the Authority's budget will remain unabated over the 3 years of the plan, and a further £17 million of potential budget pressures is currently forecast for 2005/06.

7.6 In order to plan for these ongoing pressures, it is important that the budget process for 2005/06 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 (growth & savings) with longer lead in times to be considered.

8. **Business Consultation**

When considering its budget proposals, the Council is required to take into account the views of the local business community about its budget. This year's meeting with business representatives was undertaken with the Chamber of Commerce on 10th February. The outcome of the meeting was that there was general agreement that the proposed budget was a good balancing act with minimal impact on businesses. They were also pleased that the Council is looking at alternative sources of income rather than just budget reductions.

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REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004 **APPENDIX A**

SUMMARY OF REVENUE BUDGET CHANGES

	2004/05 £000s	2005/06 £000s	2006/07 £000s
Increase in Base Budget 2004/05	10,360		
(inflation, FSS changes, transfers from reserves, etc)			
EPCS Services			
Housing and Health	-322	-322	-322
Leisure and Environmental Services	-488	-815	-800
Education, Arts and Libraries	195	195	195
Corporate Strategy	-713	-748	-748
Social Services	127	127	127
Finance	-110	0	0
Corporate Items	415	415	415
Sub - total EPCS services	-896	-1,148	-1,133
FSS Services			
Education	2,870	3,279	4,488
Social Services	2,634	2,634	2,634
Sub - total FSS services	5,504	5,913	7,122
Net effect on budget of Executive Proposals	4,608	4,765	5,989
Increase in Service Budget and Budget Requirement	**14,968**	**4,765**	**5,989**
Less Additional Resources available			
Contribubution from Collection Fund 2003/04	-623		
Contribubution to Collection Fund 2004/05	-1,305		
Increase in Formula Grant	15,314		
Change in Council Tax base (from 51,921 to 51,055.3)	-712		
Sub -Total	12,674		
To be met from Council Tax	**2,294**		
Increase in LBBD Council Tax (£)	£ 44.94		
Increase in LBBD Council Tax (%)	5.46%		
Increase in GLA precept (Proposed)	£ 16.92		
Increase in GLA precept (%)	7.54%		
Overall Increase in Council Tax (%)	5.90%		

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

HOUSING AND HEALTH REVENUE BUDGET

Reference	Service	Options	2004/05 £000s	2005/06 £000s	2006/07 £000s
Growth					
HH-01-G		New Homeless Posts	85	85	85
HH-02-G		Licensing Fees	120	120	120
Growth Sub Total			**205**	**205**	**205**
Savings					
HH-01-S		Home Improvement Agency Service	-49	-49	-49
HH-02-G		Review of Private Sector Housing Section	-60	-60	-60
HH-03-S		Trading Standards	-31	-31	-31
HH-04-S		Review of Public Health Service	-64	-64	-64
HH-05-S		PA/Administrative Support Review	-26	-26	-26
HH-06-S		Withdraw subscription to Flare - Mte Contract	-18	-18	-18
HH-07-S		Building Control Charge Review	-20	-20	-20
HH-08-S		Reduction in Internal Support	-64	-64	-64
HH-09-S		Management Restructure in H&CS	-162	-162	-162
HH-10-S		Enterprise Act	-33	-33	-33
Savings Sub Total			**-527**	**-527**	**-527**
NET REDUCTION IN BUDGETS			**-322**	**-322**	**-322**

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

LEISURE AND ENVIRONMENTAL SERVICES REVENUE BUDGET

Reference	Service	Options	2004/05 £000s	2005/06 £000s	2006/07 £000s
Growth					
LES-01-G		Grounds Maintenance (HRA to GF)	250	500	500
LES-02-G		Single Status	280	280	280
LES-03-G		Recycling	425	425	425
LES-04-G		Parks/Open Spaces - Rev Effects of Capital Programme	75	100	225
LES-05-G		Project & Contract Mgt and Procurement Skills	250	250	250
Growth Sub Total			**1280**	**1555**	**1680**
Savings					
LES-01-S		Rates Revaluation	-125	-125	-125
LES-02-S		Disposal of Land Contract	-125	-125	-125
LES-03-S		Supplies and Services	-75	-75	-75
LES-04-S		Re-organising the Department	-375	-750	-750
LES-05-S		Community Halls	-28	-240	-350
LES-06-S		Highways Maintnenance	-600	-600	-600
LES-07-S		Disposal of Council Assets	-250	-250	-250
LES-08-S		Capitalisation of Salaries	-100	-100	-100
LES-09-S		Charging of Salaries to S106 Agreement	-50	-50	-50
LES-10-S		Commercial Rent Income and Collection	-30	-30	-30
LES-11-S		Advertising Hoardings	-10	-25	-25
Savings Sub Total			**-1768**	**-2370**	**-2480**
NET REDUCTION IN BUDGETS			**-488**	**-815**	**-800**

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

EDUCATION, ARTS AND LIBRARIES REVENUE BUDGET

Reference	Service	Options	2004/05 £000s	2005/06 £000s	2006/07 £000s
LIBRARIES					
Growth					
LIB-01-G		Broadway Threatre - Contibution to Trust	240	240	240
Growth Sub Total			**240**	**240**	**240**
Savings					
LIB-01-S		Libraries - Income Generation	-45	-45	-45
Savings Sub Total			**-45**	**-45**	**-45**
NET INCREASE IN BUDGETS			**195**	**195**	**195**

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

CORPORATE STRATEGY REVENUE BUDGET

Reference	Service	Options	2004/05 £000s	2005/06 £000s	2006/07 £000s
<u>Growth</u>					
Growth Sub Total			**0**	**0**	**0**
<u>Savings</u>					
CS-01-S		Review of Corporate Stratagy Staffing	-285	-320	-320
CS-02-S		Reduction in Grants Budget	-200	-200	-200
CS-03-S		Elimination of Committee Teas	-35	-35	-35
CS-04-S		Reduction - Dem Services (agenda and office costs)	-37	-37	-37
CS-05-S		Increase in income from Land Charges	-40	-40	-40
CS-06-S		Cease printing of People Matters and Member Matters	-30	-30	-30
CS-07-S		Reduction in Consultation provision	-31	-31	-31
CS-08-S		Reduction in Members' Transport provision	-55	-55	-55
Savings Sub Total			**-713**	**-748**	**-748**
<u>NET REDUCTION IN BUDGETS</u>			**-713**	**-748**	**-748**

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

SOCIAL SERVICES REVENUE BUDGET (EPCS services only)

Reference	Service	Options	2004/05 £000s	2005/06 £000s	2006/07 £000s
Growth					
SS-01-G		Concessionary Fares	213	213	213
Growth Sub Total			**213**	**213**	**213**
Savings					
SS-01-S		Supported Placements	-40	-40	-40
SS-02-S		Concessionary Fares Admin	-46	-46	-46
Savings Sub Total			**-86**	**-86**	**-86**
NET INCREASE IN BUDGETS			**127**	**127**	**127**

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

FINANCE REVENUE BUDGET

Reference	Service	Options	2004/05 £000s	2005/06 £000s	2006/07 £000s
Growth					
FIN-01-G		Council Tax Benefit Subsidy	80	100	110
FIN-02-G		Procurement Service	150	250	250
Growth Sub Total			**230**	**350**	**360**
Savings					
FIN-01-S		Cashiers Review	-40	-50	-60
FIN-02-S		Overpayment Recovery	-100	-100	-100
FIN-03-S		Hardware Maintenance	-20	-20	-20
FIN-04-S		Postage Budget	-40	-40	-40
FIN-05-S		Bank Charges	-50	-50	-50
FIN-06-S		Print Services Budget	-60	-60	-60
FIN-08-S		Payroll Service	-30	-30	-30
Savings Sub Total			**-340**	**-350**	**-360**
NET REDUCTION IN BUDGETS			**-110**	**0**	**0**

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

CORPORATE ITEMS

Reference	Service	Options	2004/05 £000s	2005/06 £000s	2006/07 £000s
<u>Growth</u>					
C-01-G		Cleaner, Greener, Safer provision	65	65	65
C-02-G		Policy Commission for Cleaner, Greener, Safer Initiatives	250	250	250
C-03-G		Targeted improvements to performance	100	100	100
Growth Sub Total			**415**	**415**	**415**
<u>Savings</u>					
			0	0	0
Savings Sub Total			0	0	0
<u>NET INCREASE IN BUDGETS</u>			**415**	**415**	**415**

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

EDUCATION, ARTS AND LIBRARIES REVENUE BUDGET (FSS services)

Reference	Service	Options	2004/05	2005/06	2006/07
Growth					
		Increased Pupil Numbers	907	1289	2165
		Corporate Grants Transferred	216	216	216
		Revenue Costs of Capital Programme	150	300	450
		Single Status	102	102	102
		Additional Admin Dept Staff	200	200	200
		SEN Transport Provision	300	150	0
		Non-Maintained School Fees	440	0	0
		Campbell EBD Provision	170	170	170
		Contribution to Corporate Asset Management Plan	15	15	15
		Contribution to support & delivery of Capital Programme	16	16	16
		Additional Office Accommodation	50	50	50
		School Budget minimum guarantee	304	304	304
		PFI Funding Gap	0	467	800
		General Inflation	3574	3677	3787
Growth Sub Total			**6444**	**6956**	**8275**
Less : inflation			3574	3677	3787
NET INCREASE IN BUDGETS			**2870**	**3279**	**4488**

Note: The full year impact of the 2004/05 budget decision means that an estimated commitment is:
2005/06 £512,000 (£6.956 million - £6.444 million)
2006/07 £1,831,000 (£8.275 million - £6.444 million)
These sums will need to be a first priority to be met from the relevant FSS increase in those years.

APPENDIX A

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

SOCIAL SERVICES REVENUE BUDGET (FSS services)

Reference	Service	Options	2004/05 £000s	2005/06 £000s	2006/07 £000s
Growth					
		Single Status - Working Week	185	185	185
		Residential & Daycare	625	625	625
		Legal Services	320	320	320
		Transport Re-charges	270	270	270
		Cost Pressures Contingency	500	500	500
		General Inflation	1630	1630	1630
		Care Management - Performance Improvement	734	734	734
Growth Sub Total			**4264**	**4264**	**4264**
Less : inflation			1630	1630	1630
NET INCREASE IN BUDGETS			**2634**	**2634**	**2634**

Growth Proposals 2004/2005 - EPCS Services

No.	Proposed Growth	Reference	H & H £'000	DLES £'000	Libraries £'000	Corporate Strategy £'000	Social Services £'000	Finance £'000	Corporate £'000	Proposed Total £'000
1	New Homeless Posts	HH-01-G	85							85
2	Licensing Fees	HH-02-G	120							120
3	Grounds Maintenance (HRA to GF)	LES-01-G		250						250
4	Single Status	LES-02-G		280						280
5	Recycling	LES-03-G		425						425
6	Parks & Open Spaces - revenue effects of capital prog	LES-04-G		75						75
7	Project & Contract Mgt and Procurement skills	LES-05-G		250						250
8	Broadway Theatre - contribution to Trust	LIB-01-G			240					240
9	Concessionary Fares	SS-01-G					213			213
10	Council Tax Benefit Subsidy	FIN-01-G						80		80
11	Procurement Service	FIN-02-G						150		150
12	Cleaner, Greener, Safer provision	C-01-G							65	65
13	Policy Commission for Cleaner,Greener,Safer initiatives	C-02-G							250	250
14	Targeted improvements to performance	C-03-G							100	100
			205	1,280	240	0	213	230	415	2,583

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APPENDIX B(i)

Savings Proposals 2004/2005 - EPCS Services

No.	Proposed Savings	Reference	H & H £'000	DLES £'000	Libraries £'000	Corporate Strategy £'000	Social Services £'000	Finance £'000	Proposed Total £'000
1	Home Improvement Agency Service	HH-01-S	49						49
2	Review of Private Sector Housing Section	HH-02-S	60						60
3	Trading Standards	HH-03-S	31						31
4	Review of Public Health Service	HH-04-S	64						64
5	PA/Administrative Support Review	HH-05-S	26						26
6	Withdraw subscription to Flare - Mte contract	HH-06-S	18						18
7	Building control charge review	HH-07-S	20						20
8	Reduction in Internal support	HH-08-S	64						64
9	Management restructure in H&CS	HH-09-S	162						162
10	Enterprise Act	HH-10-S	33						33
11	Rates revaluation	LES-01-S		125					125
12	Disposals of Land Contract	LES-02-S		125					125
13	Supplies & Services	LES-03-S		75					75
14	Re-organising the Department	LES-04-S		375					375
15	Community Halls	LES-05-S		28					28
16	Hghways Maintenance	LES-06-S		600					600
17	Disposal of Council Assets	LES-07-S		250					250
18	Capitalisation of salaries	LES-08-S		100					100
19	Charging of salaries to S106 agreements	LES-09-S		50					50
20	Commercial rent income and collection	LES-10-S		30					30
21	Advertising Hoardings	LES-11-S		10					10
22	Libraries - Income generation	LIB-01-S			45				45
23	Review of Corporate Strategy staffing	CS-01-S				285			285
24	Reduction in Grants Budget	CS-02-S				200			200
25	Elimination of Committee Teas	CS-03-S				35			35
26	Reductions-Dem Services(agendas & office costs)	CS-04-S				37			37
27	Increase in income from Land Charges	CS-05-S				40			40
28	Cease print of People Matters & Members Matters	CS-06-S				30			30
29	Reduction in Consultation provision	CS-07-S				31			31
30	Reduction in Members' Transport provision	CS-08-S				55			55
31	Supported Placements	SS-01-S					40		40
32	Concessionary Fares Admin	SS-02-S					46		46
33	Cashiers Review	FIN-01-S						40	40
34	Overpayment Recovery	FIN-02-S						100	100
35	Hardware Maintenance	FIN-03-S						20	20
36	Postage Budget	FIN-04-S						40	40
37	Bank Charges	FIN-05-S						50	50
38	Print Services Budget	FIN-06-S						60	60
39	Payroll service	FIN-08-S						30	30
			527	1,768	45	713	86	340	3,479

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Appendix B (ii)

SAVINGS OPTIONS

HOUSING AND HEALTH

1. **Home Improvement Agency Service (HH-01-S) £49,000**

   Service provision to be reviewed.

