

London Borough of Barking and Dagenham

Notice of Meeting

ASSEMBLY

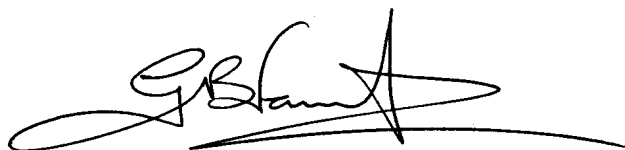
Wednesday, 3 March 2004 - Civic Centre, Dagenham, 7:00 pm

To: Members of the Council of the London Borough of Barking and Dagenham

Chair: Councillor J Davis
Deputy-Chair: Councillor D F Best

Declaration of Members Interest

In accordance with Article 1, paragraph 12 of the Council's 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



Graham Farrant
Chief Executive

24.02.04

Contact Officer Valerie Dowdell
Tel. 020 8227 2756
Fax: 020 8227 2171
Minicom: 020 8227 2685
E-mail: valerie.dowdell@lbbd.gov.uk

AGENDA

1. **Apologies for Absence**
2. **To confirm as correct the minutes for the Assembly meeting held on 4 February 2004 (Pages 1 - 2)**
3. **Petition requesting additional security at Kidd House, Maxey Road and Humphries Close (for information) (Pages 3 - 5)**
4. **Petition calling for action to address anti-social behaviour in Bushgrove Road, Groveway and Valence Avenue (for decision) (Pages 7 - 9)**

5. Local Issue:

Presentation on the work of the Drugs and Alcohol Action Team by Cathryn Williams, Head of Business and Performance, Social Services Department

6. Report of the Executive (for decision) (Pages 11 - 18)

Including a recommendation on the Procurement Best Value Review

7. Leader's Question Time (for response)

8. General Question Time (for response)

9. Report of the Scrutiny Management Board (for information) (Pages 19 - 20)

10. Report of the Development Control Board (for information) (Page 21)

11. Report of the Personnel Board (for information) (Page 23)

12. Report of the Community Forums (for information) (Pages 25 - 34)

13. Report of the Director of Finance (for decision): Council Budget and setting of the Council tax 2004/05 (Pages 35 - 109)

14. Report of the Director of Finance (for decision): Treasury Management Annual Strategy Statement (Pages 111 - 140)

15. Report of the Director of Corporate Strategy (for decision): Calendar of meetings (Pages 141 - 142)

Calendar to be circulated separately

16. Any other public items which the Chair decides are urgent

17. 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 Assembly, 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.*

18. Any other confidential or exempt items which the Chairman decides are urgent

ASSEMBLY

Wednesday, 4 February 2004
(7:00 - 8:10 pm)

PRESENT

Councillor J Davis (Chair)

| | |
|----------------------------|------------------------------|
| Councillor J L Alexander | Councillor Ms M G Baker |
| Councillor W F L Barns | Councillor Mrs J Blake |
| Councillor Mrs E E Bradley | Councillor G J Bramley |
| Councillor Mrs J E Bruce | Councillor Mrs D Challis |
| Councillor A C Clark | Councillor H J Collins |
| Councillor L A Collins | Councillor Mrs J Conyard |
| Councillor B Cook | Councillor A H G Cooper |
| Councillor Mrs J E Cooper | Councillor Mrs V W Cridland |
| Councillor R J Curtis | Councillor W C Dale |
| Councillor C J Fairbrass | Councillor M A R Fani |
| Councillor Mrs K J Flint | Councillor C Geddes |
| Councillor A Gibbs | Councillor Mrs D Hunt |
| Councillor F C Jones | Councillor T J Justice |
| Councillor S Kallar | Councillor R C Little |
| Councillor M A McCarthy | Councillor D O'Brien |
| Councillor B M Osborn | Councillor Mrs C T Osborn |
| Councillor J W Porter | Councillor Mrs J E Rawlinson |
| Councillor Mrs V M Rush | Councillor L A Smith |
| Councillor A G Thomas | Councillor T G W Wade |
| Councillor J P Wainwright | Councillor L R Waker |
| Councillor Mrs M M West | |

APOLOGIES FOR ABSENCE

| | |
|---------------------------|-------------------------|
| Councillor D F Best | Councillor J R Denyer |
| Councillor M W Huggins | Councillor I S Jamu |
| Councillor R J E Jeyes | Councillor M E McKenzie |
| Councillor D S Miles | Councillor R B Parkin |
| Councillor Mrs P A Twomey | |

87. Minutes (7 January 2004)

Agreed

88. Petition relating to Vandalism and anti-social behaviour in and around Goresbrook Park

Noted and endorsed the actions proposed/already taken and agreed that the Council should not proceed with Phase 2 of the Goresbrook Park Master Plan and that a revised Master Plan should be developed for this park.

Allan Aubrey, Head of Leisure and Community Service, undertook to pass details of incidents reported by petitioners to the Police.

89. Petition relating to traffic issues in Sheppey Road

Agreed the recommendations set out in the report.

90. Petition relating to Edgefield Avenue and environs

Noted and endorsed the actions taken to address the issues raised by the petitioners.

91. Local Issue: Detached Youth Work

Received a presentation by Brian Lindsay, Head of Youth Support and Development Service, on the work of the Detached Youth Work Team.

92. Report of the Executive

Agreed that locally determined discounts should not be awarded for 2004/05.

93. Report of the Scrutiny Management Board

Noted.

94. Report of the Development Control Board

Noted.

95. Report of the Personnel Board

Noted.

96. Report of the BAD Youth Forum

Noted.

97. Report of the Community Empowerment and Engagement Policy Commission

Agreed the recommendations set out in the report.

Councillor Mrs Rush thanked Members and officers for their support.

THE ASSEMBLY

3 MARCH 2004

REPORT OF THE DIRECTOR OF HOUSING AND HEALTH

| PETITION FROM RESIDENTS OF KIDD HOUSE, MAXEY ROAD AND HUMPHRIES CLOSE | | FOR INFORMATION |
|--|---|--|
| <p><i>The Constitution (Article 2, paragraph 14) requires petitions containing more than 50 signatories from separate households to be reported to the Assembly, together with details of action taken or proposed</i></p> <p>Summary</p> <p>This report sets out details of a petition received from residents of Kidd House, Maxey Road and Humphries Close in relation to nuisance they are receiving and their request for additional security</p> <p>Recommendation</p> <p>That Members note and endorse the action taken by Officers in consultation with residents and the Lead Member for Housing.</p> | | |
| Contact: Jim Ripley | Job Title: Head of Landlord Services | 020 8227 3738 (Tel :) 020 8227 5705 (Fax :) 020 8227 5755 (Mincom :) e-mail: jim.ripley@lbbd.gov.uk |

1. Background

- 1.1 In July last year, residents of Kidd House, Maxey Road and Humphries Close sent a petition to Jon Cruddas MP requesting additional security to the Estate (copy attached).
- 1.2 As a result of the petition a meeting was arranged with all residents and Councillor Osborn, Ward Member, to listen to the problems that they were experiencing and look at ways in which security could be improved on the Estate.
- 1.3 Following this initial meeting, officers walked around the Estate with a small group of residents to identify where the problems existed and to look at ways in which the problems could be resolved. The suggestions arising from this meeting were incorporated into a scheme of additional lighting, fencing and the provision of an audio door entry system.

2. Proposals

- 2.1 A further meeting with all residents was held on 20 January, at which they were given a presentation about the proposals. Several residents commented on these proposals and in general their comments have been incorporated within the scheme.

- 2.2 Finance for this work, which is estimated to be in the region of £30,000, has been allocated from the Community Safety budget and has been agreed by the Heath, Alibon and Eastbrook Community Housing Partnership Board. Work will be included in the programme of works to be carried out across the Borough as part of the contract to carry out other security projects identified by each Community Housing Partnership.

3. Conclusions

- 3.1 Members are asked to note the action taken by officers in conjunction with residents, the Lead Member for Housing and the Community Housing Partnership Board

Background papers used in preparation of this report:

Petition
Presentation from meeting held on 20 January 2004

On behalf of the residents of Kidd House, Maxcy Road & Humphries Close.

COPY

14th July 2003

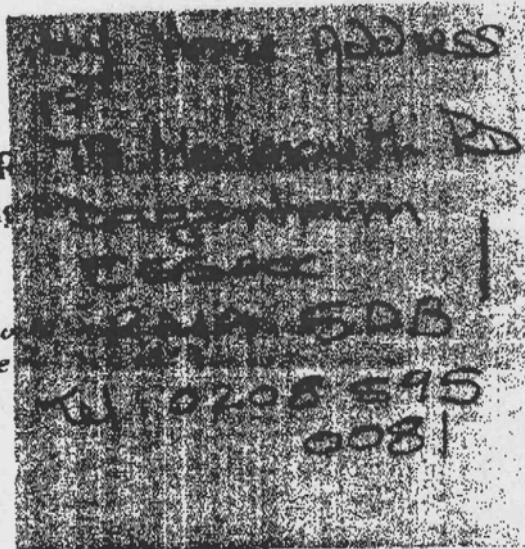
Mr Jon Cruddas, I write to you in the hope that you can support us in a request for an application to the council to improve security at the above dwellings.

The enclosed petition, from the residents, is in support of extra security for the above dwellings following incidents of burglary, abuse, threatening behaviour, etc. The Warden does an excellent job and is very helpful, but she can't be everywhere all the time, add to this there is no warden cover after 4.00pm, nor on a Wednesday, and also not at the weekend, and with society where it is today the elderly in particular are easy game for burglar's, conmen, muggers and drug addicts out to get quick cash. These people prey on the elderly who in general are trusting and helpful, sometimes to the point of naivety. These people see the elderly as no threat, because in the main they are frail and defenceless up against a younger more powerful human being. We hope that you, on our behalf, can persuade the council to see the need for more protection for these, it's elderly tenants, who are, after all, the most at risk of all it's tenants in the borough. Security in the form of perhaps a gate across the entrance with a key for all the tenants and an intercom system to the warden who would allow the likes of postmen, paperboys, milkmen and the like in to do their rounds. Or maybe an intercom system fitted to each of the tenants doors so they don't have to actually open the door unless they are fully satisfied they are not at risk. Perhaps most important of all would be a CCTV system fitted with video footage to see who enters the area in and around the location. Some or all of these would put the residents more at ease I am sure, and it would not take an immense amount of money to implement. The council are aware of the problems (please find enclosed letter sent to all residents on 26th June), it now needs to take action. Maybe you have ideas of your own about improved security at the location other than what we have mentioned, if so we would love to discuss it with you.

Yours Sincerely

Mr Keith Rogers, on behalf of he's father, Thomas R
rest of the residents at Kidd House and the adjoining
Humphries Close.

Ps: As I am writing on behalf of the residents, any correspondence should go to the Warden at Kidd House, that way the Warden can contact me, but more importantly the first to know what is developing, which is how it should be.