2. **Review of Private Sector Housing Section (HH-02-S) £60,000**

   Reduction of staffing levels in the Private Sector Housing team achieved by a restructuring of the unit.

3. **Trading Standards (HH-03-S) £31,000**

   The trading standards service includes an enforcement service plus a consumer advice service. It is proposed to reduce the staffing levels for this Service.

4. **Review of Public Health Service (HH-04-S) £64,000**

   The team comprises 3 public health officers, an animal warden and a general assistant. 2 specially adapted council vans are used to collect stray dogs and carry heavy drainage equipment used for blocked drain investigations.
   The saving will be made by reductions in staffing levels and by one council vehicle. Also seeking to make the travellers site self financing following the £½ million refurbishment this year.

5. **PA/Administrative Support Review (HH-05-S) £26,000**

   The proposal is to combine administrative roles within the Housing Service.

6. **Withdraw Subscription to Flare – Maintenance Contract (HH-06-S) £18,000**

   Health and Consumer Services uses the information database FLARE to plan, record and analyse activity. A ‘Goldstar’ maintenance contract was taken out with FLARE under which they provide comprehensive support for the system. The savings proposal is to withdraw from the Goldstar service and to support the system internally.

7. **Building Control Charge Review (HH-07-S) £20,000**

   The proposal is either to put in place a service level agreement under which the charge is directly related to the amount and type of work done and/or to expose the service to external competition. The exercise should reduce the current recharge by an estimated £20,000 per year assuming that demand remains constant.

8. **Reduction in Internal Support (HH-08-S) £64,000**

A number of posts will be deleted from the existing establishment.

9. **Management restructure in H&CS (HH-09-S) £162,000**

There are 9 senior and middle managers in the current H&CS structure. This proposal assumes that savings could be found by restructuring and reducing the number of posts.

10. **Enterprise Act (HH-10-S) £33,000**

Enterprise Act work to be undertaken within existing staffing levels.

LEISURE & ENVIRONMENTAL SERVICES

11. **Rates Revaluation (LES-01-S) £125,000**

Following a rates revaluation of leisure facilities, the rates budgets are to be reduced by £125k.

12. **Disposals of Land Contract (LES-02-S) £125,000**

The disposal of land contract has come in at a reduced charge allowing for the budget to be reduced.

13. **Supplies and Services (LES-03-S) £75,000**

By the implementation of robust procurement arrangements and the production of a Procurement Plan, make efficiency savings on supplies budgets of 2.5%.

14. **Re-organising the Department (LES-04-S) £375,000**

Re-focussing of the Department to:

- Ensure available resources are being directed effectively and efficiently to meet the Council's priorities
- Change the culture
- Have 'joined-up' services
- Decide on how services should be delivered (if at all)
- Ensure robust Financial Management and Performance management is in place.

The intention is not to impact on frontline staff.

16. **Community Halls (LES-05-S) £28,000**

Continuance of agreed saving in 2003/04 budget process.

17. **Highways Maintenance (LES-06-S) £600,000**

This relates to a reduction in the budget for Highways Maintenance by generating maximising income without impacting on service provision.

18. Disposal of Council Assets (LES-07-S) £250,000

The costs of disposal of the Council's assets is currently treated as a revenue cost within the Department's budget. This creates pressure on the budgets as the more capital receipts that are generated the more revenue costs fall on the Department. Other ways of funding these costs are being considered.

19. Capitalisation of Salaries (LES-08-S) £100,000

A review has been undertaken on the apportionment of salaries across the department on time taken on capital projects. This has resulted in a shift from revenue to capital of £100k.

20. Charging of salaries to S106 agreements (LES-09-S) £50,000

At present fees for the management and administration is not charged against the S106 income. It is proposed that in future appropriate fees will be charged

21. Commercial rent income and collection (LES-10-S) £30,000

This additional commercial rent income has been identified. It is proposed to review rent agreements during 2004/05 to maximise income levels and to review collection levels and arrangements.

22. Advertising Hoardings (LES-11-S) £10,000

A feasibility study is to be undertaken on the possibility of generating additional income by having advertising hoardings on Council's Vacant Sites

<u>EDUCATION, ARTS AND LIBRARIES</u>

23. <u>Libraries – Income Generation</u>

Increasing income from letting, fines, charges and catering **(LIB-01-S) £45,000**

<u>CORPORATE STRATEGY</u>

23. Review of Corporate Strategy Staffing (CS-01-S) £285,000

A variety of Support Officer posts (9) being considered in the Corporate Strategy department. This will include posts in administrative support, democratic services support and development.

24. Reduction in Grants Budgets (CS-02-S) £200,000

Reduction in grants budget available for various organisations.

25. Elimination of Committee Teas (CS-03-S) £35,000

Ceasing of Committee tea service, alternative options being considered.

26. Reductions-Dem Services (agendas and office costs) (CS-04-S) £37,000

Reduction in stationery, printing and training budgets and reduction in agenda printing costs.

27. Increase in income from Land charges (CS-05-S) £40,000

Additional cost recovery from Land Charges.

28. Cease printing of People Matters & Member Matters (CS-06-S) £30,000

Cease hard copy printing of People Matters and Member Matters.

29. Reduction in Consultation provision (CS-07-S) £31,000

Budget for consultation to be reduced.

30. Reduction in Members' Transport provision (CS-08-S) £55,000

Change in service provision.

<u>SOCIAL SERVICES</u>

31. Supported Placements (SS-01-S) £40,000

Reduction in the base budget for sheltered placements is possible due to a reduced number of placements over last few years – Any residual costs will be contained within overall Placements budgets in Social Services.

32. Concessionary Fares Admin (SS-02-S) £46,000

Currently administrative costs of Concessionary Fares (salaried time and issuing) are charged wholly to Concessionary Fares – Intention is to transfer these costs to Older Persons Budgets.

<u>FINANCE</u>

33. Cashiers Review (FIN-01-S) £40,000

These savings will be identified from the review of the Cashiers Service.

34. **Overpayment Recovery (FIN-02-S) £100,000**

Year on year improved performance on recovery of overpaid Housing Benefit. Next year will see the introduction of bulk recovery from landlords. Currently activity in this area is not budgeted for as income.

35. **Hardware Maintenance (FIN-03-S) £20,000**

Hardware maintenance of discs no longer required as new discs under warranty.

36. **Postage Budget (FIN-04-S) £40,000**

This area has consistently underspent for the last two years and a reduction in the budget is proposed.

37. **Bank Charges (FIN-05-S) £50,000**

This area has consistently underspent for the last two years and a reduction in the budget is proposed.

38. **Print Services Budget (FIN-06-S) £60,000**

Budget no longer required.

39. **Payroll Service (FIN-08-S) £30,000**

This is the net cost of unavoidable growth resulting from job evaluation appeals offset by a review of the staffing structure of the service.

TOTAL £3,479,000

GROWTH OPTIONS

HOUSING AND HEALTH

1. New Homeless Posts (HH-01-G) £85,000

The inclusion of three extra members of staff to deal with the administration of the Private Sector Leasing scheme, caseworker in the Homeless Persons Unit and Mediation/Homeless Prevention Officer.

2. Licensing Fees (HH-02-G) £120,000

This bid represents the growth needed to provide the licensing service including licensing committee administration over and above expected licensing income should the Government go ahead with current proposals on levels of licence fees.

LEISURE AND ENVIRONMENTAL SERVICES

3. Grounds Maintenance (HRA to GF) (LES-01-G) £250,000

A comprehensive mapping exercise has been undertaken and it has revealed that the Housing Revenue Account is currently paying for greens that are not housing i.e. industrial estates, central reservations on highways, as well as areas that are predominately private housing. This is Phase One of two phases to ensure all amenity greens, etc. are accounted for correctly.

4. Single Status (LES-02-G) £280,000

The full time manual employees of the Environmental Management and Leisure Divisions are currently employed to work a 37 hour week. This bid allows for the reduction of the working week of these employees to 36 hours without suffering a loss in earnings.

5. Recycling (LES-03-G) £425,000

Since June 2003 the Authority have operated two vehicles for the collection of recyclable waste from domestic dwellings and this service will be increased to four vehicles with effect from 1st December 2003. Both capital and revenue costs for 2003/04 have been met from external grant funding from London Recycling Fund and DeFRA. There will, however, be no external funding available for 2004/05, hence the need for the growth sum of £425,000.

6. Parks and Open Spaces – revenue effects of capital programme (LES-04-G) £75,000

To fund the revenue effects of Parks and Green Space capital programme items, which will result in a 15% to 20% uplift in base parks budgets to enable full maintenance.

7. **Project and Contract Management and Procurement Skills (LES-05-G) £250,000**

The department lacks capacity in these areas which now requires investment to support the strategic direction of the department.

EDUCATION, ARTS AND LIBRARIES

8. **Broadway Theatre – contribution to Trust (LIB-01-G) £240,000**

Council Revenue Contribution to Broadway Theatre Trust, as previously approved by the Executive.

SOCIAL SERVICES

9. **Concessionary Fares (SS-01-G) £213,000**

The Association of London Government has advised all London boroughs to allow for a maximum 8% increase in its contribution for 2004/05, due to the Transport for London's fares policy in 2004/05.

FINANCE

10. **Council Tax Benefit Subsidy (FIN-01-G) £80,000**

This results from a shortfall in budget from previous estimation between CTB expenditure and subsidy received. This is an inescapable pressure.

11. **Procurement Service (FIN-02-G) £150,000**

This bid relates to the formulation of a vital team to deliver strategic advice and input on procurement matters for the Council ranging from small scale initiatives up to large scale major projects e.g. Education PFI Scheme, etc.

CORPORATE

12. **Cleaner, Greener, Safer Provision (C-01-G) £65,000**

Investment in Street cleansing, better enforcement and more security in Parks and Open spaces. Additionally, schemes that will individually and collectively address Cleaner, Greener, Safer.

13. **Policy Commission for Cleaner, Greener, Safer Initiatives (C-02-G) £250,00**

To propose and implement initiatives around Cleaner, Greener, Safer.

14. **Targeted Improvements to Performance (C-03-G) £100,000**

To focus on investment in areas where Performance Indicator's are critical to CPA performance and financial resources required.

TOTAL £2,583,000

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Appendix C

CALCULATION OF THE PROPOSED COUNCIL TAX 2004/05

	£'000	Band D Council Tax £	Increase %
BARKING & DAGENHAM			
Budget Requirement - Base Budget 2004/05	215,560		
- Executive Proposals	4,608		
	220,168		
Less: Formula Grant	-177,122		
Council Tax Collection Fund Loss	1,305		
Council Tax Requirement	44,351		
Council Tax Base	51,055.3	868.68	
Overall Council Tax - Band D equivalent			
London Borough of Barking & Dagenham		868.68	5.46%
Greater London Authority (Provisional)		241.32	7.54%
		1,110.00	5.9%

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THE EXECUTIVE

24 FEBRUARY 2004

REPORT OF THE DIRECTOR OF FINANCE

CAPITAL PROGRAMME 2004 / 05 TO 2007 / 2008	FOR DECISION

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

Summary

Taking into account the level of usable capital receipts to support a Capital Programme, the Council has £146 million available for the period 2004/05 to 2007/08 to fund a capital budget from internally funded sources. A proposal, for allocating these resources for the capital programme for 2004/05 to 2007/08 is included within the report.

It will also be necessary to approve a programme of schemes to be met from external sources and this is also included within the proposed programme.

The position of the current year's programme is commented upon, which highlights that there will an underspend against the overall revised programme of £111.7 million.

Recommendations

The Executive is recommended to:

1. Note the position of the 2003/04 capital programme and paragraph 7.4.

2. Propose a capital budget for 2004/05 to be met from the Council's usable capital receipts to Assembly on 3rd March 2004, as set out in Appendices B to E and in principle for later years subject to review.

3. Agree that within this proposed programme, the new schemes at paragraph 7.1.1. and schemes with additional costs at paragraph 7.1.3. be reported to the Executive for approval.

4. Approve a programme of schemes to be met from external resources as included in Appendices B to E.

5. Agree that before any scheme proceeds in the Capital Programme that it has all four green indicators arising from the capital appraisal process.

6. Agree that the schemes in Appendices D and E undergo the relevant Capital appraisal process and that before any of these schemes proceed they are reported to the Executive for approval for inclusion in the programme.

7. Agree that the new start schemes identified in paragraph 7.2. only proceed if external funding is obtained. 8. Note the Prudential Indicators for the Authority as set out in Appendix F. 9. Agree in principle and subject to technical resolutions the settlement of the outstanding debt to the London Borough of Redbridge arising from the boundary changes in 1994/95 as set out in paragraph 5.6. If actioned to substitute the debt repayment to Redbridge for a ring fenced revenue contribution to capital in the Housing Revenue Account. **Reason** It is necessary for the Executive to agree a final proposed Capital Programme to the Assembly for its consideration.		
Contact Officer Joe Chesterton	Head of Financial Services	Tel: 020 8227 2932 Minicom: 020 8227 2413 E-mail: joe.chesterton@lbbd.gov.uk

1. 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. Currently the Authority has Debt Free Status and does not utilise this type of resource to fund the Capital Programme.

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 amount of capital receipts generated varies from year to year, however, in order to maintain a consistent Capital Programme level it is necessary to plan the use of these receipts.

1.4. Thirdly, capital grants, issued by Government departments and agencies, which are 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 the revised programme for 2004/05 to 2007/08 has been to start with the approved programme agreed in the 2003/04 budget. This has been combined with a number of schemes anticipated to start in 2004/05, which have been appraised through the new capital appraisal system and the outcome incorporated into the review.

1.6. The purpose of this report is to enable the Executive to propose a capital programme for consideration by Assembly on 3rd March 2004.

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. Specific ones are for Housing and Education.

2.2. The Council's Asset Management Plan (AMP) for 2003 was approved by the Executive on 22nd July 2003 prior to it being submitted to the Government office for London (GoL). The Authority did not need to submit a Capital Strategy in 2003 as it received a rating of good in 2002 and was therefore exempt from submitting one this year. The overall assessment of the Council's corporate plans has improved from that of the previous year.

2.3. Over the last 18 months the Authority has made improvements in managing its assets and this has been reflected in the Asset Management Plan receiving a good assessment. Indications from Government show that the Council is moving in the right direction in respect of capital planning. Detailed feedback from the Government will be made available early in January 2004 which will help to identify areas for future improvement. It is important for the Authority to continue to seek improvements in capital planning and asset investment.

2.4. The Capital Strategy and the Asset Management Plan are integral to the Council's future capital investment planning process. The Capital Strategy links policies and priorities to capital investment and provides a framework for the operational work of asset management. The Asset Management Plan, which covers all of the Council's assets, provides essential information in determining Capital Investment needs.

2.5. The formulation of the 2004/05 – 2007/08 Capital Programme has taken account of the Council's Capital Strategy and Asset Management Plan and consequently capital schemes on the basis of this strategy.

3. New Capital Accounting Arrangements

Introduction

3.1 The enabling legislation for a new capital regime is set out in the Local Government Act 2003 and the new system is to be in place from 1/4/04. Authorities will be given greater freedom to borrow providing they can meet the revenue costs of the borrowing and the running costs of the resultant capital scheme.

3.2. The new regime requires the pooling of housing capital receipts and transitional arrangements have been approved for debt free Councils. This is estimated to cost the Council about £30.3 million over the three year period in the level of usable capital receipts and is split as follows:

- £5.1m 2004/05
- £9.8m 2005/06
- £15.4m 2006/07

The new arrangement has been allowed for in the Council's Capital Plan and the Capital Plan will need to be reviewed to ensure that these resources can be allocated for this purpose. These new requirements mean that the Council will need to reappraise its debt free status as the financial advantages of being debt free are reducing.

3.3. The new prudential guidelines will require the Council to set out various indicators on its Capital plans, investments and projected Council Tax increases, although being debt free reduces the extent of these.

Debt Free Status

3.4 The council currently is debt free; from 1 April 2004 the new capital regulations make this less attractive. These mainly relate to the need to pay a proportion of housing capital receipts into a national pool. There is however a transitional assistance for councils that are debt free on 31st March 2004. The council needs to be debt free on 31st March 2004 otherwise it would forego about £30m of transitional relief.

3.5 The capital plan for the council is indicating that there will be gap between the spending needs and the available resources over the period of the plan of around £16 million.

3.6 It will be necessary for the Director of Finance to report during 2004/05 on the implications of borrowing and give consideration as to when this might be advantageous to the council.

3.7. Prudential Capital Guidelines

3.7.1 From April 2004 a new financial capital financing system is to be introduced based upon a prudential system of borrowing. Authorities will be given greater freedom to borrow providing that they can meet the necessary capital and interest repayments from revenue accounts. Even though the Council is currently not projected to lose its debt free status until 2007/08 this will fall within the three year horizon for capital and revenue forecasting. This will mean that the Council will need to implement the code in full even though those elements relating to borrowing limits and affordability will only apply in the final of the three years.

3.7.2 The CIPFA Prudential Code identifies a number of requirements, measures and limits which are collectively referred to as prudential indicators. These can be summarised as follows:

Requirements

- A three year rolling capital programme and revenue forecast is to be prepared and maintained with estimates of the council tax and/or average housing rent for each year.
- All authorities must adopt the treasury management code.
- Authorities should not borrow for revenue purposes (except in the short-term).

Measures

- Estimated/actual ratio of financing costs to net revenue stream for HRA and general fund.
- Estimated/actual capital expenditure for HRA and general fund.
- Estimated/actual capital financing requirement (i.e. borrowing) for HRA and general fund.
- Actual external debt

Limits

- Authorised limit i.e. the authorised limit for borrowing plus the authorised limit for other long term liabilities.
- Operational boundary i.e. total external debt gross of investments separately identifying borrowing form other long term liabilities.
- Various treasury management prudential limits e.g. interest rate exposures, maturity structure and borrowing.

3.7.3 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.

3.7.4 Detailed work has been undertaken on the relevant Prudential Indicators required for the Authority and these are set out at Appendix F.

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

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

- Right to buy receipts including proceeds from sales to existing tenants or occupiers and mortgage payments by past tenants to the authority will be subject to a pooling rate of 75%. This will be phased in over a three year period with a pooling rate of 25% in 2004/05, 50% in 2005/06 and 75% in 2006/07 - subject to the difference between this and the 75% pooling amount in 2004/05 and 2005/06 being used for affordable housing.
- Large and small scale voluntary transfer will not be pooled and may be used for any capital purpose.

- All other housing capital receipts will be subject to pooling at a rate of 75% for dwellings and 50% for land, commercial and other HRA property - unless they are used for affordable housing or regeneration where the poolable part of the receipt may be reduced to zero in accordance with the ‘in and out’ rules. Poolable receipts include the disposal of mortgage portfolios and payments made to redeem landlords share.

3.7.7 In summary, over the next 5 years the amount that can be retained by the authority is likely to be:

	£m’s
• 2003/2004	38.1
• 2004/2005	23.6
• 2005/2006	16.3
• 2006/2007	12.0
• 2007/2008	6.0

This has been factored into the capital plan.

4. Capital Appraisal System

4.1 A review of the management of the Capital Programme was undertaken by KPMG in 2001/02. The review looked at both Strategic Programme Management and Individual Project Management and the resultant report made a number of recommendations to improve both these aspects.

4.2 The Corporate Asset Forum (TMT) recommended in March 2003 that a staged approach to the implementation of Capital Programme Management should be adopted and that a robust project appraisal process needed to be developed for effective project selection and spend optimisation.

4.3 It was proposed that external consultants be engaged to develop and build upon the existing process, based on experience and current best practice.

4.4 Scott Wilson Kirkpatrick (SWK) were appointed as partners to undertake:

- An initial review
- Establishment of a Programme Management function for Capital Programmes
- Development of a programme management process
- Establishment of a project appraisal process
- Development of a programme assembly process

4.5 Following the establishment of the Capital Programme Management Office (CPMO) a formal project appraisal process was jointly established. The process is Green Book compliant and was recently recognised as good practice by both the I&DeA and Audit Commission. It was agreed by TMT that all proposed 2004/05 projects on the existing Capital Programme were appraised and scored in terms of:

- Strategic fit
- Financial implications
- Deliverability & procurement
- Benefits plan

4.6 The appraisals proved challenging to departmental programme managers and concentrated on issues such as risks to the authority, revenue implications, deliverable benefits and measured outcomes to the community.

4.7 As part of the assembly of the 2004/05 capital programme the following steps were adopted:

- All new projects proposed by departmental sponsors were appraised by CPMO so that they could then be reviewed and ratified by TMT
- Projects that had been previously approved or contractually committed were given high priority (ensuring that these ongoing projects take priority over new projects)
- New projects deemed unavoidable were also assessed and flagged to notify TMT that they are unavoidable.

4.8 In parallel with the appraisal process, the Programme Assembly Model was developed and was presented to TMT in November 2003. It was discussed in detail to demonstrate how the model provides the key Management Information to ensure informed decisions are made during the assembly process. The Model was accepted as the chosen programme assembly tool to be used as part of the compilation of the Council's capital programme.

4.9 Arising from this TMT agreed that schemes should be categorised as follows:

- Category A - Projects that have been previously approved by the Executive and are contractually committed to be given highest priority,
- Category B - Projects that have been previously approved by the Executive but are not Contractually committed required to undergo a "fast-track Appraisal",
- Category C - Projects that have not been previously approved by the Executive to undergo the full Appraisal Process.

4.10 Following this categorisation of schemes the proposed capital programme has been constructed and is commented on further in section 7 of this report.

5. <u>Capital Programme 2003/04 – latest position</u>

5.1. The Capital Programme is being managed by the Capital Programme Management Office (CPMO) team in the Department of Leisure and Environmental Services 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 reflects the following adjustments from the original budget as follows:

	£m's
Original 2003/04 capital programme	96.671
Government's withdrawal of financial support for the Local Authority Social Housing Grant Programme	(20.600)
Carry forwards from 2002/03	23.982
New Funding – Externally Funded	1.909
Executive Decisions (reprofiling from future years)	11.071
Deletion of Schemes	(1.340)
Total revised capital programme 2003/04	**111.693**

5.3 The full breakdown of the revised Capital Programme scheme by scheme for 2003/04 is shown in Appendix A.

5.4 As at the end of January approximately £52.5 million of this year's programme has been spent out of an overall revised budget for the year of £111.7 million. In addition to this 'physical' spend there are a great number of schemes which have commitments to spend before the year end or where there have been delays to scheme starts and the resources will need to carry forward into 2004/05 e.g. Customer First £3m. Additionally, a number of schemes have external funding and the arrangements for these projects allow the resources to be carried forward into the following financial year e.g. a number of regeneration schemes. 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, consultation etc.

5.5 The overall position is that there are some areas where there are current underspends. One of these is in Housing Major Works where an anticipated underspend of £7.3m is expected mainly due to various contractual issues. A further large scheme where expenditure has not yet occurred is the Education PFI arrangement for £6m. Contract signature is imminent and once finalized this sum will be charged to a PFI equalization fund in accordance with proper arrangements and expenditure will therefore have occurred before the 31st March 2004.

5.6 On the 1st April 1994, a number of Housing properties transferred to the Borough from the London Borough of Redbridge as part of the boundary changes. An outstanding debt of £4.52 million was transferred at the same time and the balance of this debt will be £3.69 million at 31st March 2004. It would be advantageous to repay this debt early, as this debt is relatively expensive and there are implications arising from the pooling of housing receipts from 1 April 2004. It is recommended that the Director of Finance investigates the potential for this transaction. On the basis that this would be favourable for the Authority the repayment would be in one capital sum which would cover a commuted sum for the outstanding debt of around £6.3 million and would need to occur before 31 March 2004 to benefit both authorities. It is recommended that, if beneficial, the sum could be charged to the underspend on the Housing Major Works budget. The repayment of this debt will reduce the annual revenue cost to the Housing Revenue Account. It is recommended that this is then used as a revenue contribution for capital expenditure in order to repay the one off transaction.

6. Capital Resource Position

6.1 Capital receipts arising from the sale of assets contribute to the resources available and these currently are applied wholly to support the Capital Programme.

6.2 It is anticipated that around £146 million of capital receipts will be available to support the 2004/05 to 2007/08 Capital Programme. Various assumptions have been made regarding the generation of capital receipts in 2004/05 and for later years particularly around land disposals and ‘Right to Buy’ receipts. This position will therefore need to be closely monitored over the relevant years.

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

7. Proposed Capital Budget 2004/05 – 2007/08

7.1. Following on from the capital appraisal process and consideration of the available capital resources, the proposed capital programme for 2004/05 to 2007/08 is shown in summary form in Appendix B with sources of funding and with the full detail scheme by scheme in Appendices C to E. The formation of this programme is based upon:

7.1.1 All projects that are due to start in 2004/05 and have been both appraised and meet strategic fit are included in the approved programme (Appendix C);

	£m’s
Total	**236.9**
External Funding	112.3
Capital Receipts	124.6

Any projects that have not achieved “green” in all categories cannot be contractually committed until they have been reappraised and achieve green status. Effectively these schemes are included in the programme but are on hold until this has been achieved.