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THE ASSEMBLY

3 MARCH 2004

REPORT OF THE DIRECTOR OF CORPORATE STRATEGY

| PETITION FROM THE RESIDENTS OF THE MARKS GATE ESTATE | FOR DECISION | |
|--|---|---|
| <p><i>Article 2, paragraph 15 of the Constitution requires petitions, which contain more than 50 signatories from separate households to be reported to the Assembly, together with details of action taken or proposed.</i></p> | | |
| <p>Summary</p> <p>To report the receipt of a petition from the local residents of Bushgrove Road, Groveway and Valence Avenue regarding anti-social behaviour on and around the area.</p> <p>Recommendation</p> <p>The Assembly is asked to note the action currently taken and action proposed to deal with the problems faced.</p> | | |
| <p>Contact Officer: Jeff Elsom</p> | <p>Community Safety Manager Corporate Strategy department</p> | <p>Tel: 020 8227 2133 Fax: 020 8227 2998 Email: Jeff.elsom@lbbd.gov.uk</p> |

1 Background

1.1 The council has received a petition, containing 59 signatures from separate households, from the local residents of Bushgrove Road, Groveway and Valence Avenue regarding anti-social behaviour on and around the area.

1.2 The petition states: -

‘We the undersigned tenants and residents of Bushgrove Road, Groveway and Valence Avenue give this petition to the London Borough of Barking and Dagenham re: anti-social behaviour caused by local youths e.g. vandalism, urinating on people’s property, causing damage to property (pulling front garden walls down), swearing, intimidating the residents, , drunk and disorderly, damaging residents’ cars. Scooters being driven down Groveway, which is a pedestrian walkway, with no thought to the safety of pedestrians’.

2 Meeting

- 2.1 As a result of the petition a meeting involving Councillor Jones, officers, Police, residents and the lead petitioner was held on Thursday 12 February 2004.

3 Actions arising from the meeting

- 3.1 The residents' request for CCTV to be placed in Groveway will be added to the agenda of the next CCTV Liaison Working Group on 24 February 2004 for consideration. A verbal update will be given at the Assembly.
- 3.2 The Police Disorder bus will continue to patrol and monitor the area.
- 3.3 The Highways and Planning departments will look into the possibilities to curb anti-social activities in the walkway in Groveway.
- 3.4 The residents will report every incident to the police.
- 3.5 Contact will be made with the electricity Board regarding securing the sub station in Groveway.

4 Police

- 4.1 The Police Disorder Bus has been making regular, documented visits to the area.
- 4.2 Operation 'Alcopops' has been run across the Borough. This operation targets off licences and public houses regarding the sale of alcohol to underage youths. No prosecutions have resulted in this area.
- 4.3 The beat officers are liaising with local residents and are patrolling the area regularly.
- 4.4 There has been a decrease in disorder in the area.

5 Housing and Health

- 5.1 As a result of police information, the parents of a youth causing anti-social behaviour in this vicinity have been visited and a letter has been sent to them reminding them of their obligations under their tenancy agreement.
- 5.2 Further contact with other tenants is being investigated.

6 Conclusion

At the meeting held on 12 February 2004 residents said that the levels of anti-social behaviour have improved recently.

Background papers used in the preparation of this report

- 1 The petition
- 2 Minutes of the meeting held on Thursday 12 February 2004

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THE ASSEMBLY

3 MARCH 2004

REPORT OF THE EXECUTIVE

| THE EXECUTIVE - RECENT BUSINESS | FOR DECISION |
|--|--------------|
| <p><i>This regular report on the work of the Executive is submitted under Article 2, Paragraph 9.2 of the Constitution.</i></p> | |
| <p>Summary</p> | |
| <p>This report summarises the work of the Executive on 27 January and 10 February 2004. It includes a recommendation from the Executive on the Procurement Best Value Review.</p> | |
| <p>It also summarises the decisions taken and the other matters considered by the Executive. Key issues have included:</p> | |
| <ul style="list-style-type: none"> • Housing Revenue Account Estimates and Rent Levels 2004 / 2005 (A3). • Consultation on the Proposed Urban Development Corporation for East London (A5). • More Choice in Lettings (A9). • Further Progress Report on the Education Private Finance Initiative (PFI) Contract (A14). | |
| <p>Recommendation / Reason</p> | |
| <p>1. Procurement Best Value Review</p> | |
| <p>The Executive received the final report of the Procurement Best Value Review, which presents the findings of the review and recommendations for the future. The Executive agreed, in order to achieve significant improvements over the next five years, to:</p> | |
| <ol style="list-style-type: none"> 1. The Procurement Strategy as set out in Appendix 1 of the Review Report. 2. The principle of establishing a Strategic Procurement Unit, subject to final post evaluation and cost analysis; 3. A growth bid of £150,000 to support the development of the Strategic Procurement Unit; and 4. To receive a future report on the overall structure, role and responsibilities of the Strategic Procurement Unit from the Director of Finance following full job evaluation. | |
| <p>The Assembly is recommended to adopt the findings of the Procurement Best Value Review and agree the Improvement Plan.</p> | |

| | | |
|------------------------------|-----------------------------|--|
| Contact: Barry Ray | Democratic Services Officer | Tel: 020 8227 2134 Fax: 020 8227 2171 Minicom: 020 8227 2685 E-mail: barry.ray@lbbd.gov.uk |
|------------------------------|-----------------------------|--|

A DECISIONS TAKEN BY THE EXECUTIVE

27 January 2004

1. Axe Street Town Square Phases 1 and 2, Planning Brief

Received a report seeking to adopt the revised Planning Brief for Axe Street Car Park as Supplementary Planning Guidance.

Agreed, in order to pave the way for the development of new affordable homes allied to the Town Square development, to:

1. The revised Axe Street Town Square Phases 1 and 2 Planning Brief as Supplementary Planning Guidance; and
2. Enter into partnership with East Thames Housing Group, as the Council's preferred developer for 100% affordable housing on the Axe Street site, subject to the agreement of the 'Housing Partnership' (the Housing Corporation and English Partnerships).

2. London Road / North Street Redevelopment

Received a report providing an update on the London Road / North Street project, which included an outline of the process for bringing the site forward for development through a proposed partnership with Metropolitan Housing Trust, one of the Council's preferred Registered Social Landlord partners.

Agreed, in order to begin the regeneration process for Barking Town Centre in line with the agreed Barking Town Centre Framework:

1. To the partnership with Metropolitan Housing Trust in order to produce a development brief for the London Road / North Street area;
2. To comprehensive stakeholder engagement in order to produce the development brief; and
3. That funding be sought to facilitate the stakeholder engagement.

3. Housing Revenue Account Estimates and Rent Levels 2004 / 2005

Received a report setting out a review of the Housing Revenue Account estimates for 2003 / 2004 and 2004 / 2005 and the level of rents for Council Tenants for 2004 / 2005.

Agreed, in order to comply with the statutory duty to review rent levels annually and to ensure they conform with rent restructuring proposals, and to produce a balanced Housing Revenue Account, to:

1. The revised estimates for 2003 / 2004 and the estimates for 2004 / 2005 as set out on Appendix A of the report;
2. An average weekly rent increase of £2.22 per dwelling (3.8%);
3. Changes taking effect from 5 April 2004; and
4. Make representation to the Office of the Deputy Prime Minister to apply the lower Right to Buy Discount.

4. Land Disposal Sites: Revising Housing Development Schemes

Further to Minute 238 (26 November 2002), received a report setting out a revised balance of the mix of property tenure types and the reason for the changes in respect of the proposed development of the former allotment sites at Blackburne Road, Digby Gardens, Hedgemans Road and Reede Road.

Agreed, in order to deliver the Council's objectives in terms of capital receipts and a range of new homes to help meet local housing needs and aspirations, to proceed with the disposal and development of Blackburne Road, Digby Gardens, Hedgemans Road and Reede Road sites on the basis of the housing mix schemes shown in paragraph 3.3 of the report with Metropolitan Housing Trust and Stort Valley.

5. Consultation on the Proposed Urban Development Corporation for East London - Response of the Council

Received a report outlining the Office of the Deputy Prime Minister's formal consultation paper on the proposed Urban Development Corporation (UDC) for East London, incorporating parts of Barking and Dagenham (a copy of the consultation paper was attached to the report).

Agreed, in order to assist the Council in achieving its Community Priorities of "Regenerating the Local Economy", and "Improving Health, Housing and Social Care", and respond by the deadline of 6 February 2004, to:

1. Endorse the Council's response to the UDC consultation (attached as Appendix 2 to the report subject to comments made by Members), noting that the Council is currently unable to endorse the establishment of the UDC due to fundamental issues remaining unresolved, and
2. A further report on the Government's final proposals to be presented to the Executive in due course, when a final decision on whether to support the establishment of the UDC will be presented to Members for consideration.

6. Barking Town Centre Partnership

Received a report setting out progress made in establishing collaborative working by agencies at national and sub regional level in pursuit of the plans set out in the Barking Town Centre Action Plan.

Agreed, the establishment of the Barking Town Centre Partnership and the draft Terms of Reference and Joint Statement of Intent, attached as Appendix 1 to the report, in order to provide a coordinated approach to the regeneration of Barking Town Centre.

7. Future Management of Garages

Received a report suggesting proposals to change the current policy on the letting and management of Council owned garages following a report to the Scrutiny Management Board on 25 June 2003 (Minute 12 refers).

Agreed, in order to reduce the void level for garages by 10% in the next financial year and to ensure that rental income is maximised and the repair and cleanliness of garages can be enhanced, to:

1. Introduce a reduced rental for new garage tenants for a six-month period as an incentive in areas where garages are difficult to let. Decisions on the setting of introductory rent charges to be delegated to the Director of Housing and Health in consultation with the Director of Finance;
2. Receive a further report on the issue of relaxing the policy around garage usage;
3. To the continuation of garage rental income being ring fenced and being used for:
 - a) The provision of additional security to garage sites.
 - b) The demolition of deteriorated sites where this is considered to be the only viable option.
 - c) The continuation of a refurbishment programme, to be delegated to the Director of Housing and Health in consultation with the relevant Community Housing Partnership Boards.
4. Increase rents in line with inflation by 19p per week net, which is in line with the Charging Policy Commission recommendations;
5. Set up a cleaning team to carry out cyclical cleaning of garage sites. The funding of this team to be met from the ring fenced garage income; and
6. The targets set for the reduction of void garages in the next financial year.

8. 61 Keir Hardie Way - Uplift of Restrictive Covenant

Received a report seeking authorisation to remove a restrictive covenant at 61 Kier Hardie Way, Dagenham in order that the developer named in the report can replace the existing single dwelling with a small block of 12 flats. It was noted that the issue of the covenant is not a Planning matter and therefore could not have been considered at the time planning permission was granted.

Agreed, to the removal of the restrictive covenant at 61 Keir Hardie Way, in order for the named developer to undertake a project compatible with the Community Priorities of 'Improving Health, Housing and Social Care'.

9. **More Choice in Lettings**

Received a report detailing the principles of More Choice In Lettings (MCIL), which outlined the alternative preference systems in operation. The report also proposed a programme of consultation.

Agreed, in order to enhance the Community Priority of 'Developing Rights and Responsibilities with the Local Community', to:

1. Adopt a MCIL policy based on a date order model using 3 bands:
 - a) A 'non active' band for those households who do not fall into a reasonable preference category;
 - b) An emergency or 'additional preference' band for those households who cannot continue in their present home; and
 - c) A 'reasonable preference band' for all other households.
2. Appoint the East London Lettings Consortium (ELLC) to administer the scheme in conjunction with the Council, as outlined in paragraph 4.6;
3. The public consultation process outlined in paragraph 6.3 of the report;
4. Arrangements for transitional protection as outlined in paragraph 3.1 of the report;
5. The Tenants Incentive Scheme outlined in paragraph 5.1 of the report; and
6. Single tender action for the purchase from specialist suppliers of the Novalet lettings system; Internet kiosks and property advertising magazine.

10. **Regrading of an LPOR to LSMR Post and Continued Employment of a Consultant**

Received a report proposing changes to the Service Manager (Admissions and Support for Schools) post in Policy and Management Services Division within the Education, Arts and Libraries Department. The report also sought approval for the continued employment of the existing part-time interim Manager / Consultant employed via an agency.

Agreed, following a review of customer facing services and the services provided to schools, which has resulted in an increase in scope and management responsibilities, to:

1. The upgrading of the LPOR post 'Service Manager (Admissions and Support for Schools)' to an LSMR post 'Head of Management Information and Customer Service' at spinal point 63;

2. The continued engagement of Ms Kathryn Livingston until the post is advertised and filled as quickly as possible; and
3. Waive the Constitution (Contract Rules) in order to continue to employ Ms Livingston.

11. Approval of LSMR Grades within the Leisure and Environmental Services and the Corporate Strategy Department

Received a report outlining changes to posts and grades within the Leisure and Environmental Services Department as a result of the organisational restructure within the Strategic Planning and Transportation Division and Regeneration and Implementation Division. The report also outlines the changes to two LSMR posts within the Corporate Strategy Department.

Agreed, in order to assist the Council in achieving its Community Priority of "Regenerating the Local Economy", to:

1. The changes and grading of eight posts to LSMR within the Leisure and Environmental Services Department, with an effective date of 15 October 2003;
2. The changes in responsibilities of two LSMR posts, and the grading of one of these posts with an effective date of 1 August 2003, the date from which the post has been occupied; and,
3. The application of a market supplement to the post of Group Manager (Strategic Transportation).

12. Approval of LSMR Grades within Corporate Strategy Department

Received a report which detailed how following the implementation of the Best Value Improvement Plan (2001) within Corporate Communications, the post of Press and Public Relations Manager had expanded in scope, influence and responsibility.

Agreed, that the post of Press and Public Relations Manager be upgraded to LSMR spinal point 53 (£40,548), following the recent job evaluation which considered the increase in scope and management responsibilities of the post holder.

13. Town Hall Refurbishment

Received a report outlining a projected overspend and saving options considered and agreed by the Members Steering Group (Accommodation) as detailed in the report. Noted the revised project cost for the refurbishment of the Town Hall is £2,582,000.

Agreed, in order to improve facilities for the public and so assist in achieving the Community Priorities of "*Raising General Pride in the Borough*", "*Developing Rights and Responsibilities*" and "*Promoting Equal Opportunities and Celebrating Diversity*", that additional funding of £240,000 (to be spent in 2004 / 2005) be allocated for the refurbishment of the Town Hall in the Capital Programme. The funding to be determined as part of the review of the Capital Programme.

14. Further Progress Report on the Education Private Finance Initiative (PFI) Contract

Received a further update on the situation with regards to the signing of the Education Private Finance Initiative contract with the preferred bidder, Bouygues Education UK.

Agreed, that:

1. A further indemnity committing up to £1.4m towards an early works programme (in addition to £1.2m already committed), be given to Bouygues Education UK;
2. A provision for further legal fees up to £0.8m be included in the PFI capital programme budget; and
3. In the event that the PFI deal does not go ahead, the costs of up to £5.24m be funded from the PFI capital programme budget.

15. Homelessness Acts and Houses to Transfers

Received a report seeking amendments to the current Housing Allocations policy to conform with recent legislation.

Agreed, in order to comply with the Homeless Act 2002, to:

1. Adopt an open housing register and to delete the exclusion of owner occupiers and the residence qualification from the Housing Allocations policy;
2. Adopt the local connection categories as outlined in paragraph 2.2 of the report;
3. Adopt the policy in respect of assets and priority outlined in paragraph 8;
4. Delete section 12.1 from the Council's current Housing Allocations policy; and
5. Conduct ethnicity monitoring, following implementation of the revised policy, to ensure that the policy is not discriminatory in practice.

10 February

16. The Clevelands, The Wakerings, The Bloomfields Land Offer Report

Received a report providing an update on the freehold purchase of The Clevelands, The Bloomfields and The Wakerings development site by East Thames Housing Group. The report also set out the urgent need to agree terms for the sale of land to East Thames Housing Group in order to avoid the loss of Local Authority Social Housing Grant.

Agreed, in order to enable the development to proceed, providing 169 new homes, and ensure that £3.5 million of Local Authority Social Housing Grant is not lost, that:

1. The Clevelands, The Bloomfields and The Wakerings development site be sold to East Thames Housing Group for the sum stated in the report; and
2. The Director of Leisure and Environmental Services, under his delegated powers, agree the final disposal terms.

Background papers used in the preparation of this report:

Minutes, agenda and public reports for the Executive meeting held on 27 January and 10 February 2004.

THE ASSEMBLY

3 MARCH 2004

REPORT OF THE SCRUTINY MANAGEMENT BOARD

| REPORT OF MEETING – 14 JANUARY 2004 | | FOR INFORMATION |
|--|---|--|
| <p><i>This regular report on the work of the Scrutiny Management Board is submitted under Article 2, Paragraph 9.2 of the Constitution.</i></p> | | |
| <p>Summary</p> <p>This report summarises the key work of the Scrutiny Management Board at its meeting on 14 January 2004:</p> | | |
| <p>Performance Indicators – The Board has been monitoring lowest quartile Best Value (BV) PIs and will continue this process in 2004/05.</p> | | |
| <p>Number of Staff on the Establishment – Report from the Interim Head of Organisational Development and Employee Relations (HODER) setting out the establishment figures for 1 May 2000 to 9 December 2003, and the reasons for continuing inaccuracies in the vacancy figures (see below for further detail).</p> | | |
| <p>Health and Social Care Partnership Arrangements Scrutiny Panel – The Board asked the Panel to conclude its investigation and to produce a short, open report based on knowledge to date.</p> | | |
| <p>Housing Associations Scrutiny Panel – The Board welcomed the Panel's draft final report, which will be submitted to the Assembly on 7 April 2004.</p> | | |
| <p>Anti Social Behaviour – The Board agreed to give priority to this in the list of future Scrutiny Panels.</p> | | |
| <p>.</p> | | |
| Contacts: | | |
| Councillor Mrs Twomey | Chair of Scrutiny Management Board | Tel: 020 8593 3315 Email: patricia.twomey@lbbd.gov.uk |
| Councillor H Collins | Deputy Chair of Scrutiny Management Board | Tel: 020 8593 8976 Email: herbert.collins@lbbd.gov.uk |
| Valerie Dowdell | Democratic Services Officer | Tel: 020 8227 2756 Fax: 020 8227 2171 Text: Link: 020 8227 2594 Email: valerie.dowdell@lbbd.gov.uk |

Number of Staff on the Establishment

The Board received a report setting out the establishment figures (white collar, manual, school based staff and vacancies) for 1 May 2000 – 9 December 2003, an explanation of these figures for each department and the reasons for the continuing inaccuracies in the vacancy figures.

The Interim Head of Organisational Development and Employee Relations (HODER) reported on the action being taken to resolve the inaccuracies. Responsibility for updating the figures is being devolved to departments and the process will be audited by the centre, with support from the Oracle team. The Board noted that the Oracle system itself is stable. The officers are committed to ensuring the data is 100% accurate by May 2004.

The Board expressed concern at the ongoing problems and their knock-on effects, emphasising that the situation must be resolved by the target deadline of May. They requested that HODER ask Heads of Service to provide her with the number of posts/vacancies in their service areas, to be collated for submission to the Board on 24 March 2004. Any Heads of Service who fail to do this will be required to attend the Board to explain why.

Background papers used in the preparation of this report

Minutes of the Scrutiny Management Board – 14 January 2004

THE ASSEMBLY

3 MARCH 2004

REPORT OF THE DEVELOPMENT CONTROL BOARD

| REPORT OF MEETINGS OF 21 JANUARY AND 3 FEBRUARY 2004 | FOR INFORMATION | |
|--|--|--|
| <p><i>This regular report on the work of the Development Control Board is submitted under Article 2, Paragraph 9.2 of the Constitution.</i></p> <p>Summary</p> <p>This summarises the business transacted by the Development Control Board since their last report to the Assembly.</p> <ol style="list-style-type: none"> 1. The Development Control Board has met two times (21 January and 3 February 2004) since they last reported to the Assembly, a total of 10 planning applications have been presented. From these applications, 6 were decided in accordance with the officers' recommendation. Out of the remaining 4, 3 were refused and 1 was deferred. 2. The Board noted that 2 Town Planning Appeals had been lodged and 4 had been determined as 3 accepted and 1 dismissed. 3. Details of applications determined by the Director of Leisure and Environmental Services under delegated authority were presented covering the period 12 December 2003 to 21 January 2004. | | |
| <p>Contact Officer: Councillor Mrs. Bruce</p> <p>John Dawe</p> | <p>Chair, Development Control Board</p> <p>Democratic Services</p> | <p>Tel: 020-8227 2116 e-mail: jean.bruce@lbbd.gov.uk</p> <p>Tel: 020 8227 2135 Fax: 020 8227 2171 e-mail: john.dawe@lbbd.gov.uk</p> |

Background papers

Minutes of the Development Control Board 21 January and 3 February 2004.

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THE ASSEMBLY

3 MARCH 2004

REPORT OF THE PERSONNEL BOARD

| REPORT OF RECENT MEETING | FOR INFORMATION | |
|---|--|---|
| <p><i>This regular report on the work of the Personnel Board is submitted under Article 2, Paragraph 9.2 of the Constitution.</i></p> <p>Summary</p> <p>This report summarises the work of the Personnel Board from 10 January to 13 February 2004.</p> <p>The Board met on 27 January 2004 and agreed to the early retirement of a Divisional Services Manager in the Finance Department.</p> | | |
| <p>Contact: Lopa Sarkar</p> | <p>Democratic Services Officer Democratic Services</p> | <p>Tel: 020-8227 2775 Fax: 020-8227 2171 e-mail: lopa.sarkar@lbbd.gov.uk</p> |

Background papers

Minutes of the Personnel Board - 27 January 2004

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THE ASSEMBLY
3 MARCH 2004
REPORT OF THE COMMUNITY FORUMS

| REPORT ON RECENT MEETINGS | FOR INFORMATION | |
|---|--|---|
| <p><i>This is the bi-monthly report on the work of the Community Forums submitted under Article 2, paragraph 9.2 of the Constitution.</i></p> <p>Summary</p> <p>The report summarises the activities of the Community Forums during January and February. The main points covered are:</p> <ul style="list-style-type: none"> • Details of attendance figures. • Presentations from the Council about street cleansing, community action plans, consumer advice, Good Motor Trader Scheme and recycling; • Presentations from other agencies including updates on Neighbourhood Management, London Transport Buses, Pensioner Credit, Annual Report on Public Health, North East Mental Health Trust, Barking, Havering & Redbridge Hospital NHS Trust, the North East Strategic Health Authority, the PCT Teenage Pregnancy Strategy, the Police about implementing, as a local pilot, the National Police Reassurance Scheme. • Summaries of the public question and answer sessions at each Forum. • An invitation from the local MP to host a future Wellgate Forum at the House of Commons. • Report on the Chairs/Deputy Chairs quarterly briefing | | |
| Contact: John Dawe | Democratic & Electoral Services Manager | Tel: 020 8227 2135 Fax: 020 8227 2171 Textlink: 020 8227 2594 Email: john.dawe@lbbd.gov.uk |

1 Attendance

1.1 The attendance figures for the meeting of each of the Forums is as follows:-

| | | |
|-----------------------------------|------------------|------|
| Abbey, Gascoigne & Thames | 12 January 2004 | (40) |
| Parsloes, Becontree & Valence | 19 January 2004 | (45) |
| Eastbrook, Heath & Alibon | 26 January 2004 | (40) |
| Eastbury, Mayesbrook & Longbridge | 09 February 2004 | (54) |

River, Village & Goresbrook 16 February 2004 (66)

Wellgate 23 February 2004 (25)

1.2 With the exception of Wellgate, the attendance figures at each of the Community Forums during the past cycle have met or exceeded the average attendance and it is particularly welcoming to see the daytime meeting at Parsloes, Becontree & Valence reflecting a higher than average attendance.