In addition, there are new schemes which have been included in the above figures for asbestos removal, contaminated land and CCTV expansion to be met from Capital receipts. Also there are new externally funded schemes and these are the Children’s Centre; Barking Town Land Acquisition; Barking Town Lifelong Learning and Barking Town Public Realm. All these new schemes require approval for inclusion in the programme.

7.1.2. All projects that are due to start in 2004/05, have been appraised and do not meet strategic fit are not in the approved programme (Appendix D).

	£m's
Total	**13.7**
External Funding	6.3
Capital Receipts	7.4

These will need to be appraised and achieve green in all categories before they can be added to the programme. They will however, be listed as schemes pending. It is recommended that these schemes will need to be reported back to the Executive for inclusion in the programme.

7.1.3. All projects due to start in 2005/06 – these will need to be appraised before they can be committed or added to the approved programme and will need to be reported to the Executive (Appendix E).

	£m's
Total	**32.7**
External Funding	2.6
Capital Receipts	30.1

In addition, within the above figures are the following projects, totaling an extra £6.6 million from capital receipts, which have increased in overall scheme cost from the programme agreed in 2003/04 and will need relevant approval;

	£m's
Total	**6.56**
Lymington – new primary school	2.32
Barking Reach Primary School	0.03
Eastbury Infants	2.50
Barking central area – new primary school	1.71

7.2 The 2005/06 new start schemes exclude the following projects and all relate to Primary Schools Improvement.

	£m's
Village Infants	3.0
March Green	4.0
Gascoigne	3.5
Northbury	5.0
Thames View	5.0
South Dagenham	4.0
Primary Improvements	10.0
Total	**34.5**

7.3 These originally were listed as being externally funded, the Education Officers have now advised that they will require the use of capital receipts. The Executive are recommended that projects only take place at these schools if external funding is obtained.

It must be recognized that the council will be required to provide for increases in school places as the demand arises. If the external funding is not forthcoming alternative options for delivering those places or funding will need to be found.

This will require a review of the capital programme for all uncommitted projects and a reassessment of the available resources including asset disposals. Consideration will also need to be given to the need for external borrowing.

7.4 A recent decision by the Executive was on the additional funding of the refurbishment of the Barking Town Hall. The agreement was for a further £240,000 to be spent in 2004/05 and that the funding should be considered as part of the review of the capital programme. This sum can be contained from within the overall resources and would be met from relevant slippage in the overall programme.

7.5 Overall there is a projected £15.6m shortfall in the total Programme in 2004/05 to 2007/08 if all schemes achieve green status.

7.6 Where additional funding becomes available during the year, further reports will be submitted to the Executive to seek agreement to include in the Capital Programme, together with any other financial implications of the scheme.

7.7 The Council's Capital Programme after 2004/05 will continue to be tightly controlled and the Council should plan accordingly. Members will need to consider the longer term outlook for capital spending and regularly review capital budgets after 2004/05.

8. Revenue Implications of the Capital Programme

8.1 The cost of funding a Capital Programme in 2004/05 for this Authority relates to the revenue implications arising from each scheme. Where revenue costs of capital schemes are not included in the budget options for 2004/05 they will need to be funded from within existing Service budgets. There is no capital financing costs as this Authority is currently debt free. However, even though we are debt free the Authority's Formula Spending Share reflects an element for capital financing costs.

8.2 It is important to note that when we move from debt free status the capital financing costs to the Capital Programme will be need to be incorporated in the Council's revenue budget.

8.3. Future revenue commitments (excluding capital finance costs) that may flow from capital expenditure schemes will need to be incorporated in Service revenue growth/savings options and budgets that are considered each year when the Council Tax is set.

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Appendix F

The Prudential Code for Capital Investment in Local Authorities

The Prudential Indicators

1. Introduction

1.1. New regulations issued under the Local Government Act 2003 require local authorities to have regard to the Cipfa Prudential Code for Capital Finance when determining the amount of borrowing it is prudent and affordable to undertake.

1.2. This Code in turn 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” and well as a description of the broader issues that much must be considered when making these decisions.

1.3. The Code is a formal statement of good practice that has been developed to apply to all authorities regardless of their local circumstances. For this reason this statement has to include all the required prudential indicators even though some of them are not of direct relevance to debt free authorities. It is therefore important to focus on the overall picture that they present of the Council’s financial circumstances rather than to concentrate on individual indicators.

2. Capital Expenditure

2.1. Table 1 below is a summary of the latest estimates for capital expenditure based on the proposed capital programme.

Table 1: Capital Programme (Prudential Indicator)

	2003/04 Estimate £’million	2004/05 Estimate £’million	2005/06 Estimate £’million	2006/07 Estimate £’million
General Fund	62.542	60.242	43.912	31,361
Housing Revenue Account	49.151	38.856	31.574	24,223
Total	111.693	99.098	75,486	55,584

Note: This table includes externally as well as internally financed expenditure.

3. Financing Costs

3.1. For an authority that has debt the prudential indicator for its financing costs is the interest and repayment of principle on borrowing. Conversely, for an authority without debt, it is the interest and investment income from its investments. This income contributes to the financing of the Council's revenue budget. When, however, capital receipts are used to finance the capital programme the amount of interest earned will be reduced unless fresh capital receipts are received. In these circumstances the Council will have to decide how it will meet the gap which will emerge in its revenue budget.

3.2. Since the authority does not borrow there is no Minimum Revenue Provision ("repayment of principle") in the General Fund financing costs. For the HRA there is, however, a charge for depreciation based on the Major Repairs Allowance. This is included in the financing costs of the authority although in practice it is matched by an equivalent amount in HRA Subsidy.

3.3. Table 2 shows the latest estimate of the Council's Financing Costs based on the capital programme shown in Table 1. The use of capital receipts for capital investments results in a loss of interest and investment income but this may be offset by the interest on new capital receipts.

Table: 2 Financing Costs (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
General Fund			
- Interest Receivable	-3.409	-2.420	-1.771
Housing Revenue Account			
- Depreciation	14.900	14.900	14.900
- Interest Receivable	-1.700	-1.653	-1.607
Sub-Total	13.200	13.247	13.293
Total	9.791	10.827	11.522

This table may change as a consequence of changes to the capital programme and in the planned use of reserves and provisions.

Note: The payments made as part of the present (and any future) PFI schemes are not included in the calculation of financing costs.

3.4. Since it may be imprudent for an authority to place excessive reliance on investment income to finance its revenue budget the Prudential Code requires council's to take into account the ratios of these financing costs to its net revenue streams. This is done separately for the General Fund and the Housing Revenue Account in Table 3.

3.5. The ratio for the General Fund shows the impact of the decline in investment income as a consequence of the use of capital receipts to finance the capital programme. The ratio is much higher for the Housing Revenue Account because it includes depreciation.

Table 3: Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator)

	2004/05 Estimate %	2005/06 Estimate %	2006/07 Estimate %
General Fund	-1.55	-1.10	-0.80
Housing Revenue Account	23.66	23.74	23.82

3.6. Ultimately, the decision as to whether the Council's capital programme is affordable will depend on its impact on Housing Rents and the Council Tax. For this reason the Code requires the Council to consider the implications of the proposed changes to their capital programmes on the Council Tax and Housing Rents. This estimate excludes the impact of the re-phasing of existing capital schemes and of the site disposal programme and right to buy sales. It concentrates on the impact of adding or deleting capital schemes since it focuses on those aspects of the capital programme on which a decision is required.

Table 4: The Impact of Capital Programme on the Council Tax (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Net Impact of Capital Programme	0.918	2.582	4.167
Impact on Council Tax	£17.97	£50.58	£81.61

3.7. These figures reflect the additional loss of interest costs of financing new capital investment. No other revenue implications are included because the capital budget had been prepared on the assumption that any additional running costs will be funded from within existing budgets or savings.

Table 5: The Impact of Capital Programme on Housing Rents (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Net Impact of Capital Programme	0	0	0
Net Impact on Rent Income per Week	0	0	0

3.8. As a consequence of the absence of debt and the Government's policy on rent restructuring the capital programme will have a minimal impact on future rents. There are no borrowing costs and the revenue contribution to capital expenditure will be set according to the rent levels that are established by the rent restructuring regulations. This indicator has been based on the assumption that there is no real terms increase in the revenue contribution for the Capital Programme.

4. Capital Financing Requirement

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

Table 6: Capital Financing Requirement (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Housing Revenue Account (HRA) General Fund	-26.627 25.391	-24.292 23.056	-21.957 20.721
Council's Capital Financing Requirement	-1.236	-1.236	-1.236

4.2. Barking and Dagenham's overall Capital Financing Requirement is negative because it has no underlying need to borrow for capital investment. Given the scale of the Council's financial transactions this figure is for practical purposes zero. The figure is negative rather than zero because it is not possible to completely separate capital and revenue items in local authority balance sheets.

4.3. A separate HRA Capital Financing Requirement is calculated for the purpose of allocating interest costs and receipts within the Council. The negative HRA Capital Financing Requirement means that the HRA receives the benefits of interest on HRA capital receipt set aside before the Council became debt free.

4.4. Even in the future, when the Council may have an underlying need borrow to finance capital expenditure; it may still not necessarily borrow externally. Sound treasury management may demand that it makes temporary use of internal funds not immediately required for the purposes for which they are maintained.

5. External Debt

5.1. In the medium term local authorities only have the power to borrow for capital purposes. The current position is that the Authority has no plans to embark on long term borrowing and therefore the Director of Finance is able to confirm that we will meet this legal requirement.

5.2. External borrowing and investment arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. In accordance with best professional practice the Council does not associate borrowing with particular items or types of expenditure. This means that in day to day cash management no distinction can be drawn between revenue or capital funds nor, similarly, between Housing Revenue Account and the General Fund.

5.3. For the management of this borrowing on a day to day basis the Council is recommended to approve an Operational Limit of zero for its external debts for the next three years. This, in the new system, is the formal expression of the Council's existing treasury management policy of not borrowing unless it proves essential for managing cash flow according to best professional practice.

5.4. At any point in time there are a number of cash flows in and out of the Council's bank account which are caused by the differential timing of payments and receipts from the Council. It is possible that an unanticipated cash movement could lead to a requirement for temporary borrowing. For this reason the Council is also recommended to approve the Authorised Limits set out in Table 7.

Table 7: Authorised Borrowing Limit (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Operational Limit on Borrowing	0	0	0
Margin for Unforeseen Cash Flow Movements	5.0	5.0	5.0
Authorised Limits	5.0	5.0	5.0

5.5. These limits will give the Director of Finance authority to undertake borrowing for cash flow purposes. For this reason, in taking its decisions on this budget report, the Council is asked to note that the Authorised Limit for 2004/05 will be the statutory limit determined under section 3 (1) of the Local Government Act 2003.

5.6. The authorised limit for temporary borrowing is small in comparison with the scale of the Council's investments. It is therefore consistent with the Council's existing financial strategy and approved treasury management policy statement and practices. While borrowing within these Authorised Limits would therefore be neither imprudent nor unaffordable, a continuing need to borrow beyond the Operational Limit of zero would indicate to the Director of Finance that the Council's financial position should be re-evaluated.

6. Treasury Management Indicators of Prudence

6.1 The authority has an integrated treasury management strategy and has adopted the *CIPFA Code of Practice for Treasury Management in the Public Sector.* The new *Prudential Code for Capital Finance in Local Authorities* supplements this by requiring council's to calculate specific indicators to demonstrate the prudence of its treasury management policies.

6.2. The three prudential indicators of Treasury Management have little relevance to Barking and Dagenham since the only borrowing envisaged is on a short term basis for cash flow purposes.

Interest Rate Exposure

The Council will not be exposed to any interest rate risk since all its borrowing will be at known overdraft rates (if this occurred) and fixed rates.

Maturity Structure of Borrowing

All the Council's borrowing will be for a period of less than one year.

Total principle sums invested

The overriding objective of the investment strategy is to ensure that funds are available on a daily basis to meet the Council's liabilities. It is therefore Council policy to make investments in line with the authority's Annual investment strategy.

7. **Options for the Capital Programme**

7.1. In considering its programme for capital investment, the Code requires the Council to have regard to:

Affordability

The affordability of the capital programme is measured, in the prudential indicators, by its implications for the Council Tax and Housing rents.

Prudence and sustainability

The prudence of the capital programme is revealed by its compatibility with the Council's financial strategy of not borrowing

Value for money

The value for money offered by the capital programme has been enhanced by the introduction of new procedures to ensure that each amendment to the approved capital programme is fully appraised and documented before inclusion in the baseline.

Stewardship of Assets.

The capital programme supports the 2003 Corporate Asset Management Plan which sets out how the Council will manage its operational and investment properties (excluding the housing stock and schools). The Capital Programme also takes into account the requirements of the *Department for Education and Skills* Asset Management Plan and the Housing Revenue Account Business Plan.

Service Objectives

The capital programme will support the Council in delivering the community priorities set out in the Barking and Dagenham Balanced Scorecard Strategy

Practicality

The capacity of the Council to deliver the proposed capital programme has been enhanced by the adoption of a partnership approach.

8. Summary Assessment

Considered together the Prudential Indicators confirm that the proposed capital programme, with its associated revenue implications, is both affordable and prudent.

The Council needs to adopt an Authorised Limit that will give the Director of Finance authority, in exceptional circumstances, up to £5 million. It is anticipated that in practice that such borrowing is unlikely to be necessary.