2. Current Position

2.1 A summary of the deliberations at each of the Forums is set out below

- **Abbey, Gascoigne & Thames**

Arising from a presentation made at the last meeting by London Transport Buses, the Council is now following up on an issue raised about the responsibility for the safety of passengers and, particularly, how many prams and pushchairs can be safely accommodated on buses. Efforts are also being made to get a representative from Transport for London to attend a future meeting to discuss bus routing etc.

The Forum received its normal feedback report on the work of the Neighbourhood Management Partnership.

Brenda Morgan from the Pensions Service presented information about the new Pension Credit system, emphasising the importance of individuals exercising their right to claim the new credit, remembering that, unlike income support, there is no longer a capital limit on claims, which makes it a far more generous benefit.

All Social Security benefits are, in future, to be paid into bank accounts and a letter has been circulated to all the local community explaining the options in this respect. The Pensions Service acknowledges that there are concerns from people about the potential effects on other benefits, ie, Housing Benefit, although, it was reiterated that the public should be encouraged to complete an application form as they will be surprised at how generous the pension credit actually is.

As part of a themed approach to Community Forums, outline discussions are taking place with relevant agencies to organise a benefits themed approach across all of the Forums at some future date.

The Health Scrutiny Panel, which was set up by the Council to review the health services of the community across the borough, has previously included visits by members to Mascall Park (the former Warley Institution). Members of the Panel were so impressed about the enthusiasm of the workers and level of care etc, that they requested that members of the Trust give a presentation to all six Community Forums about their work and to dispel some of the misconceptions around the treatment of mental health.

The meeting welcomed Tim Drew the Borough Manager for Mental Health Services, Mike Walker, Adult Service Manager for the Trust, which includes Barking & Dagenham, and Evia Song, a Ward Manager at Mascall Park.

Mr Ward explained that the Government, in modernising mental health services, had split the services into:

- Common mental health disorders; and
- Secondary mental health disorders, ie, schizophrenia, psychosis, major depression etc.

Mr Ward sought to dispel the myth of the need to lock people up with mental health problems, highlighting the fact that the old Warley site had over 1,000 cases whilst, at Mascall Park, there are now less than 100, with most people now treated and cared for within the local community. He spoke of the current service provision for the area which includes a Child and Adolescent Unit, Community Mental Health Team, continuing care for older people, day services, drug and alcohol services, psychiatric care, psychotherapy, psychology and supported housing services.

Evia Song gave a brief overview of her work on a ward at Mascall Park which provides services to both Barking and Dagenham, Havering and Brentwood.

The public question and answer session highlighted a number of residents' concerns about the accumulation of rubbish on estates generally, caused in part by the initial teething problems as a result of the changes to the street cleansing services on housing estates.

The Chair acknowledged that there has been some problems, particularly relating to the cross-over in responsibilities between housing and highways staff and the increased amount of rubbish and litter that built up over the Christmas period. As a result, she undertook to arrange for the Manager of the newly formed Estates Services Team to attend the next meeting and also to ensure that the street cleansing schedules are available. In the interim, an unannounced visit was arranged for all ward councillors to review the cleansing services in the Abbey, Gascoigne and Thames areas to coincide with the report back at the next meeting. This visit took place on 3 February 2004.

Other issues raised included clean up activities associated with the Shape Up Programme, flooding and puddles in the Town Centre as a result of the state of the paved areas, something that is being addressed as part of the regeneration of the Town Centre, gully cleansing, and better lighting on the footbridge separating the Gascoigne and Eastbury wards. Questions were also asked around the vetting procedures for people employed by the Council who work with children and complaints about the number of researchers undertaking surveys, etc, in Barking Town Centre.

- **Eastbrook, Heath & Alibon**

Sarah Williams, a Community Project worker from Groundwork East London, gave a presentation on the development of the Eastbrook, Heath and Alibon Community Action Plan which is being drawn up with the support and input of local residents. It looks to improve the local area and will be used to influence Council spending and attract external funding. Residents were encouraged to get involved in delivering the project in line with Council strategies and funding.

Matthew Cole, the Director of Public Health from the Barking & Dagenham Primary Care Trust presented the Annual Public Health Report highlighting the current issues and concerns in the Borough. The report included statistical information, highlighting the vast improvements countrywide in terms of life expectancy and infant mortality. That said, there are clearly a number of health issues that need to be addressed, particularly, as over the last 30 years the gap between the most affluent and the poorest has increased, which has had a knock on effect in terms of the health of individuals. The local implications were seen as:

- The Borough has
- one of the lowest life expectancies and still birth rates compared to the London average
 - the highest rate of longer term illness in the London area
 - above average mortality from cancer and circulatory diseases
 - high rates of teenage pregnancies and deaths from smoking related diseases

A number of strategies are being put in place to address these problems and particularly highlighted was the need for early intervention by increasing parents' knowledge of their children's health and emotional needs, promoted through the likes of Children's Centres and Sure Start Programmes.

There are also implications for health from the new and anticipated housing developments in the borough, in particular, around the Thames Gateway where between 17,000 and 21,000 new dwellings will be created, Barking Town Centre, which includes 6,000 new dwellings and approximately 1,200 new dwellings from various brown field sites.

The challenges before the PCT are considerable and include:

- reducing cancer and coronary heart disease deaths,
- addressing the problems of communicable diseases - TB and MMR
- improving access to sexual health services
- improving mental health services
- improving GP/PCT services

Mr Cole concluded the presentation that the problems that the PCT face have to be viewed against the funding backdrop that indicates that in the three year period ending March 2005, the Department of Health calculates that the PCT will be £24.4m (10.7%) below its revenue target.

The public question and answer session dealt with a wide range of issues, including traffic congestion around the entrance to the Frizlands Depot and the health impact of the Recycling Centre from increased levels of dust, for which air sampling will be undertaken; parking and road traffic issues around Eastfield Gardens, the development at the Eastbrook Garage and the gating of a particular alleyway between Hunters Hall Road and Sterry Road.

- **Parsloes, Becontree & Valence**

As part of a report to all the Community Forums, Sue Wiseman from the Housing & Health Department, presented information to the community about consumer services advice highlighting particular changes in the way Trading Standards contact the public.

The meeting received the update on development of the Forum's Community Action Plan. In this respect the Fanshawe area has secured £818,000 funding from the National Lottery New Opportunities Annuity Fund over the next ten years. A Steering Group has been set up to consider applications for grants from this fund and volunteers to join the group were welcomed from the Forum.

The Council's Voluntary Services can provide further information on external funding and residents were encouraged to get involved and to take joint responsibility with the Council in carrying forward the CAP on the basis that a number of the projects contained therein will be able to secure this external funding to bring them to fruition.

Abdul Jallow, Waste Policy and Recycling Manager, presented information on the work of ELWA and the recent contract they have been awarded to Shanks collect and dispose of rubbish, as well as future plans for recycling. Details of a visit to view the new facilities at Frizlands for the benefit of local residents were provided.

The public question and answer session concentrated on traffic related issues, fly-tipping and abandoned vehicles, installation of intercom facilities in Council flats, parking facilities for new and existing business in the Heathway since the free parking spaces are now used by shopkeepers, and safety concerns around Police vehicles regularly parking in indented bus stops at the Heathway. The Police representative agreed to take this up with the Traffic Police section.

A question was also raised about the future of the Porters Avenue Resource Centre, following the PCT LIFT presentation made at a previous meeting, to which a response will be sought from the PCT at the next Forum meeting in March.

- **Eastbury, Mayesbrook & Longbridge**

Mick Neale, Highways and Street Cleansing Manager, reported on the work of street cleansing, and, in particular, the proposed changes to the service as a response to the challenge of increased litter in the Borough.

Clive Vallis, the Council's Business Liaison Officer, gave a presentation regarding the new "Good Motor Trader" scheme. The Council launched the scheme to help consumers in the Borough, where they can expect high standards when buying, servicing or repairing a car. The scheme is a partnership between Trading Standards and local businesses.

The meeting also received the update on the Community Action Plan along the lines of those presented at other Forums.

The public question and answer session dealt with traffic issues, including parking difficulties on the Keir Hardie Estate, post Council inspection of works undertaken by contractors, Council checks in respect of genuine tenancies and a number of traffic related issues including speeding restrictions on local roads, and the removal of unlicensed vehicles, an issue that the Police will take up direct.

- **River, Village & Goresbrook**

Apart from the update on the Community Action Plan, the meeting was dedicated to health related issues. The following presentations were made:

- **New Hospital development**

Fiona Stokes, Clinical Planning Lead from the Barking, Havering and Redbridge Hospitals NHS Trust, presented an update on the development of the new Oldchurch Hospital, involving the background on the scheme, principles around the planning of the hospital, as well as detailed information on the facilities that will be available, including, importantly, the number of bed spaces, together with artistic impressions as to the final look and feel of the hospital.

- **North East Strategic Health Authority**

Ann Smart, Executive Director of Investment, North East Health Authority, outlined the process for funding local health services, the budget for which is funded through direct taxation. Particular reference was made to National Insurance contributions, much of which goes towards social security payments rather than the NHS.

Government funding is allocated to the local PCTs over a three year period, taken from the Census figures for 2001. Based on the current formula Barking & Dagenham receives less than its fair share of national resources for health.

The expansion of the Thames Gateway Region will have an affect and place greater demands on the health care on the local PCTs and, therefore, the North East Strategic Health Authority and the Council are anxious to convince the Government to recognise this factor in an attempt to secure additional funding..

➤ **Annual Report on Public Health**

Matthew Cole, the Director of Public Health at the PCT, presented the Annual Report on Public Health along the lines of that at the Eastbrook, Heath and Alibon Community Forum

➤ **North East Mental Health Trust**

Similarly, Mike Walker the Adult Services Manager for North East Mental Health Trust, presented information on the work of the Trust.

The presentations were well received by the community and generated a number of questions particularly in relation to the development and capacity of the new hospital, the shortfalls in funding the local PCT as a consequence of the Government formulas for funding health services, and a whole range of questions for the PCT around prevention of breast cancer, the promotion of Well Man's Clinics in the borough, waiting and admission times, problems of obesity, particularly the need for better education in schools, and strategies around addressing mental health problems with ethnic minorities.

• **Wellgate**

Following a long standing request from the Forum, Katherine Howarth from the Primary Care Trust outlined the local strategy to tackling teenage pregnancy seeing that the borough has the eighth highest rate in London, with over 250 conceptions per year to under 18s with approximately one fifth of those under 16.

The aims of the strategy are to:

- Reduce the under 18 conception rates by 55% by 2010, and
- Increase participation of teenage parents into education, training and employment.

Ms Howarth outlined a number of actions to support the strategy, including specifically the work being undertaken at Marks Gate.

Mick Neale and Abdul Jallow, Leisure and Environmental Services, reported on the revised street cleansing programmes and recycling pilot scheme operating in the borough. In respect of the latter, it was pleasing to note that the Wellgate area has overall the highest response rate to the scheme with 62% of all households recycling their waste.

The question and answer session was dominated with parking issues in the Whalebone Lane South area as well as the state of paving across the Forum area. A number of site visits are being organised by officers in order to address some of the individual concerns raised.

Reference was made to the introduction of the National Police Reassurance Scheme, which is being piloted in 8 different police services across England, covering various policing environments from inner city areas to rural neighbourhoods.

In this borough, a number of wards have been identified to pilot the scheme and from April 2004, Chadwell Heath will be the first ward to “go live”. The scheme aims to bridge the gap between the actual falling crime levels and the increase in people’s fear of crime. This will partly be addressed by ensuring that resources in the area are maintained and not affected by having to support other events in the London area.

Whilst, overall, the initiative was welcomed, there were some concerns that part of the Forum area and the borough as a whole could be perceived as receiving a lesser police service, an issue that will be taken up by councillors at a future Sector Police meeting.

Jon Cruddas had been invited to attend the meeting but was unable to do so due to other commitments. He did, however, extend an invitation to hold a future Forum at the House of Commons, which will be subject to canvassing of Forum attendees.

3. Chairs/Deputy Chairs of Community Forums and other Forums

As part of the process of establishing best practice across all of the Forums, a quarterly meeting involving Chairs/Deputy Chairs of Community Forums and other Forums such as the BAD Youth Forum and the Access Group, together with lead officers and neighbourhood management co-ordinators comes together. The last meeting was held on 6 January 2004. The meeting dealt with the following issues:

Community Forums – The Way Forward

As part of the review of the operation of Community Forums, a report was presented to the Council’s Management Team (TMT) focusing on their future development in relation to local action planning. The role of lead officer of the Forums was identified as crucial to their future development as is the support required of other officers. The report also looked at the role of Chairs/Deputy Chairs, particularly around training. TMT have reiterated that each Forum should be led by nominated JNC officers who have responsibility for “championing” the process of local action planning.

As part of the structuring of decision making, the Director of Corporate Strategy will now be leading quarterly meetings for all lead officers to review progress of the Forums and to clear any blockages through to TMT.

Other aspects of the report included:

- One or more officers from DLES and DHH to attend the Forum meetings on a consistent basis, with other departments to be represented on an as and when basis;
- Reaffirmation that the Police and PCT/Social Services should be represented at all meetings at a sufficiently senior level. In the case of representation from the PCT/Social Services, that they need to be able to address health issues, as these are the predominant concerns of the Forums.

- The introduction from June 2004 of an informal performance indicator around responses to questions to the Forums, to be monitored at the Directors' quarterly meetings
- The use of trainers at each Forum for one or two meetings in the coming year to aid and assist both Chairs and community representatives, to be funded through Neighbourhood Renewal.

Arrangements are in hand to put together a training programme that will be presented to the next Chairs' Briefing in March.

Community Newsletter

Both the Abbey and Parsloes Community Forum areas currently operate community newsletters. Both have reached a critical stage in their development in terms of training editorial staff as well as the profile and awareness that both have achieved for the Forums within their local communities. A review process considering funding beyond April 2004 has taken place. The favoured option is to continue using neighbourhood renewal monies to support up to 50% of the costs of producing the newsletter with the other 50% to be met through external funding, the latter coming from the following potential sources:

- Sponsorship, via advertising space, inserts from local business;
- Community Forum budgets;
- Funding from CVS Community Chest, Community Empowerment Network, etc;
- Applications submitted to external Trusts and Charities.

There is also the opportunity that the Abbey Newsletter might be funded via the Community Development Trust, whilst the Parsloes Newsletter could apply to the newly established Annuity Fund, referred to earlier under the Parsloes update.

Questions and Answers Session – Role of Deputy Chair

Mr A Choudhury, the Deputy Chair of the Eastbury, Mayesbrook and Longbridge Community Forum has put forward a suggestion supported by the meeting that, as a pilot, he should Chair the question and answer session at the Forum which would serve a number of purposes, namely that, as an independent person, he would be seen as being totally impartial, that the Chair would be able to make comment more freely from a Council perspective, as well as providing the Deputy Chair with invaluable experience.

Community Agenda Items

At a previous Wellgate Forum, Trevor Rockcliff from the local community made a presentation seeking a partnership approach to addressing major issues around anti-social behaviour, young people and the environment generally. The main thrust of the presentation was about the Council and community working together, and the suggestion was that it be extended to other Forums.

The presentation supports a wider objective of the Council of involving the public more in the operation of Community Forums and, to that extent, contact has been made with Trevor Rockcliff who is happy to make presentations at other Forums, the timetabling of which is currently being programmed.

Empowerment and Engagement Policy Commission

The main findings and recommendations of the Community Engagement Policy Commission were circulated. Many of the recommendations centre on the operation of Community Forums, the specifics of which will be discussed at the next meeting in March 2004.

General Items for Community Forums

Forming part of a wider initiative towards improving access at Community Forums, officers across the Council have been approached about suggestions for items from their own service areas that could be put on future Forum agendas in the coming year, which will be of particular interest to both targeted and wider audiences. Examples given include:

- School admission procedure/appeals processes;
- Electric blanket testing in winter;
- Youth activities for the summer break
- Flu jab, health considerations for the elderly in winter.

There are also a number of suggestions for themed events at Community Forums in the coming year, such as benefits, health and transport.

Concerns continue to be expressed at the lack of younger representation at the Community Forums and whether the agendas should be targeted to encourage Letter attendance. The meetings did accept that the sorts of issues raised at Community Forums would not interest or engage younger people, nor is the environment conducive to their involvement, ie at times they are seen by more elderly members of the community as the reason for the problems around anti-social behaviour, etc.


It has been suggested therefore that possibly, Chairs and Deputy Chairs might think about attending future BAD Youth Forums to discuss with young people the issues affecting their lives on the basis that the arrangements might be reciprocated, helping in the longer term to establish better linkages.

THE ASSEMBLY

3 MARCH 2004

REPORT OF THE DIRECTOR OF FINANCE

| REVENUE BUDGET, COUNCIL TAX 2004/05, MEDIUM TERM FINANCIAL STRATEGY & CAPITAL PROGRAMME 2004/05 TO 2007/08 | FOR DECISION |
|---|---------------------|
| <p>The report advises on the Council's budget position and Council Tax for 2004/05, the adoption of a medium term financial strategy and a Capital Programme.</p> | |
| <p><u>Summary</u></p> | |
| <ul style="list-style-type: none"> • The purpose of this report is for Assembly to approve the setting of a revenue budget and Council Tax for 2004/05 and a Capital Programme for 2004/05 – 2007/08. • Comprehensive reports to the Executive on 24th February set out the issues affecting the Council's budgetary position for 2004/2005, including the Formula Grant for next year. • In accordance with the Council's Constitution, the Executive on 24th February agreed to recommend a revenue budget, Council Tax and Capital Programme to Assembly for approval. • The report also refers a Medium Term Financial Strategy for adoption by the Council. • Assembly is now required to consider and agree these matters. | |
| <p><u>Recommendations</u></p> | |
| <p>That the Assembly considers the information contained in this report and the appendices and agrees</p> | |
| <ul style="list-style-type: none"> i) A Revenue budget and Council Tax increase of 5.46% for the London Borough of Barking and Dagenham and note the 7.54% increase in the Greater London Authority precept giving an overall increase of 5.9% for 2004/05 (Appendix 1). ii) A Capital Programme for 2004/05 to 2007/08 in accordance with the recommendations approved by the Executive on 24 February 2004 (Appendix 3). iii) The position on reserves as set out in paragraph 3.1. | |

| | | |
|---|---|---|
| <ul style="list-style-type: none"> iv) The Statutory Budget Determinations and Amount of Council Tax for the London Borough of Barking and Dagenham (Appendix 2). v) The Medium Term Financial Strategy (Appendix 4). <p><u>Reason</u></p> <p>The Council has to statutorily agree a revenue and capital budget for each financial year and has to set a Council Tax for the forthcoming financial year.</p> | | |
| <p>Contact Officer</p> <p>Joe Chesterton</p> | <p>Title</p> <p>Head of Financial Services</p> | <p> 020 8227 2932</p> <p>e-mail joe.chesterton@lbbd.gov.uk</p> <p>Minicom: 020 8227 2413</p> |

1. Background

1.1 The Executive at its meeting on 24th February 2004 considered the following reports;

- (i) Revised Budget 2004/05 and Base Budget 2004/05
- (ii) Council Tax 2004/05 & Medium Term Financial Strategy
- (iii) Capital Programme 2004/05 – 2007/08

The Executive recommended to Assembly (i) the proposals on the Revenue Budget and Council Tax level as set out at Appendix 1 and (ii) a Capital Programme as set out at Appendix 3.

2. Budget Strategy 2004/05

2.1 The 2004/05 budget has been based on:-

- a) Education budget set at FSS, including the full passporting to schools of the increase in the schools FSS.
- b) Social Services budget set at FSS.
- c) Highways budget set at below FSS (by £300k).
- d) Protecting the services that deliver the Cleaner, Greener, Safer priorities.
- e) There would be no planned use of reserves for ongoing expenditure.

- f) A 4 year capital plan totalling £283m with £121m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis.
- g) A rigorous asset disposal programme, and a capital programme that is dependent on around £50m of sale proceeds from land disposals. Potentially asset disposals may exceed this level and the programme has been set in order to accommodate a higher level of receipts if they are realised. Similarly if the £50m is not achieved the programme will need to be reassessed.
- h) Remaining debt free for 2004/05 to 2006/07, with the proceeds from interest on balances reducing as accumulated capital receipts are used to fund the capital programme. The position on borrowing will be kept under review.
- i) A council tax increase of

5.9% in 2004/05 (5.46% LBB, 7.54% GLA).
- j) Savings of £3.5m for 2004/05, of which £600k relates to highways and the remaining are within the environmental, protective and cultural services block however protecting the service provision for cleaner, greener, safer.
- k) Growth of £2.6m for 2004/05.

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

3. Corporate Issues

- 3.1. 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. 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.

- 3.2. For 2004/05, the level of contingency included within the proposed budget is £1.17 million.
- 3.3. 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.
- 3.4. That no criteria have been determined for the capping of local authority budgets and that based on the Government’s recent policy, the risk of capping was limited but not absolutely ruled out. 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.