It is necessary to stress that this assessment only reflects the impact of the proposed capital programme for 2004/05 to 2007/08 to be adopted this year. The situation will have to be regularly monitored should any new schemes or changes to the capital programme be made during 2004/05 and beyond.

THE EXECUTIVE

24 FEBRUARY 2004

REPORT OF THE DIRECTOR OF FINANCE

TREASURY MANAGEMENT ANNUAL STRATEGY STATEMENT AND THE COUNCIL'S PRUDENTIAL INDICATORS	FOR DECISION

Summary

To approve an Annual Treasury Strategy Statement and Prudential Indicators for the financial year 2004/2005 in respect of the Council's Treasury Management functions. This includes an Annual Investment Strategy that meets the requirements of guidance issued by the Secretary of State under Section 15(1) of the Local Government Act 2003.

Recommendation

Members are asked to consider and refer the following to the Assembly on 3rd March 2004 for approval:

1. The Annual Treasury Strategy Statement for 2004/05.

2. The Annual Investment Strategy for 2004/05, which states the investments the Council may use for the prudent management of its treasury balances (sections 5 and 6).

3. The authorised borrowing limit of £5 million for 2004/05, which will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

4. The Prudential Indicators as set out in Appendix A for 2004/05.

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1. Background

1.1 The Council has previously adopted the *Code for Treasury Management in the Public Services* promulgated by the Chartered Institute for Public Finance and Accountancy (Cipfa). At that time the Council also approved a Treasury Management Policy Statement, which delegate implementation and monitoring of the code to the Executive.

1.2 The Treasury Policy Statement requires that before 1st April each year a report is presented on the strategy to be adopted for the ensuing financial year. This strategy will cover issues such as the raising of capital finance, the investment of surplus monies and the management of cash flow between the various parts of the Council having regard to prevailing and future interest rates.

1.3 The suggested strategy for 2004/05 is based on the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor.

2. The Prudential System of Borrowing

2.1 The Local Government Act 2003 has introduced a new system of capital finance based on a Prudential Code produced by Cipfa. This establishes a new approach to the consideration of whether capital spending is affordable and prudent.

2.2 The Prudential Code requires the Council to set a number of Prudential Indicators, some of which replace the borrowing and variable interest rates limits previously determined as part of the annual treasury strategy statement. It also extends the period covered from one to three years. This report incorporates these indicators in Appendix A.

2.3 The fact that the Council is currently debt free has a significant influence on the application of the Prudential Code. Many of the indicators have designed to manage portfolios of long-term debt and so have little or no relevance to the Council at this time. Members have indicated in the Council's Medium Term Financial Strategy that this is likely to remain the case until 2007/8, however, the matter will be subject to review and kept under review. It is, therefore, likely to be several years before there is any need to consider borrowing as a means to finance the capital programme.

3. Treasury Limits for 2004/05 to 2006/07

3.1 It is a new statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. For this purpose a distinction is drawn between the Operational Limit and Authorised Limit on borrowing:

Operational Limit

This is a management target which will be used by finance staff to guide their day to day treasury management.

Authorised Limit

This is the level of borrowing which, if necessary, finance staff can undertake to meet the day to day cash requirements of the Council.

3.2 At any point in time there are a number of cash flows in and out of the Council's bank account which are caused by the differential timing of payments and receipts from the Council. In the management of these cash flows on a day to day basis the Council is recommended to approve an Operational Limit of zero for its external debts for each of the next three years. This, in the new system, is the formal expression of the Council's existing treasury management policy of not borrowing unless it proves essential for managing cash flow according to best professional practice.

3.3 It is possible that an unanticipated cash movement could lead to a requirement for temporary borrowing. For this reason the Council is also recommended to approve the Authorised Limits set out in Table 1.

Table 1 Authorised Borrowing Limit

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Operational Limit on Borrowing	0	0	0
Margin for Unforeseen Cash Flow Movements	5.0	5.0	5.0
Authorised Limits	5.0	5.0	5.0

3.4 These limits will give the Director of Finance authority to undertake borrowing for cash flow purposes. The aim would be to breach the operational limit only very occasionally, if at all. Any loans raised will be for the shortest possible period in accordance with the Council's cash flow requirements. As a consequence the prevailing market rates will be paid so it will unnecessary for the Council to develop a borrowing strategy for the balancing long and short term interest rates.

3.5 The authorised limit for temporary borrowing is small in comparison with the scale of the Council's investments. It is therefore consistent with the Council's existing financial strategy and approved treasury management policy statement and practices. Borrowing within these Authorised Limits would therefore be neither imprudent nor unaffordable.

4. The Council's Current Investments

4.1 The Council currently has around £168 million of cash investments, which are managed as shown in Table 2.

Table 2: The Council's Investments

	31st March 2003	31st December 2003
	£million	£million
Council In House Team	55	64
Scottish Widows	26	27
Investec Guinness Flight	74	77
Total	155	168

The average rate of return for 2003/2004 for all Council investments over the 9 months to the 31st December 2003 was 3.2%.

4.2 The external fund managers make investments on the Council's behalf and are therefore subject to the same constraints on their choice of investments as the Council's in house team. Until 31st March 2004 the Local Authorities (Capital Finance) (Approved Instruments) Regulations 1990, updated by the 2002 amendment Regulation, limits the choice of investments. The previous Treasury policy statement identified these as:

- Local Authorities
- UK Clearing Banks
- UK Building societies
- Any foreign bank on the Bank of England's Banking Act 1987
- Any other body approved in the relevant regulations

4.3 In the contracts appointing fund managers the Director of Finance has set limits on the proportion of funds that can be placed in longer term investments. Similarly there are limits on the proportion (and absolute amounts) of funds that may be placed in single investments. These limits are different for each fund manager as a consequence of the different benchmarks they have been set.

Table 3: The benchmark and objective is set for each fund manager:

	Benchmark	Investment Objectives
Investec	7 Day L.I.B.I.D Rate in Financial Times	Security of the Fund is of paramount importance and the Manger's priority will be to minimise risk to capital values. The Manager's objective will be to optimise returns commensurate with the containment of risk.
Scottish Widows	The 7 Day Local Authority Deposit Rate compounded weekly from Datastream	To outperform the benchmark by 1% per annum (net of fees) over a rolling three year period.

4.4 After the end of the financial year the Treasury Management Annual Report will give information to members on the performance during 2003/04.

5. <u>Annual Investment Strategy 2004/05</u>

5.1 Since 1990, local government investment has been government by regulations made under the Local Government and Housing Act 1989. These listed the types of investment that local authorities were able to hold for the purpose of treasury management. These regulations are being repealed from April 2004 with the introduction of the new system of capital finance. The Government has issued new more flexible guidance which will apply to the financial year 2004/05 and beyond.

5.2 The new guidance emphasises that, while priority should be given to the security of investments and to cash flow requirements, authorities should seek the highest rate of interest consistent with these demands. Rather than specifying the investments that authorities are permitted to make, the new guidance gives them the freedom to determine which investments are appropriate. For this purpose it must produce an Annual Investment Strategy, which sets out how it will determine its choice of investments.

5.3 This Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the heads of Specified Investments and Non-Specified Investments. Under the new regulations it is now a requirement to report these investments to the Executive for approval. These are listed in Appendix B. It also sets out:

- The procedures for determining the use of each asset class (advantages and associated risk), particularly if the investment falls under the category of "non-specified investments";

- The maximum periods for which funds may be prudently committed in each asset class;

- The £ or % limit to be invested in each asset class;

- Whether the investment instrument is to be used by the Council's in-house officers and/or by the Council's appointed external fund managers; and, if non-specified investments are to be used in-house, whether prior professional advice is to be sought from the Council's treasury advisors;

- The minimum amount to be held in short-term investments (i.e. one which the Council may require to be repaid or redeemed within 12 months of making the Investment).

Investment Objectives

5.4 All investments will be in sterling. The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments. The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

5.5 The ODPM maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Security of Capital: The use of Credit Ratings

5.6 This Council relies on credit ratings published by Fitch Ratings to establish the credit quality of counterparties (issuers and issues) and investment schemes. The Council has also determined the minimum long-term, short-term and other credit ratings it deems to be "high" for each category of investment.

5.7 Monitoring of credit ratings:

- All credit ratings will be monitored monthly. The Council has access to Fitch credit ratings and is alerted to changes through its use of the Sector website.

- If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that counterparty /investment scheme as a new investment will be withdrawn immediately. The Council will also immediately inform its external fund managers of the withdrawal of the same.

- If a counterparty is upgraded so that it fulfils the Council's criteria, its inclusion will be considered and put to the Director of Finance for approval.

- The Council will establish with its fund manager(s) their credit criteria and the frequency of their monitoring of credit ratings so as to be satisfied as to their stringency and regularity.

Investment balances / Liquidity of investments

5.8 The sum invested broadly represents the capital receipts that the Council has not yet re-invested into capital projects, financial reserves and provisions, together with the impact of any difference between the collection of income and council expenditure.

5.9 It is difficult to forecast with any certainty predicted changes in the levels of funds available due to variations in the rate of capital expenditure and uncertainties over the level of capital receipt income. A further complication in 2004/05 will be the introduction of pooling for capital receipts. This will require the Council to pay up to 75% of its receipts into a national pool for redistributed to other authorities.

5.10 Based on its cash flow forecasts, the Council anticipates its fund balances in 2004-05 to be approximately £130 million, which is based upon the 2004/05 capital programme expenditure profile (including a prudent allowance for slippage) and the already committed use of reserves and other balances.

5.11 The Council may permit its external fund managers to use instruments such as gilts, bonds and other longer-dated instruments. Limits will have to be established in the use of such instruments to ensure that the Council can have access to its investments to finance the capital programme. These Treasury Management limits can be set as either a £ amount or percentage.

5.12 Giving due consideration to the Council's level of balances over the next 3 years, the need for liquidity, its spending commitments and provisioning for contingencies, the Council has determined that £60m of its overall fund balances can be prudently committed to longer term investments (i.e. those with a maturity exceeding a year).

Investments defined as capital expenditure

5.13 The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'.

5.14 A loan or grant by this Council to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure by this Council. It is therefore important for this Council to clearly identify if the loan has made for policy reasons (e.g to the registered social landlord for the construction/improvement of dwellings) or if it is an investment for treasury management purposes. The latter will be governed by the framework set by the Council for 'specified' and 'non-specified' investments.

Provisions for Credit-related losses

5.15 If any of the Council's investments appeared at risk of loss due to default (i.e. this a credit-related loss, and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

Economic Outlook

5.16 The Council use Sector Treasury Services as its treasury adviser. As part of its service it assists the Director of Finance to form a view on interest rates. At December 2003 this view was that interest rates would rise slowly to reach 4.5% by the end of 2004/05. There is however a risk that the base rate might rise more quickly in 2004 if world economic recovery is stronger and faster than forecast.

5.17 Rising interest rates would principally affect the Council by increasing the return on its investment. The Council's in house team only manages temporary investments which are made solely in accordance with cash flow requirements which are not directly influenced by changing interest rates.

6. <u>Proposed Strategy</u>

6.1. The demands placed on the Council's treasury management activities have remained broadly unchanged since it became debt free. For this reason the principles of the proposed strategy for 2004/05 continues those adopted in recent years and are;

- The weighting of the funds between the different fund managers will be kept under constant review in order to ensure that an adequate spread of risk is maintained within the smaller portfolio.

- External investments will be managed in accordance with the policy guidelines set out in the management agreements with each of the fund managers. These demand the securing the highest rate of return commensurate with the maintenance of the capital value of the investment.

- The strategies of the fund managers will be determined in the light of market conditions and the actual movement of interest rates during the year. This strategy is, however, being developed in a new legislative context which demands its formal expression in an Annual Investment Strategy. This will require the Director of Finance to review the investments made by the Council to determine the limits for Specified and Non-Specified Investments (Appendix B)

7. <u>Summary</u>

7.1 During 2004/05 the Council will continue to be debt free and its internal investments will be used solely for cash flow management.

7.2 The balances available for investment will fall as a consequence of the spending of capital receipts on the capital programme. This reduction will be increased by the introduction of the national pooling of capital receipts.

7.3 Since the Council has substantial investments and does not borrow the prospect of rising interest rates represents a more optimistic outlook than the low returns of recent years.

7.4 The introduction of the Prudential Code will initially have a limited impact on the Council. It has however a requirement that the Executive proposes to the Assembly, to formally approve an authorised limit setting out the amount of borrowing that the Director of Finance can undertake, if necessary, for cash purposes.

7.5 The Director of Finance will, using the existing delegated responsibility for Treasury Management, establish the investment limits required for the Annual Investment Strategy 2004/05.

Appendix A

The Prudential Code for Capital Investment in Local Authorities

1. Introduction.

1.1. This statement sets out in detail the implications of the new framework for local authority investment based on a Prudential Code. It includes the series of financial indicators which must be produced as part of these new arrangements. The immediate impact on Barking and Dagenham will be limited, but it will become of increasing importance as the time approaches when the Council may have to renew borrowing in order to finance capital investment.

2. The New Framework for Local Authority Capital Investment

2.1. At the heart of the new framework is a new freedom which will allow each council to form its own judgment as to the amount it should borrow to finance capital investment. From the financial year 2004/05 this prudential borrowing system will replace the existing complex system of central Government control over council borrowing, although the Government will retain reserve powers of control which it may use in exceptional circumstances.