4. GLA Precept/Levies

- 4.1. On 18th February 2004, the Greater London Authority agreed its precept for 2004/05 at £241.33, at Band D, an increase of 7.54% over 2003/04.
- 4.2. 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. Final levies set by levying bodies have now been received and are as follows:

| | 2004/05 £000s |
|--|--------------------------|
| East London Waste Authority | 4,881 |
| Environment Agency – Flood Defences | 88 |
| London Pension Fund Authority | 134 |
| Lee Valley Regional Park Authority | 142 |
| Greater London Magistrates Court Authority | <u>290</u> |
| | <u>5,535</u> |

5. Education Budget

- 5.1. 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.
- 5.2. 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.
- 5.3. 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 1.
- 5.4. The Schools Forum has been consulted on various options relating to the Education Budget and endorses the proposals being made.

6. Social Services Budget

- 6.1. 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.
- 6.2. 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.
- 6.3. 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 | <u>7.543</u> | <u>6.405</u> | <u>6.245</u> | <u>10.16%</u> |
| | <u>61.454</u> | <u>67.699</u> | | |

- 6.4. 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 1.

7. Capital Programme

- 7.1 The Executive also considered proposals for the Capital Programme for 2004/05 – 2007/08 and referred the proposals set out at Appendix 3 to this report.

8. Future Years

- 8.1. It is essential that Members adopt a strategic approach when agreeing the Council's Revenue and Capital budgets and have regard to the impact that decisions around the budget for 2004/05 have on future years. To assist this process, a Medium Term Financial Strategy is attached as Appendix 4, which has been approved by the Executive.
- 8.2. There are already additional financial pressures for 2005/06 of around £17m and a further £14.5m in 2006/07 and the budget strategies for the next two years will need to be address how these will be funded through additional income generation, grants, savings and Council Tax.
- 8.3. The revenue budget is likely to increase by more than the Government's next 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.

- 8.4. It is therefore likely that future budget cycles will continue to be challenging and it is advised that the budget process for 2005/06 needs to start early in the new financial year to begin addressing these challenges.

9. Conclusion

- 9.1. In reaching decisions on budget proposals and the Council Tax, Members will need to bear in mind all the detailed advice provided by officers both in reports to the Executive and in the information supplied directly. Regard must be had for the impact of decisions both in the coming year and subsequent years.

Background Papers

Reports to:

Executive on 24th February 2004

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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 | <u>4,608</u> | | |
| | 220,168 | | |
| Less: Formula Grant | -177,122 | | |
| Deficit on Collection Fund | 1,305 | | |
| Council Tax Requirement | <u><u>44,351</u></u> | | |
| | | | |
| Council Tax Base | 51,055.3 | <u>868.68</u> | |
| Overall Council Tax - Band D equivalent | | | |
| London Borough of Barking & Dagenham | | 868.68 | 5.46% |
| Greater London Authority | | 241.33 | 7.54% |
| | | <u><u>1,110.01</u></u> | 5.9% |

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**REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004
SUMMARY OF REVENUE BUDGET CHANGES**

APPENDIX 1(i)

| | 2004/05 | 2005/06 | 2006/07 |
|--|----------------|----------------|----------------|
| | £000s | £000s | £000s |
| Increase in Base Budget 2004/05 (inflation, FSS changes, transfers from reserves, etc) | 10,360 | | |
| 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 | | | |
| Surplus on Collection Fund 2003/04 | -623 | | |
| Deficit on 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 LBBB Council Tax (£) | £ 44.94 | | |
| Increase in LBBB Council Tax (%) | 5.46% | | |
| Increase in GLA precept | £ 16.93 | | |
| Increase in GLA precept (%) | 7.54% | | |
| Overall Increase in Council Tax (%) | 5.90% | | |

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

HOUSING AND HEALTH REVENUE BUDGET

| Reference | Service | Options | 2004/05 £000s | 2005/06 £000s | 2006/07 £000s |
|--|---------|---|------------------|------------------|------------------|
| <u>Growth</u> | | | | | |
| HH-01-G | | New Homeless Posts | 85 | 85 | 85 |
| HH-02-G | | Licensing Fees | 120 | 120 | 120 |
| Growth Sub Total | | | 205 | 205 | 205 |
| <u>Savings</u> | | | | | |
| 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 |
| <u>NET REDUCTION IN BUDGETS</u> | | | -322 | -322 | -322 |

APPENDIX 1(i)

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 (HIRA 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 Maintenance | -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 1(i)

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

EDUCATION, ARTS AND LIBRARIES REVENUE BUDGET

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

APPENDIX 1(i)

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 Strategy 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 1(i)

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 |
|---------------------------------------|---------|---------------------------|------------------|------------------|------------------|
| <u>Growth</u> | | | | | |
| SS-01-G | | Concessionary Fares | 213 | 213 | 213 |
| Growth Sub Total | | | 213 | 213 | 213 |
| <u>Savings</u> | | | | | |
| SS-01-S | | Supported Placements | -40 | -40 | -40 |
| SS-02-S | | Concessionary Fares Admin | -46 | -46 | -46 |
| Savings Sub Total | | | -86 | -86 | -86 |
| <u>NET INCREASE IN BUDGETS</u> | | | 127 | 127 | 127 |

APPENDIX 1(i)

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

FINANCE REVENUE BUDGET

| Reference | Service | Options | 2004/05 £000s | 2005/06 £000s | 2006/07 £000s |
|-------------------------|---------|-----------------------------|------------------|------------------|------------------|
| <u>Growth</u> | | | | | |
| 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 1(i)

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 |

Savings

| | | | |
|-------------------|---|---|---|
| Savings Sub Total | 0 | 0 | 0 |
| | 0 | 0 | 0 |

NET INCREASE IN BUDGETS

| | | | |
|--|------------|------------|------------|
| | 415 | 415 | 415 |
|--|------------|------------|------------|

APPENDIX 1(i)

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

EDUCATION, ARTS AND LIBRARIES REVENUE BUDGET (FSS services)

| Reference | Service | Options | 2004/05 | 2005/06 | 2006/07 |
|----------------------|---|---------|-------------|-------------|-------------|
| <u>Growth</u> | | | | | |
| | 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 |
| | <u>Less : inflation</u> | | 3574 | 3677 | 3787 |
| | <u>NET INCREASE IN BUDGETS</u> | | 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.

REVENUE BUDGET PROPOSALS 24TH FEBRUARY 2004

SOCIAL SERVICES REVENUE BUDGET (FSS services)

| Reference | Service | Options | 2004/05 £000s | 2005/06 £000s | 2006/07 £000s |
|---------------|---------|---|------------------|------------------|------------------|
| <u>Growth</u> | | | | | |
| | | 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 |
| | | | 4264 | 4264 | 4264 |
| | | Growth Sub Total | | | |
| | | Less : inflation | 1630 | 1630 | 1630 |
| | | NET INCREASE IN BUDGETS | 2634 | 2634 | 2634 |

APPENDIX 1(i)

ASSEMBLY MEETING 3 MARCH 2004

STATUTORY BUDGET DETERMINATIONS

SETTING THE AMOUNT OF COUNCIL TAX FOR

THE LONDON BOROUGH OF BARKING AND DAGENHAM

1. That it be noted that at its meeting on 13 January 2004 the Executive calculated the amount of 51055.3 as its Council Tax Base for the year 2004/2005 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.
2. That the following amounts be now calculated by the Council for the year 2004/2005 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992:-

| | | |
|------------|--------------|--|
| (a) | £463,630,617 | being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act |
| (b) | £243,462,617 | being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act |
| (c) | £220,168,000 | being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year |
| (d) | £175,817,282 | being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, revenue support grant reduced by the amount of the sums which the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 and further increased by the amount of any sum which the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the directions under Section 98(4) of the Local Government Finance Act 1988 made on the 7th February 1994. |
| (e) | £868.68 | being the amount at 2(c) above less the amount at 2(d) above, all divided by the amount at 1 above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year |

| (f) Valuation Bands | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|
| A | B | C | D | E | F | G | H |
| £ | £ | £ | £ | £ | £ | £ | £ |
| 579.12 | 675.64 | 772.16 | 868.68 | 1,061.72 | 1,254.76 | 1,447.80 | 1,737.36 |
| <p>being the amounts given by multiplying the amount at 2(e) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band 'D' calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.</p> | | | | | | | |

3. That it be noted that for the year 2004/2005 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:-

Precepting Authority

Greater London Authority

Valuation Bands

| A | B | C | D | E | F | G | H |
|----------|----------|----------|----------|----------|----------|----------|----------|
| £ | £ | £ | £ | £ | £ | £ | £ |
| 160.89 | 187.70 | 214.52 | 241.33 | 294.96 | 348.59 | 402.22 | 482.66 |

4. That, having calculated the aggregate in each case of the amounts at 2(f) and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2004/2005 for each of the categories of dwellings shown below:-

Valuation Bands

| A | B | C | D | E | F | G | H |
|----------|----------|----------|----------|----------|----------|----------|----------|
| £ | £ | £ | £ | £ | £ | £ | £ |
| 740.01 | 863.34 | 986.68 | 1,110.01 | 1,356.68 | 1,603.35 | 1,850.02 | 2,220.02 |

2004/2005 - 2007/08 CAPITAL PROGRAMME - SUMMARY

| DETAIL | 2004/05 to 2007/08 | | | | | TOTAL COSTS £000 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------|
| | 2004/05 PAYMENTS £000 | 2005/06 PAYMENTS £000 | 2006/07 PAYMENTS £000 | 2007/08 PAYMENTS £000 | 2007/08 PAYMENTS £000 | |
| ANALYSIS OF FUNDING | | | | | | |
| 2004/2005 SCHEMES WITH STRATEGIC FIT | | | | | | |
| EXTERNAL FUNDING / OTHER EARMARKED FUNDING | 25,464 | 46,146 | 20,909 | 19,789 | 112,307 | |
| CAPITAL RECEIPTS | 58,395 | 31,163 | 17,881 | 17,117 | 124,556 | |
| | 83,859 | 77,309 | 38,790 | 36,906 | 236,663 | |
| SCHEMES IDENTIFIED IN 2004/2005 NOT MATCHING STRATEGIC FIT | | | | | | |
| EXTERNAL FUNDING / OTHER EARMARKED FUNDING | 3,445 | 1,116 | 865 | 865 | 6,291 | |
| CAPITAL RECEIPTS | 4,468 | 2,142 | 530 | 230 | 7,371 | |
| | 7,913 | 3,258 | 1,395 | 1,095 | 13,661 | |
| 2005/2006 ONWARDS UNAPPRAISED SCHEMES | | | | | | |
| EXTERNAL FUNDING / OTHER EARMARKED FUNDING | 25 | | | 2,620 | 2,645 | |
| CAPITAL RECEIPTS | 2,220 | 15,400 | 12,480 | 30,100 | 50,200 | |
| | 2,245 | 15,400 | 15,100 | 32,745 | 65,490 | |
| TOTAL ALL SCHEMES | | | | | | |
| EXTERNAL FUNDING / OTHER EARMARKED FUNDING | 28,909 | 47,287 | 21,773 | 23,274 | 121,243 | |
| CAPITAL RECEIPTS | 62,863 | 35,525 | 33,811 | 29,827 | 162,027 | |
| | 91,772 | 82,812 | 55,584 | 53,101 | 283,269 | |
| SUMMARY | | | | | | |
| 2004/05 SCHEMES WITH STRATEGIC FIT | | | | | | |
| EXTERNAL FUNDING / OTHER EARMARKED FUNDING | 25,464 | 46,146 | 20,909 | 19,789 | 112,307 | |
| CAPITAL RECEIPTS | 58,395 | 31,163 | 17,881 | 17,117 | 124,556 | |
| | 83,859 | 77,309 | 38,790 | 36,906 | 236,863 | |
| SCHEMES IDENTIFIED IN 2004/2005 NOT MATCHING STRATEGIC FIT | | | | | | |
| EXTERNAL FUNDING / OTHER EARMARKED FUNDING | 3,445 | 1,116 | 865 | 865 | 6,291 | |
| CAPITAL RECEIPTS | 4,468 | 2,142 | 530 | 230 | 7,371 | |
| | 7,913 | 3,258 | 1,395 | 1,095 | 13,661 | |
| 2005/2006 ONWARDS UNAPPRAISED SCHEMES | | | | | | |
| EXTERNAL FUNDING / OTHER EARMARKED FUNDING | 25 | | | 2,620 | 2,645 | |
| CAPITAL RECEIPTS | 2,220 | 15,400 | 12,480 | 30,100 | 50,200 | |
| | 2,245 | 15,400 | 15,100 | 32,745 | 65,490 | |
| TOTAL ALL SCHEMES | | | | | | |
| EXTERNAL FUNDING / OTHER EARMARKED FUNDING | 28,909 | 47,287 | 21,773 | 23,274 | 121,243 | |
| CAPITAL RECEIPTS | 62,863 | 35,525 | 33,811 | 29,827 | 162,027 | |
| | 91,772 | 82,812 | 55,584 | 53,101 | 283,269 | |

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| FINANCING TOTAL | | TOTAL COSTS | |
|---|-----------------------------|---|-----------------------------|
| EXTERNAL/ OTHER EARMARKED £000 | CAPITAL RECEIPTS £000 | EXTERNAL/ OTHER EARMARKED £000 | CAPITAL RECEIPTS £000 |
| 112,307 | 124,556 | 112,307 | 236,863 |
| 6,291 | 7,371 | 6,291 | 13,661 |
| 2,645 | 30,100 | 2,645 | 32,745 |
| 121,243 | 162,027 | 121,243 | 283,269 |

Appendix 3

2004/2005 - 2007/08 CAPITAL PROGRAMME

| DETAIL | 2004/05 to 2007/08 | | | | TOTAL COSTS £000 | CATEGORY A/B/C | SCORE | ON HOLD? | FINANCING TOTAL | | | |
|--|--|-----------------------------|-----------------------------|-----------------------------|---------------------|-------------------|-------|-------------|---|-----------------------------|---------------|---------------|
| | 2004/05 PAYMENTS £000 | 2005/06 PAYMENTS £000 | 2006/07 PAYMENTS £000 | 2007/08 PAYMENTS £000 | | | | | EXTERNAL/ OTHER EARMARKED £000 | CAPITAL RECEIPTS £000 | TOTAL £000 | |
| 2004/05 SCHEMES WITH STRATEGIC FIT | | | | | | | | | | | | |
| EDUCATION ARTS AND LIBRARIES | | | | | | | | | | | | |
| 1 | THAMES VIEW NURSERY AND CHILCARE CENTRE | 1,032 | 150 | | 1,182 | A | 100.0 | | 420 | 762 | 1,182 | 73 |
| 2 | MONTAGLE PRIMARY - INTERNAL ALTERATIONS | 73 | | | 73 | A | 100.0 | | | | 73 | 159 |
| 3 | THE JO RICHARDSON CSS- TEMP SCHOOL CANNINGTON RD | 159 | | | 159 | A | 100.0 | | | | 159 | 1,045 |
| 4 | DAGENHAM PRIORY - ART AND TECHNOLOGY BLOCK | 975 | 70 | | 1,045 | A | 100.0 | | | | 1,045 | 1,551 |
| 5 | BARKING ABBEY PHASES 3, 4 AND NOT FUNDED THROUGH IPFI | 1,464 | 86 | | 1,551 | A | 100.0 | | | | 1,551 | 5 |
| 6 | RIFFLE INFANTS NEW RECEPTION FACILITY | 5 | | | 5 | A | 100.0 | | | | 5 | 100 |
| 7 | HEARING IMPAIRMENT UNIT | 100 | | | 100 | A | 100.0 | | | | 100 | 600 |
| 8 | MAJOR REPAIRS /FAIR FUNDING | 150 | 150 | | 150 | A | 100.0 | | | | 150 | 800 |
| 9 | PRE-SCHOOL ACORN 11 | 50 | | | 50 | A | 100.0 | | | | 50 | 800 |
| 10 | VARIOUS SCHOOLS - PLAYGROUND RECONSTRUCTION | 200 | 200 | | 200 | A | 100.0 | | | | 200 | 3,830 |
| 11 | NURSERY WRAP AROUND CARE | 750 | 1,080 | | 1,830 | A | 100.0 | | | | 1,830 | 10 |
| 12 | ADULT COLLEGE - RECEPTION/ CONFERENCE AREA | 100 | | | 100 | A | 100.0 | | | | 100 | 230 |
| 13 | A13 ARTS LOTTERY | 230 | | | 230 | A | 100.0 | | | | 230 | 75 |
| 14 | DDA ACCESS COSTS | 75 | | | 75 | A | 100.0 | | | | 75 | 140 |
| 15 | EASTBURY/MANOR HOUSE - REPAIRS PLAN - WINDOWS BRICKWORK ETC | 34 | 106 | 50 | 190 | A | 100.0 | | | | 190 | 6,175 |
| 16 | PFI: EASTBURY AND JO RICHARDSON | 3,950 | 2,225 | | 6,175 | A | 100.0 | | | | 6,175 | 20 |
| 17 | JOHN PERRY PRIMARY - REPLACE DEMOUNTABLE NURSERY | 20 | | | 20 | A | 100.0 | | | | 20 | 381 |
| 18 | BROADWAY THEATRE - REDEVELOPMENT | 1,482 | | | 1,482 | A | 100.0 | | | | 1,482 | 1,841 |
| 19 | VALENCE SITE REDEVELOPMENT | 100 | | | 100 | A | 100.0 | | | | 100 | 350 |
| 20 | ROBERT CLACK - SPORTS HALL AND PITCHES - PHASE 5 | 350 | 871 | | 871 | A | 100.0 | | | | 871 | 377 |
| 21 | BEACON YOUTH CENTRE | 377 | | | 377 | A | 100.0 | | | | 377 | 720 |
| 22 | DAGENHAM PRIORY PHASE 5 (FINAL) - ALTERATIONS AND EXTERNAL WORKS | 700 | 20 | | 720 | B | 67.0 | | | | 720 | 2,675 |
| 23 | SCHOOLS REBOILER PROGRAMME | 450 | 425 | | 875 | B | 66.8 | | | | 875 | 1,000 |
| 24 | EDUCATION SHAPE UP - VARIOUS SCHOOLS | 400 | 300 | | 700 | B | 65.0 | | | | 700 | 750 |
| 25 | ST GEORGES COMPLEX - B&D TRAINING UNIT | 750 | | | 750 | B | 58.5 | | | | 750 | 2,288 |
| 26 | STONEY RUSSELL - TECHNOLOGY BLOCK | 1,722 | 566 | | 2,288 | B | 57.5 | | | | 2,288 | 149 |
| 27 | WARREN SECONDARY - SCIENCE BLOCK | 1,000 | 1,681 | | 2,681 | B | 48.3 | | | | 2,681 | 508 |
| 28 | PARSLOES PRIMARY - RECEPTION AREA | 149 | | | 149 | B | 47.0 | | | | 149 | 500 |
| 29 | VALANCE INFANTS - REPLACE KITCHEN | 500 | 8 | | 508 | B | 42.0 | | | | 508 | 500 |
| 30 | NEW DAGENHAM LIBRARY | 650 | 1,750 | | 2,400 | C | 48.8 | | | | 2,400 | 5,282 |
| 31 | CHILDRENS CENTRES | 2,655 | 2,737 | | 5,392 | C | 47.3 | | | | 5,392 | 250 |
| 32 | SOUTH DAGENHAM ARTS COMPLEX | 1,000 | 1,000 | | 2,000 | C | 31.3 | | | | 2,000 | 1,000 |
| 33 | COMMUNITY MUSIC SERVICE/PERFORMING ARTS | 500 | 500 | | 1,000 | C | 63.0 | | | | 1,000 | 29,718 |
| TOTAL EDUCATION, ARTS AND LIBRARIES | | 22,052 | 13,924 | 2,996 | 27,972 | | | | 11,979 | 29,718 | 41,697 | 41,697 |

Note:
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3. Where a 'Yes' appears in the On hold column this is due to a scheme which needs appraisal/re-appraisal to establish all four green indicators for:

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

2004/2005 - 2007/08 CAPITAL PROGRAMME

| DETAIL | 2004/05 to 2007/08 | | | | | | | FINANCING TOTAL | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|----------------|-------|-----------------|-----------------------------------|--------------------------|----------------|
| | 2004/05 PAYMENTS £000 | 2005/06 PAYMENTS £000 | 2006/07 PAYMENTS £000 | 2007/08 PAYMENTS £000 | TOTAL COSTS £000 | CATEGORY A/B/C | SCORE | ON HOLD? | EXTERNAL/ OTHER EARMARKED £000 | CAPITAL RECEIPTS £000 | TOTAL £000 |
| HOUSING AND HEALTH | | | | | | | | | | | |
| 1 CAPITALISED REPAIRS - SHAPE UP PROGRAMME | 1,734 | 440 | | | 2,174 | A | 100.0 | | | 2,174 | 2,174 |
| 2 HOUSE RENOVATION GRANTS - RENOVATION GRANTS | 600 | 600 | 600 | 600 | 2,400 | B | 12.0 | YES | | 2,400 | 2,400 |
| 3 HOUSE RENOVATION GRANTS - DFG'S | 850 | 850 | 850 | 850 | 3,400 | B | 55.5 | YES | 2,040 | 1,360 | 3,400 |
| 4 E GOVERNMENT - CUSTOMER FIRST | | 500 | 1,980 | | 2,480 | B | 55.5 | YES | | 2,480 | 2,480 |
| 5 MAJOR CAPITAL WORKS, | 29,796 | 38,460 | 24,223 | 24,344 | 116,823 | C | 62.3 | YES | 67,823 | 49,000 | 116,823 |
| 6 PRIVATE SECTOR | 1,000 | 1,000 | 1,000 | 1,000 | 4,000 | C | 50.0 | YES | | 4,000 | 4,000 |
| 7 CONTAMINATED LAND PROGRAMME | 616 | 616 | 616 | 1,232 | 3,080 | C | 72.3 | YES | | 3,080 | 3,080 |
| TOTAL HOUSING AND HEALTH | 34,596 | 42,466 | 29,269 | 28,026 | 134,357 | | | | 69,863 | 64,494 | 134,357 |