2.2. To enable councils to establish whether their proposed borrowing is affordable and prudent the *Chartered Institute of Public Finance and Accountancy* (Cipfa) has produced *The Prudential Code for Capital Finance in Local Authorities*. This identifies a range of indicators which must be considered by the Council when it makes its decisions about its future capital programme and sets its budget.

2.3. For Barking and Dagenham the impact of the present system of capital expenditure controls has been reduced by its debt-free status. In the new system there are no special incentives for local authorities to become or remain debt free.

2.4. In the longer term the new prudential system will give the Council more freedom to determine when, and by how much, it may become necessary to borrow to finance capital investment. The starting point for the production of the Council's capital programme remains its Asset Management Plan and Capital Strategy. These will seek to balance the requirement to renovate and enhance the Council's assets against the requirement for any borrowing to be both prudent and affordable.

3. The Pooling of Capital Receipts

3.1. For Barking and Dagenham the most immediate impact of the new framework for capital investment will be the accompanying introduction of a new system of pooling capital receipts.

3.2. In the present system local authorities have to set aside a proportion of their housing capital receipts for the repayment of debt. By taking these set asides into account when it calculates the borrowing limit for each local authority the Government has effectively redistributed capital receipts between local authorities. The details of the new arrangements for the redistribution of pooled capital receipts are yet known, but it is likely to continue to reflect the relative capacity of local authorities to finance expenditure from usable receipts.

3.3. Barking and Dagenham has, however, been excluded from the present system of pooling of capital receipts. Special regulations for debt free authorities have enabled the Council to spend on capital investment the sums which, in other authorities, would have had to be set-aside for the repayment of debt. As a consequence it has been able to re-invest all its capital receipts in its own capital programme.

3.4. Debt free authorities such as Barking and Dagenham will not be exempt from the new system of pooling capital receipts that will be introduced in April 2004. In this new system the redistribution of receipts will be achieved more directly by requiring council's to pay up to 75% of their housing capital receipts into a national pool for redistribution to other authorities. General Fund receipts, to which no set-aside applies in the present capital control, will not have to be pooled in the new arrangements.

3.5. The starting point for the calculation of Barking and Dagenham's contribution to the national receipts pool is 75% of dwelling sales and 50% of housing sites. The regulations permit the contribution to the national pool to be reduced to the extent that the Council invests in regeneration or social housing. For the purposes of the calculations in this statement it has been assumed that no expenditure in the existing capital programme meets these criteria. Since much of the Council's regeneration expenditure is externally funded, principally through the Single Regeneration Budget, the internally finance sums that may reduce the pooling of capital receipts may at present not be significant.

3.6. In future years this incentive to invest in social housing or regeneration will need to be taken account in the preparation of the Council's Capital Strategy.

3.7. For the first three years of the new system the impact of capital receipts pooling on debt fee authorities will be rebated. They will be reimbursed 75% of their contribution to the national capital receipts pool in 2004/05, 50% in 2005/06 and 25% in 2006/07.

3.8. This arrangement for authorities that are debt free on entry to the new system is being introduced through administrative arrangement which have not yet been published. It is informally understood that the rebates will be earmarked for the use of the HRA. Since, however, the proposed use of capital receipts by the HRA is in excess of these rebated amounts (see Table 1), this would not represent a constraint to the formulation of the Council's capital programme.

3.9. Table 1 summarises the short term impact of pooling. In the long term impact will be reduce the new capital receipts available for the Council to spend on its capital programme and therefore bring forward the time when the Council will again have to borrow to finance its capital programme.

Table 1: Projected Impact of the Pooling of Capital Receipts

	2004/05 £'million	2005/06 £'million	2006/07 £'million	Total £'million
Gross Pooling	20,257	19,602	20,582	60,441
Reimbursement For Debt Free Authorities (Ring Fenced to HRA)	15,193	9,801	5,145	30,139
Net Payment of Receipts into Pool	5.064	9,801	15,436	30,301
Cumulative Value of Receipts Paid into Pool	5,064	14,865	30,301	

This projection is based on the latest information on the anticipated level of right to buy receipts and site disposals.

4 Government Financial Support for Capital Expenditure

4.1. At present the Government gives financial support to the cost of borrowing to finance local authority capital investment through Revenue Support Grant and Housing Revenue Account Subsidy. The Government also pays capital grants for all or part of the cost of some types of capital schemes.

4.2. The use of capital grants has, in the past, been associated with the "ring-fencing" of government support to particular capital schemes. The Local Government Act 2003 gives Ministers the power to pay capital grants to local authorities in a non-ring-fenced form.

4.3. The new framework for local authority capital investment does not itself require any change in the way in which Government support for capital expenditure is provided. In the short term it is proposed to continue with the existing arrangements with the majority of resources being distributed by means of the "Single Capital Pot". Credit approvals will no longer be used for the control of local authority borrowing. A similar allocation process will, however, still be used to determine the element for borrowing costs in the Revenue Support Grant settlement.

4.4. For the longer term the Government is reviewing the relative merits of capital grants or of supporting borrowing through the Revenue Support Grant mechanism.

5. The Prudential Indicators

5.1. New regulations issued under the Local Government Act 2003 require local authorities to have regard to the Cipfa Prudential Code for Capital Finance when determining the amount of borrowing it is prudent and affordable to undertake.

5.2. This Code in turn 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" and well as a description of the broader issues that much must be considered when making these decisions.

5.3. The Code is a formal statement of good practice that has been developed to apply to all authorities regardless of their local circumstances. For this reason this statement has to include all the required prudential indicators even though some of them are not of direct relevance to debt free authorities. It is therefore important to focus on the overall picture that they present of the Council's financial circumstances rather than to concentrate on individual indicators.

6. Capital Expenditure

6.1. Table 2 below is a summary of the latest estimates for capital expenditure based on the proposed capital programme.

Table 2: Capital Programme (Prudential Indicator)

	2003/04 Estimate £'million	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
General Fund	62.542	60.242	43.912	31,361
Housing Revenue Account	49.151	38.856	31.574	24,223
Total	111.693	99.098	75,486	55,584

Note: This table includes externally as well as internally financed expenditure.

7. Financing Costs

7.1. For an authority that has debt the prudential indicator for its financing costs is the interest and repayment of principle on borrowing. Conversely, for an authority without debt, it is the interest and investment income from its investments. This income contributes to the financing of the Council's revenue budget. When, however, capital receipts are used to finance the capital programme the amount of interest earned will be reduced unless fresh capital receipts are received. In these circumstances the Council will have to decide how it will meet the gap which will emerge in its revenue budget.

7.2. Since the authority does not borrow there is no Minimum Revenue Provision ("repayment of principle") in the General Fund financing costs. For the HRA there is, however, a charge for depreciation based on the Major Repairs Allowance. This is included in the financing costs of the authority although in practice it is matched by an equivalent amount in HRA Subsidy.

7.3. Table 3 shows the latest estimate of the Council's Financing Costs based on the capital programme shown in Table 2. The use of capital receipts for capital investments results in a loss of interest and investment income but this may be offset by the interest on new capital receipts.

Table: 3 Financing Costs (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
General Fund			
- Interest Receivable	-3.409	-2.420	-1.771
Housing Revenue Account			
- Depreciation	14.900	14.900	14.900
- Interest Receivable	-1.700	-1.653	-1.607
Sub-Total	13.200	13.247	13.293
Total	9.791	10.827	11.522

This table may change as a consequence of changes to the capital programme and in the planned use of reserves and provisions.

Note: The payments made as part of the present (and any future) PFI schemes are not included in the calculation of financing costs.

7.4. Since it may be imprudent for an authority to place excessive reliance on investment income to finance its revenue budget the Prudential Code requires council's to take into account the ratios of these financing costs to its net revenue streams. This is done separately for the General Fund and the Housing Revenue Account in Table 4.

7.5. The ratio for the General Fund shows the impact of the decline in investment income as a consequence of the use of capital receipts to finance the capital programme. The ratio is much higher for the Housing Revenue Account because it includes depreciation.

Table 4: Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator)

	2004/05 Estimate %	2005/06 Estimate %	2006/07 Estimate %
General Fund	-1.55	-1.10	-0.80
Housing Revenue Account	23.66	23.74	23.82

7.6. Ultimately, the decision as to whether the Council's capital programme is affordable will depend on its impact on Housing Rents and the Council Tax. For this reason the Code requires the Council to consider the implications of the proposed changes to their capital programmes on the Council Tax and Housing Rents. This estimate excludes the impact of the re-phasing of existing capital schemes and of the site disposal programme and right to buy sales. It concentrates on the impact of adding or deleting capital schemes since it focuses on those aspects of the capital programme on which a decision is required.

Table 5: The Impact of Capital Programme on the Council Tax (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Net Impact of Capital Programme	0.918	2.582	4.167
Impact on Council Tax	£17.97	£50.58	£81.61

7.7. These figures reflect the additional loss of interest costs of financing new capital investment. No other revenue implications are included because the capital budget had been prepared on the assumption that any additional running costs will be funded from within existing budgets or savings.

Table 6: The Impact of Capital Programme on Housing Rents (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Net Impact of Capital Programme	0	0	0
Net Impact on Rent Income per Week	0	0	0

7.8. As a consequence of the absence of debt and the Government's policy on rent restructuring the capital programme will have a minimal impact on future rents. There are no borrowing costs and the revenue contribution to capital expenditure will be set according to the rent levels that are established by the rent restructuring regulations. This indicator has been based on the assumption that there is no real terms increase in the revenue contribution for the Capital Programme.

8. Capital Financing Requirement

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

Table 7: Capital Financing Requirement (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Housing Revenue Account (HRA)	-26.627	-24.292	-21.957
General Fund	25.391	23.056	20.721
Council's Capital Financing Requirement	-1.236	-1.236	-1.236

8.2. Barking and Dagenham's overall Capital Financing Requirement is negative because it has no underlying need to borrow for capital investment. Given the scale of the Council's financial transactions this figure is for practical purposes zero. The figure is negative rather than zero because it is not possible to completely separate capital and revenue items in local authority balance sheets.

8.3. A separate HRA Capital Financing Requirement is calculated for the purpose of allocating interest costs and receipts within the Council. The negative HRA Capital Financing Requirement means that the HRA receives the benefits of interest on HRA capital receipt set aside before the Council became debt free.

8.4. Even in the future, when the Council may have an underlying need borrow to finance capital expenditure; it may still not necessarily borrow externally. Sound treasury management may demand that it makes temporary use of internal funds not immediately required for the purposes for which they are maintained.

9. External Debt

9.1. In the medium term local authorities only have the power to borrow for capital purposes. The current position is that the Authority has no plans to embark on long term borrowing and therefore the Director of Finance is able to confirm that we will meet this legal requirement.

9.2. External borrowing and investment arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. In accordance with best professional practice the Council does not associate borrowing with particular items or types of expenditure. This means that in day to day cash management no distinction can be drawn between revenue or capital funds nor, similarly, between Housing Revenue Account and the General Fund.

9.3. For the management of this borrowing on a day to day basis the Council is recommended to approve an Operational Limit of zero for its external debts for the next three years. This, in the new system, is the formal expression of the Council's existing treasury management policy of not borrowing unless it proves essential for managing cash flow according to best professional practice.

9.4. At any point in time there are a number of cash flows in and out of the Council's bank account which are caused by the differential timing of payments and receipts from the Council. It is possible that an unanticipated cash movement could lead to a requirement for temporary borrowing. For this reason the Council is also recommended to approve the Authorised Limits set out in Table 8.

Table 8: Authorised Borrowing Limit (Prudential Indicator)

	2004/05 Estimate £'million	2005/06 Estimate £'million	2006/07 Estimate £'million
Operational Limit on Borrowing	0	0	0
Margin for Unforeseen Cash Flow Movements	5.0	5.0	5.0
Authorised Limits	5.0	5.0	5.0

9.5. These limits will give the Director of Finance authority to undertake borrowing for cash flow purposes. For this reason, in taking its decisions on this budget report, the Council is asked to note that the Authorised Limit for 2004/05 will be the statutory limit determined under section 3 (1) of the Local Government Act 2003.

9.6. The authorised limit for temporary borrowing is small in comparison with the scale of the Council's investments. It is therefore consistent with the Council's existing financial strategy and approved treasury management policy statement and practices. While borrowing within these Authorised Limits would therefore be neither imprudent nor unaffordable, a continuing need to borrow beyond the Operational Limit of zero would indicate to the Director of Finance that the Council's financial position should be re-evaluated.

10. Treasury Management Indicators of Prudence

10.1 The authority has an integrated treasury management strategy and has adopted the *CIPFA Code of Practice for Treasury Management in the Public Sector.* The new *Prudential Code for Capital Finance in Local Authorities* supplements this by requiring council's to calculate specific indicators to demonstrate the prudence of its treasury management policies.

10.2. The three prudential indicators of Treasury Management have little relevance to Barking and Dagenham since the only borrowing envisaged is on a short term basis for cash flow purposes.

Interest Rate Exposure

The Council will not be exposed to any interest rate risk since all its borrowing will be at known overdraft rates (if this occurred) and fixed rates.

Maturity Structure of Borrowing

All the Council's borrowing will be for a period of less than one year.

Total principle sums invested

The overriding objective of the investment strategy is to ensure that funds are available on a daily basis to meet the Council's liabilities. It is therefore Council policy to make investments in line with the authority's Annual investment strategy.

11. <u>Options for the Capital Programme</u>

11.1. In considering its programme for capital investment, the Code requires the Council to have regard to:

<u>Affordability</u>

The affordability of the capital programme is measured, in the prudential indicators, by its implications for the Council Tax and Housing rents.

<u>Prudence and sustainability</u>

The prudence of the capital programme is revealed by its compatibility with the Council's financial strategy of not borrowing

<u>Value for money</u>

The value for money offered by the capital programme has been enhanced by the introduction of new procedures to ensure that each amendment to the approved capital programme is fully appraised and documented before inclusion in the baseline.

<u>Stewardship of Assets.</u>

The capital programme supports the 2003 Corporate Asset Management Plan which sets out how the Council will manage its operational and investment properties (excluding the housing stock and schools). The Capital Programme also takes into account the requirements of the *Department for Education and Skills* Asset Management Plan and the Housing Revenue Account Business Plan.

<u>Service Objectives</u>

The capital programme will support the Council in delivering the community priorities set out in the Barking and Dagenham Balanced Scorecard Strategy

<u>Practicality</u>

The capacity of the Council to deliver the proposed capital programme has been enhanced by the adoption of a partnership approach.

12. Summary Assessment

Considered together the Prudential Indicators confirm that the proposed capital programme, with its associated revenue implications, is both affordable and prudent.

The Council needs to adopt an Authorised Limit that will give the Director of Finance authority, in exceptional circumstances, up to £5 million. It is anticipated that in practice that such borrowing is unlikely to be necessary.

It is necessary to stress that this assessment only reflects the impact of the proposed capital programme for 2004/05 to 2007/08 to be adopted this year. The situation will have to be regularly monitored should any new schemes or changes to the capital programme be made during 2004/05 and beyond.

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LONDON BOROUGH OF BARKING AND DAGENHAM

SPECIFIED INVESTMENTS

EACH LOCAL AUTHORITY SHOULD DECIDE WHICH INVESTMENTS ARE APPROPRIATE FOR ITS PARTICULAR CIRCUMSTANCE AND RISK APPETITE

All investments listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating **	Capital Expenditure?	Circumstance of use	Maximum period
Debt Management Agency Deposit Facility* (DMADF) * this facility is at present available for investments up to 6 months	No	Yes	Govt-backed	NO	In-house	1 year *
Term deposits with the UK government or with English local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	No	Yes	High security although LAs not credit rated.	NO	In-house and by external fund managers	1 year
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	No	Yes	Yes-varied** *Suggested : Short-term F1, Individual, Support 1,2,3 or equivalent*	NO	In-house and by external fund managers	1 year
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) : up to 1 year. *Custodial arrangement required prior to purchase*	No	Yes	Yes-varied** *Suggested : Short-term F1, Individual, Support 1,2,3 or equivalent*	NO	Best used by external fund managers	1 year
Gilts : up to 1 year *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed	NO	(1) Buy and hold to maturity : to be used in-house after consultation/ advice from Sector (2) for trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	1 year
Investment	**Share/ Loan**	**Repayable/**	**Security /**	**Capital**	**Circumstance of use**	**Maximum**

	Capital?	Redeemable within 12 months?	'High' Credit Rating criteria	Expenditure?		period
Reverse Gilt Repos : maturities up to 1 year [*A transaction where gilts are bought with a commitment (as part of the same transaction) to sell equivalent gilts on a specified date, or at call, at a specified price.* *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed	NO	to be used by external fund managers only subject to the guidelines and parameters agreed with them	1 year
Money Market Funds *These funds do not have any maturity date*	No	Yes	Yes-varied** *Suggested minimum : Standard & Poor's : AAA_m,.* *Moody's : AAA and volatility rating MR1+*	NO	In-house and by external fund managers subject to the guidelines and parameters agreed with them	the period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	No	Yes	Yes-varied** *Suggested minimum : Short-term F1, Individual Support 1,2,3 or equivalent*	NO	In-house	1 year in aggregate
Commercial paper** *[short-term obligations (generally with a maximum life of 9 months) which are issued by banks, corporations and other issuers]* *Custodial arrangement required prior to purchase*	No	Yes	Yes-varied *Suggested minimum : Short-term F1, or equivalent*	NO	to be used by external fund managers only subject to the guidelines and parameters agreed with them	9 months
Gilt Funds - open end***. *[Mutual funds investing predominantly in UK govt gilts.]* *These funds do not have any maturity date. These funds hold highly liquid instruments and the Council's investments in these funds can be sold at any time.*	No	Yes	Yes -	NO	to be used by external fund managers only subject to the guidelines and parameters agreed with them	

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / 'High' Credit Rating criteria	Capital Expenditure?	Circumstance of use	Maximum period
Other Bond Funds - open end***. *[Mutual funds investing in various types of bonds including government, supranational and corporate bonds.] These funds do not have any maturity date. These funds hold liquid instruments and the Council's investments in these funds can be sold at any time*	No	Yes	Yes-varied** *Suggested minimum rating for bond fund : AA-*	NO	to be used by external fund managers only subject to the guidelines and parameters agreed with them	
Treasury bills [*Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value*] *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed	NO	In-house and external fund managers subject to the guidelines and parameters agreed with them	1 year
Eligible Bills of Exchange < 1 year *[A signed, written order by which one party (drawer) instructs the second party (drawee) to pay on demand or at a fixed or determinable future time, a specified sum of money to or to the order of a specified third party (payee).*	No	Yes	Yes-varied** *Suggested minimum rating for drawee : Short-term F1.*	NO	to be used by external fund managers only subject to the guidelines and parameters agreed with them	1 year

**Subject to each council's determination of 'high credit rating'.

***Open ended funds continually create new units (or shares) to accommodate new monies as they flow into the funds and trade at net asset value. (NAV).

Monitoring of credit ratings :
All credit ratings will be monitored ***monthly***. If a counterparty or investment scheme is downgraded with the result that it no longer meets the Council's minimum credit criteria, the use of that counterparty / investment scheme will be withdrawn.
Any intra-month credit rating downgrade which the Council has identified that affects the Council's pre-set criteria will also be similarly dealt with.
The Council will establish with its fund manager(s) the frequency of their monitoring of credit ratings so as to be satisfied as to their stringency and regularity.

Appendix B

LONDON BOROUGH OF BARKING AND DAGENHAM

NON-SPECIFIED INVESTMENTS

EACH LOCAL AUTHORITY TO DECIDE WHICH ARE APPROPRIATE FOR ITS PARTICULAR CIRCUMSTANCE AND RISK APPETITE

All investments listed below must be sterling-denominated.

Note : When setting the maximum % limit for each investment, please base this on the aggregate sum managed in-house and through external fund managers

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum credit rating **	Capital Expen-diture?	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Term deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	(A) (i) Certainty of rate of return over period invested. (ii) No movement in capital value of deposit despite changes in interest rate environment. (B) (i) Illiquid : as a general rule, cannot be traded or repaid prior to maturity. (ii) Return will be lower if interest rates rise after making the investment. (iii) Credit risk : potential for greater deterioration in credit quality over longer period	No	No	YES-varied *Suggested :* *long-term AA-, Individual: Support 1,2 or equivalent*	NO	in-house	Delegated to Director of Finance	*Suggested limit :* *5 years*
Certificates of Deposit with credit rated deposit takers (banks and building societies) with maturities greater than 1 year *Custodial arrangement required prior to purchase*	(A) (i) Although in theory tradable, are relatively illiquid. (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of CD which could negatively impact on price of the CD.	No	Yes	YES-varied** *Suggested :* *long-term AA-, Individual, Support 1,2 or equivalent*	NO	To be used by external cash fund manager(s) only	Delegated to Director of Finance	*Suggested limit :* *5 years*

Investment	**(A) Why use it?** **(B) Associated risks?**	**Share/ Loan Capital?**	**Repayable/ Redeemable within 12 months?**	**Security / Minimum Credit Rating?**	**Capital Expen-diture?**	**Circumstance of use**	**Max % of overall investments**	**Maximum maturity of investment**
Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	(A) (i) Enhanced income ~ Potentially higher return than using a term deposit with similar maturity. (B) (i) Illiquid – only borrower has the right to pay back deposit; the lender does not have a similar call. (ii) period over which investment will actually be held is not known at the outset. (iii) Interest rate risk : borrower will not pay back deposit if interest rates rise after deposit is made.	No	No	YES-varied** *Suggested Rating : long-term AA-, Individual Support 1,2 or equivalent*	NO	to be used in-house after consultation/ advice from Sector	Delegated to Director of Finance	*Suggested limit : 5 years*
UK government gilts with maturities in excess of 1 year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii)Very Liquid. (iii) If held to maturity, known yield (rate of return) per annum ~ aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.	No	Yes	Govt backed	NO	(1) Buy and hold to maturity : to be used in-house after consultation/ advice from Sector (2) for trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	Delegated to Director of Finance	*Suggested maturity limit : 10 years including but also including the 10 year benchmark gilt*
Sovereign issues ex UK govt gilts : any maturity *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii) Liquid. (iii) If held to maturity, known yield (rate of return) per annum ~ aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.	No	Yes	AAA	NO	(1) Buy and hold to maturity : to be used in-house after consultation/ advice from Sector (2) for trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	Delegated to Director of Finance	*Suggested limit : 10 years*

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum credit rating **	Capital Expen-diture?	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Supranational Bonds *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii) relatively liquid. (although not as liquid as gilts) (iii) If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt ~ aids forward planning, enhanced return compared to gilts. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss. (ii) Spread versus gilts could widen	Yes	Yes	AAA or government guaranteed	**YES**	(1) Buy and hold to maturity : to be used in-house after consultation/ advice from Sector (2) for trading : by external cash fund manager(s) only, subject to the guidelines and parameters agreed with them	Delegated to Director of Finance	*Suggested limit : 10 years*
Floating Rate Notes (FRNs) *[Bonds (i.e. debt instruments) with a coupon whose rate varies in line with a market rate of interest and is generally re-set every 3 months]* *Custodial arrangement required prior to purchase*	(A) (i) Additional yield relative to term deposits (e.g. around 0.20% for a 2-year senior debt issue, around 0.30% for a 5-year senior debt issue. Subordinated debt issues will yield higher) (ii) Low volatility : As the coupon is re-set every 3 months, FRNs are less volatile and interest rate risk is minimal. (B) (i) Credit risk : would be aligned to the credit quality of the issuer. Subordinated debt issues may have a lower rating than that of senior debt issues by the same issuer of the FRN. (ii) Exact rate of return not known for the whole of the investment period at the outset of the investment, although it can be estimated.	Yes	Yes	YES-varied	**YES**	For trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	Delegated to Director of Finance	*Suggested limit : 5 years*

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum credit rating **	Capital Expen-diture?	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Corporate bonds *[Bonds other than sovereign bonds]*	(A) (i) Liquid, unlike longer-term deposits which are illiquid. (ii) Additional yield (ie. spread) over comparable gilt which is the premium to compensate for credit risk taken. (iii) Diversification into asset class other than gilts. (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of bond which could negatively impact on price of the bond. (ii) 'Spread' may widen post purchase resulting in higher yield (i.e. fall in price). (iii) Credit rating migration to a lower category would also result in the bond's yield rising and impacting on its price.	Yes	Yes	YES-varied** *Suggested minimum long-term rating :* *A : for bonds with maturities up to 2 years* *AA : for bonds with maturities up to 10 years*	**YES**	For trading : by external cash fund manager(s) only subject to the guidelines and parameters agreed with them	Delegated to Director of Finance	*Suggested limit :* *10 years*
Forward deposits with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	(A) (i) Known rate of return over period the monies are invested ~ aids forward planning. (B) (i) Credit risk is over the whole period, not just when monies are actually invested. (ii) Cannot renege on making the investment if credit rating falls or interest rates rise in the interim period.	No	No	YES-varied *Suggested Rating : Llong-term AA-, Individual Support 1,2 or equivalent*	NO	To be used in-house after consultation/ advice from Sector.	Delegated to Director of Finance	*Suggested limit :* *5 years*
Deposits with unrated deposit takers (banks and building societies) but with unconditional financial guarantee from HMG or credit-rated parent institution : any maturity	(A) Credit standing of parent will determine ultimate extent of credit risk	No	Yes	Not rated in their own right, but parent must be rated. *Suggested rating for parent :* *long-term AA-, Individual Support 1,2 or equivalent*	NO	In-house	Delegated to Director of Finance	*Suggested limit :* *1 year*

INSTRUMENTS NOT CONSIDERED BY THIS COUNCIL AS PRUDENT INVESTMENTS FOR ITS SURPLUS TREASURY FUNDS								
Investment	**Associated risks?**	**Share/ Loan Capital?**	**Repayable/ Redeemable within 12 months?**	**Security / High Credit Rating?**	**Capital Expen-diture?**	**Circumstance of use**	**Max % of overall investments**	**Maximum maturity of investment**
Equities	Very volatile Requires sophisticated knowledge of the equity market and individual stocks. Not suitable for treasury funds which have a much shorter time frame than pension funds.	**YES**	Yes	No	**YES**	N/A	***0%***	***N/A***
Open Ended Investment Companies (OEICS) - those which are equity based.	Volatile Requires sophisticated understanding of the equities, geographical and industry sectors underlying the fund. Not suitable for treasury funds which have a much shorter time frame than pension funds.	**YES**	Yes	No	**YES**	N/A	***: 0%***	***N/A***

**Subject to our council's determination of 'high credit rating'.

THE EXECUTIVE

24 FEBRUARY 2004

REPORT OF THE DIRECTOR OF HOUSING AND HEALTH

HOUSING INVESTMENT PROGRAMME FOR 2004/5/6	FOR DECISION

This report seeks Executive approval to proposals for establishing a Housing Investment Programme for the next two years.

Summary

This report sets out the basis for establishing a programme of investment until such time as Housing Futures Project is completed in July 2005. It sets out available resources and proposes how these can be expended in line with Best Value principles over the coming two years. If approved a further report will be submitted in March setting out the results of the assessment and recommending individual projects to be undertaken.

Recommendations

The Executive is asked to agree:

1. To the approach to the Investment Programme for 2004/5/6 set out in paragraph 1.3;

2. That a further report be submitted once the assessment proposed has been completed;

3. To the budget and provisional allocation of resources for 2004/5/6 set out in paragraph 2;

4. The extension of the existing Stock Survey to meet the needs of Housing Futures Study; and

5. To delegate authority to The Director of Housing and Health to negotiate with surveyors who undertook the 2002 Stock Condition Survey, NBA, to extend the survey to meet the needs of the Housing Futures Study as detailed in paragraph 3.7.2.

Reason

Approval is required to enable the necessary design work and procurement to proceed.

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1. Background

1.1 In 2000 Central Government devised the Decent Homes Standard and required all Local Authorities ensure their homes comply with it by 2010. More recently the Government has broadened the scope of this by introducing the concept of "liveability" which looks beyond the home itself into what makes a good place to live. In response to this the Council in 2001 adopted a Decent Homes Plus Standard which all its homes should reach by 2010.

In 2003 to ensure the overall Decent Homes Target is met government placed a requirement on all Local Authorities to carry out an assessment of how best to meet this target. This Assessment must be completed and approved by government by July 2005.

The Council, through its Housing Futures initiative is engaged on this long term assessment of its housing stock. This will identify not only the overall investment needs to achieve & maintain homes at the Decent Homes Standard (DHS) over the next 30 years but also how best to meet this.

1.2 Since overall long term investment decisions must await the outcome of the Option Appraisal the Capital Programme for the intervening two years (2004-6) needs to make investment where its long term benefit is assured and the works envisaged represent good value for money.

1.3 In line with our Business Plan in assessing property for inclusion in this programme regard needs to be made to

1. Maintaining asset value
2. Meeting or maintaining the Decent Homes Standard
3 Distribution of benefits (how many tenants would benefit)
4 Suitability for future use
5 The contribution to meeting the Council's wider Community Priorities.

It is proposed that in addition this assessment should include whether there are, as yet, unfulfilled commitments to undertake works.

Secondly in identifying the scope of works to be undertaken we need to ensure they

1. are required to meet or preserve the DHS
2. are timely and are not brought forward unduly.
3. can be economically undertaken as a package.
4. can be completed by the end of 2005/6.
5. make a real difference in improving the life of residents.

Finally recognition needs to be given to urgent works required to ensure homes remain habitable.

1.4 A second report will be submitted to the Executive on 9th March 2004 giving the outcome of the assessment process in 1.3 above and recommending individual projects to be progressed over the next two years. This report will also show the number of homes that will be made or kept Decent over this period.

1.5 Key to achieving both a "fit for purpose" assessment and a coherent 2004-6 Capital Programme is comprehensive and up to date information on stock condition. The current Stock Condition Survey was completed in 2001 and has been updated annually to reflect works undertaken each year. Whilst this has been sufficient for establishing Decent Homes it is not adequate to fully identify long term investment needs especially for high rise properties. Work is currently in hand to augment the existing survey to ensure it meets this broader need.

2 Resources and Budget Allocation

2.1 The Council's overall capital budget report is elsewhere on this agenda and proposes a budget for Housing as follows:

Carry forward from 03-04	2004/05	2005/06	Total
£3m	£38.9m	£31.5m	£73.4m

This figure is some £9.6m lower than would have been the case had the ring fencing rules not been changed and consequently restricts the Council's ability to meet it shorter term Decent Homes Targets.

2.2 Given the reorganisation of the investment programmes and procurement currently underway it is not possible to fully commit expenditure to match this annual profile and ensure best value. However it is considered possible to achieve full expenditure of these resources in line with Best Value over the two year period.

2.3 The table below shows a draft budget breakdown into proposed programme areas which achieves this aim and maximises the delivery of Decent Homes. A detailed explanation of each of the headings is given in section 3 below

		2004/5	2005/6	Total
MAKING/KEEPING HOMES DECENT	Enveloping – low rise	5,100	4,,000	9,100
	Enveloping – high rise	0	1,000	1,000
	Enveloping – Sheltered blocks	1,600	400	2,000
	Internal works – kitchens & bathrooms	4,600	6,000	10,600
	Roofing	3,400	5,000	8,400
	Central heating	2,000	2,000	4,000
	Rewiring	1,000	1,200	2,200
	Voids	5,000	5,000	10,000
KEEPING HOMES VIABLE	Lifts	1,200	1,400	2,600
	Asbestos	1,500	2,000	3,500
	Mains Services (& tanks)– high rise	500	1,000	1,500

KEEPING HOMES SECURE	CHP security works	2,000	2,250	4,250
	High rise security/lobbies	500	1,500	2,000
	Communal Lighting	400	400	800
ADAPTING HOMES	Adaptations for those with disabilities	600	600	1,200
	Alarms to Sheltered properties	200	300	500
CONTINGENCY	Includes works to contaminated land (2%)	500	5 00	1,000
MANAGEMENT	Management costs	4,000	4,000	8,000
	Asset management assessment & systems	400	350	750
TOTAL		**34,500**	**38,900**	**73,400**

Figures in £,000's.

3. Programme Composition

3.1 In September and December 2003 the Executive agreed reports which identified the need to reorganise the way investment in its housing Stock will be made in future. A great deal was achieved under Shape Up and other programmes but the Housing Futures process has highlighted the need for more coordinated investment backed by modernised procurement arrangements. To reflect both this and the Council's priority of meeting Decent Homes Plus, proposals are now made to reshape the focus of investment in the shorter term. This new breakdown is also aimed at more closely following the priorities of both tenants and the Council. Broad priority areas are proposed which are then divided into specific programmes of activities.

3.2 MAKING/KEEPING HOMES DECENT

3.2.1 Enveloping - Low Rise
This allows for completion of the works outstanding on Shape-Up and the introduction of a new programme to complete the outstanding works to Shaped Up properties, including building fabric repairs

3.2.2 Enveloping - High Rise
The long term future of all High Rise homes will be determined through the Housing Futures process. The focus on Decent Homes Delivery means that works to these blocks will largely await this outcome. £1m has been identified in 2005/6 to provide for fees and any urgent works required to these blocks once Housing Futures is complete. Any urgent works in 2004/5 would need to be funded from the Contingency allowance

3.2.3 Enveloping – Sheltered blocks

The long term future of Sheltered Accommodation will be determined through the Review which is currently underway and more broadly be Housing Futures. Works to Kilsby Walk have already been tendered and are due to start shortly. The budget proposed meets the costs of these works together with an allowance of £500,000 for fees and urgent works once the review and Housing Futures are complete.

3.2.4 Internal works – kitchens & bathrooms

This is the budget for the replacement to the “MRA” programme currently closing down.

3.2.5 Roofing

This would primarily address those properties which have not been re-roofed under Shape Up but which require such works to meet the Decent Homes Standard in the next two years.

3.2.6 Central heating

Similarly, here are a number of properties which either have partial or no *(where this has been previously refused)* Central Heating and need new heating to meet the Decent Homes Standard. This budget would also allow for replacement heating where this is urgently required.

3.2.7 Rewiring

As with Roofing and Heating there are a considerable number of homes which require new up to date electrical wiring.

3.2.8 Voids

A programme has already been established with Thames Accord to upgrade void properties to the Decent Homes Standard where this can be economically achieved. This budget would allow this programme to be further developed.

3.3 KEEPING HOMES VIABLE

3.3.1 Lifts

A number of blocks are served by lifts, which are over 20 years old, are subject to increased breakdown (and hence higher maintenance costs) as well as delivering a poorer service to tenants. This budget would allow for their replacement on a worst first basis.

3.3.3 Asbestos

This budget is aimed at meeting the costs of removing asbestos where it is necessary to do so in the course of other works being undertaken.

3.3.4 Mains Services (& tanks) – high rise

In the same way that many lifts are reaching the end of their economic life other services are suffering deterioration. This budget would allow for planned replacement rather than ad hoc repair in a number of areas. It would also provide for the installation of new electrical mains where existing capacity is too low to meet future need in the short term.

3.4 KEEPING HOMES SECURE

3.4.1 CHP security works
The existing programme which started in 2003/4 has been slightly delayed due to changes in Leaseholder recharge legislation. The programme has been subject to extensive consultation with CHPs and is proving popular. It is therefore proposed that an additional allocation of £1m per annum is made for each of the next two years to be allocated on the basis previously agreed.

3.4.2 High rise security/lobbies
A number of high rise blocks suffer from a very poor environment at entrance level. As an interim measure pending the outcome of the Options Appraisal it is proposed to introduce a budget specifically tackling this problem. Selection of schemes and allocation of resources would, as with the other security works by via consultation with the CHPs. It is envisaged that these works would usually follow on from works ensuring entrance areas are secure.

3.4.3 Communal Lighting
It has been shown both nationally and within London that improvements to lighting in common areas has a considerable effect in both reducing the fear of crime and crime itself. It is proposed to have a specific budget to address this issue. Again schemes would be brought forward on the basis of consultation with the CHPs and would focus on areas where other security works have not been identified.

3.5 ADAPTING HOMES

3.5.1 Adaptations for those with disabilities
The budget for adaptation of Council Homes has been set at £400,000 for the last few years. This has proved inadequate to meet needs and is overspent in the current year. It is proposed that the budget be increased to £600,000 for each of the next two years to more closely align budget with needs. A review will also be undertaken to ensure good value for money is achieved through this increase.

Disabled adaptation programme could achieve more than current level of budget allocation in this financial year. Since the MRA budget is currently under spending and following the discussion at the Capital Monitoring Group we recommend a further allocation of £250k to adapt more Council properties this financial year (2003/4).

3.5.2 Alarms to Sheltered properties
A Service Review of Sheltered Housing is currently underway and is due for completion later in the year. It is already apparent that a number of existing alarm systems within flats have reached the end of their useful life and are beginning to fail. Much of this equipment is outmoded and replacement parts are no longer available. The review will look at the possibility of introducing newer technology which is more versatile but requires less “hard wiring “into the buildings. Initially this budget will be used for urgent replacement works with the overall renewal of systems dependent on the outcome of the Service Review

3.6 CONTINGENCY

This includes works to contaminated land this has been allowed at the rate of around 1.5% of the overall Programme. It is proposed that this be kept under periodic review and if not required, be allocated to allow further programmed works to proceed

3.7 MANAGEMENT COSTS

3.7.1 Management costs shown are consistent with those for previous years. The Construction and Procurement Team (CPT) is currently undergoing reorganisation and a report on this will be submitted in due course. It is not anticipated management costs will rise through this process.

3.7.2 Asset Management Assessment & Systems
As part of the reorganisation of CPT a fundamental review of the support systems and infrastructure is being undertaken in conjunction with MACE. This will lead to the introduction of a new computer based comprehensive asset management system.

To underpin this new approach to investment as well as the Housing Futures Study of the Council's Homes it is essential that our existing Stock Condition information is comprehensive and up to date. The Council's existing survey was undertaken in 2002. Whist it met the needs for such information identified at that time it now needs to be extended to fully identify future investment needs especially around issues of liveability which particularly affect high rise homes.

If it is to fully inform the Housing Futures completed data needs to be available by May/June 2004. To achieve this, additional data will be obtained from a variety of sources within the Council which then needs to be integrated with the existing information to give a consistent overall picture.

Given the short time available to achieve this, the Executive is asked to delegate, to the Director of Housing & Health, authority to extend the existing appointment of NBA (who undertook the original survey and annual updates) to cover this additional work. The estimated cost of this is £80,000.

4. **Conclusion**

4.1 If the Executive endorse the approach and broad budget given above officers will make an assessment of properties and potential works as set out in paragraph 1.3. A further Report will then be submitted for approval on 9th March proposing specific programmes and projects to be undertaken as well as identifying the properties to which they would relate.

This report would also provide a breakdown of what each of these are aimed at achieving against time and would hence form the basis for future monitoring of performance.

People Consulted

Colin Rigby, Head of Finance - Housing & Health
Mary Olawale, Investment & Resource Manager
Jim Mack, Head of Asset Management & Development

Background Papers

The Council's Capital Programme 2003/4