| DETAIL | 2004/05 to 2007/08 | | | | | | | FINANCING TOTAL | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|----------------|-------|-----------------|-----------------------------------|--------------------------|---------------|
| | 2004/05 PAYMENTS £000 | 2005/06 PAYMENTS £000 | 2006/07 PAYMENTS £000 | 2007/08 PAYMENTS £000 | TOTAL COSTS £000 | CATEGORY A/B/C | SCORE | ON HOLD? | EXTERNAL/ OTHER EARMARKED £000 | CAPITAL RECEIPTS £000 | TOTAL £000 |
| LEISURE AND ENVIRONMENTAL SERVICES | | | | | | | | | | | |
| 1 OFFICE ACCOMMODATION | 420 | | | | 420 | A | 100.0 | | | | 420 |
| 2 CEMETERIES - CHADWELL HEATH | 975 | 975 | 90.0 | | 2,750 | B | 97.5 | | | | 975 |
| 3 TANTONY GREEN | 63 | | 74.7 | | 63 | B | 63 | | 63 | | 63 |
| 4 CCTV EXPANSION | 84 | | | | 84 | C | 76.5 | YES | | | 84 |
| 5 CAPITALISED MAJOR REPAIRS PROGRAMME | 1,010 | 1,100 | 1,100 | 1,100 | 4,310 | C | 65.5 | YES | | 4,310 | 4,310 |
| 6 PARKING RESTRICTIONS - CARRAIGWAY MARKINGS | 50 | | | | 50 | C | 79.5 | | | | 50 |
| 7 LONDON CYCLE NETWORK | 100 | 175 | | | 275 | C | 79.5 | | 275 | | 275 |
| 8 BARKING TOWN CENTRE - LAND ACQUISITION | 1,000 | 7,000 | 100.0 | | 8,000 | C | 100.0 | | 8,000 | | 8,000 |
| 9 BARKING TOWN CENTRE - LIFELONG LEARNING | 2,740 | 2,854 | 400 | | 5,994 | C | 59.94 | | 5,994 | | 5,994 |
| 10 BARKING TOWN CENTRE - PUBLIC REALM | 1,245 | 1,910 | | | 3,155 | C | 76.8 | | 3,155 | | 3,155 |
| 11 TRAFFIC MANAGEMENT SCHEMES | 990 | 1,125 | 1,125 | 1,125 | 4,365 | C | 79.5 | | 2,765 | 1,600 | 4,365 |
| 12 HIGHWAYS STRUCTURAL REPAIRS - ANNUAL PROGRAMME | 1,550 | 1,900 | 1,900 | 1,900 | 7,250 | C | 58.8 | YES | | 7,250 | 7,250 |
| 13 STREET LIGHTING PROGRAMME - ANNUAL PROGRAMME | 220 | 220 | 220 | 220 | 880 | C | 57.5 | YES | | 880 | 880 |
| 14 STREET LIGHTING PROGRAMME - UPGRADING OF RESIDENTIAL LIGHTING | 275 | 275 | | | 550 | C | 57.5 | YES | | 550 | 550 |
| 15 DAGENHAM SWIMMING POOL - REFURBISHMENT | 500 | | | | 500 | C | 57.0 | YES | | 500 | 500 |
| 16 MANAGEMENT OF TRAFFIC - Traffic reduction & traffic congestion | 200 | 200 | | | 400 | C | 61.0 | YES | | 400 | 400 |
| 17 HOME ZONE SCHEME | 410 | | | | 410 | C | 79.5 | | | | 410 |
| 18 HIGHWAYS MAINTENANCE - PRINCIPAL ROADS | 898 | 600 | 600 | 600 | 2,698 | C | 79.5 | | 2,698 | | 2,698 |
| 19 ACCESSIBILITY | 220 | 120 | 120 | 150 | 610 | C | 61.0 | | | | 610 |
| 20 20MPH ZONES | 131 | 120 | 120 | 120 | 491 | C | 79.5 | | 491 | | 491 |
| 21 FREIGHT | 30 | 35 | 40 | 40 | 145 | C | 79.5 | | 145 | | 145 |
| 22 TGLP SCHEMES | 830 | 35 | 40 | 40 | 945 | C | 94.5 | | 945 | | 945 |
| 23 GREEN TRAVEL | 80 | 50 | 60 | 60 | 250 | C | 79.5 | | 250 | | 250 |
| 24 LONDON BUS PRIORITY NETWORK | 990 | 1,325 | | | 2,315 | C | 2,315 | | 2,315 | | 2,315 |
| 25 INTERCHANGES | 250 | 200 | 200 | 200 | 850 | C | 79.5 | | 850 | | 850 |
| 26 PARKING RESTRICTIONS - PARKING SIGNS | 30 | | | | 30 | C | 79.5 | | | 30 | 30 |
| 27 BRIDGE STRENGTHENING | 10 | | | | 10 | C | 79.5 | | 10 | | 10 |
| 28 ASBESTOS REMOVAL | 2,110 | 75 | | | 2,185 | C | 72.3 | YES | | 2,185 | 2,185 |
| TOTAL LEISURE AND ENVIRONMENTAL SERVICES | 17,411 | 19,319 | 5,925 | 5,555 | 48,210 | | | | 28,566 | 19,644 | 48,210 |

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

2004/2005 - 2007/08 CAPITAL PROGRAMME

| DETAIL | 2004/05 to 2007/08 | | | | | ON HOLD? | SCORE | CATEGORY A/B/C | FINANCING TOTAL | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|----------|-------|----------------|-----------------------------------|--------------------------|---------------|----------------|
| | 2004/05 PAYMENTS £000 | 2005/06 PAYMENTS £000 | 2006/07 PAYMENTS £000 | 2007/08 PAYMENTS £000 | TOTAL COSTS £000 | | | | EXTERNAL/ OTHER EARMARKED £000 | CAPITAL RECEIPTS £000 | TOTAL £000 | |
| SOCIAL SERVICES | | | | | | | | | | | | |
| 1 GRAYS COURT - INTERMEDIATE AND NURSING CARE | 4,500 | | | | 4,500 | | A | 72.3 | 4,500 | 4,500 | | 4,500 |
| 2 GASCOGNE CENTRE - RESIDENTIAL AND DAY CARE REPROVISION | 2,200 | | | | 2,200 | | A | 100.0 | 2,200 | 2,200 | | 2,200 |
| 3 ACCOMMODATION & SERVICES - FIT FOR PURPOSE | 250 | 200 | 200 | | 650 | | B | 80.0 | 850 | 850 | | 850 |
| 4 SHAPE UP - VARIOUS | 400 | 400 | 400 | | 1,200 | | B | 80.0 | 1,600 | 1,600 | | 1,600 |
| 5 BARKING HOSPITAL SITE | 500 | 1,000 | | | 1,500 | YES | C | 31.5 | 1,500 | 1,500 | | 1,500 |
| TOTAL SOCIAL SERVICES | 7,850 | 1,600 | 600 | | 10,050 | | | | 10,650 | 10,650 | | 10,650 |
| FINANCE | | | | | | | | | | | | |
| 1 REVENUE SERVICES- IT SYSTEM | 1,950 | | | | 1,950 | | B | 60.8 | 1,950 | 1,950 | | 1,950 |
| TOTAL FINANCE | 1,950 | | | | 1,950 | | | | 1,950 | 1,950 | | 1,950 |
| TOTAL 2004/2005 SCHEMES WITH STRATEGIC FIT | 83,859 | 77,309 | 38,790 | | 36,906 | | | | 112,307 | 124,556 | | 236,863 |

Note:

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

2004/2005 - 2007/08 CAPITAL PROGRAMME

| DETAIL | 2004/05 to 2007/08 | | | | | | FINANCING TOTAL | | | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------|-------------------|-----------------|-------------|---|-----------------------------|---------------|---------------|---------------|
| | 2004/05 PAYMENTS £000 | 2005/06 PAYMENTS £000 | 2006/07 PAYMENTS £000 | 2007/08 PAYMENTS £000 | TOTAL COSTS £000 | CATEGORY A/B/C | SCORE | ON HOLD? | EXTERNAL/ OTHER EARMARKED £000 | CAPITAL RECEIPTS £000 | TOTAL £000 | | |
| SCHEMES IDENTIFIED IN 2004/2005 NOT MATCHING STRATEGIC FIT | | | | | | | | | | | | | |
| 1 | 750 | 26 | | | 776 | B | 39.5 | YES | | 776 | 776 | | |
| 2 | 1,413 | 1,077 | 300 | | 2,790 | C | NO SCORE | YES | | 2,790 | 2,790 | | |
| 3 | 1,000 | 539 | | | 1,539 | C | NO SCORE | YES | | 1,539 | 1,539 | | |
| 4 | 740 | | | | 740 | C | NO SCORE | YES | | 740 | 740 | | |
| 5 | 500 | 500 | | | 1,000 | C | NO SCORE | YES | | 1,000 | 1,000 | | |
| 6 | 60 | | | | 60 | B | NO SCORE | YES | | 60 | 60 | | |
| 7 | 50 | | 1,095 | | 2,240 | C | NO SCORE | YES | 1,774 | 465 | 2,240 | | |
| 8 | 3,000 | 1,116 | | | 4,116 | C | NO SCORE | YES | 4,116 | | 4,116 | | |
| 9 | 400 | | | | 400 | C | NO SCORE | YES | 400 | | 400 | | |
| | | | | | | | | | | 6,291 | 7,371 | 13,661 | |
| SCHEMES IDENTIFIED IN 2004/2005 NOT MATCHING STRATEGIC FIT | | | | | | | | | | | | | |
| | | | | | | | | | | 7,913 | 3,258 | 1,395 | 13,661 |

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Note:

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

2004/2005 - 2007/08 CAPITAL PROGRAMME

| DETAIL | 2004/05 to 2007/08 | | | | | FINANCING TOTAL | | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------|-------------------|----------|-------------|---|-----------------------------|---------------|
| | 2004/05 PAYMENTS £000 | 2005/06 PAYMENTS £000 | 2006/07 PAYMENTS £000 | 2007/08 PAYMENTS £000 | TOTAL COSTS £000 | CATEGORY A/B/C | SCORE | ON HOLD? | EXTERNAL/ OTHER EARMARKED £000 | CAPITAL RECEIPTS £000 | TOTAL £000 |
| 2005/2006 ONWARDS UNAPPRAISED SCHEMES | | | | | | | | | | | |
| 1 LYMINGTON - NEW PRIMARY SCHOOL | | 350 | 3,300 | 2,060 | 5,710 | C | N/A | YES | | 5,710 | 5,710 |
| 2 BARKING REACH - PRIMARY (1) | | 350 | 3,300 | 2,060 | 5,710 | C | N/A | YES | | 5,710 | 5,710 |
| 3 BARKING REACH - PRIMARY (2) | | | | 2,620 | 2,620 | C | N/A | YES | 2,620 | | 2,620 |
| 4 EASTBURY INFANTS - SITE RATIONALISATION | | 200 | 2,500 | 4,800 | 7,500 | C | N/A | YES | | 7,500 | 7,500 |
| 5 BARKING CENTRAL AREA - NEW PRIMARY SCHOOL | | 350 | 3,300 | 2,060 | 5,710 | C | N/A | YES | | 5,710 | 5,710 |
| 6 PFI CONTINGENCY | | | | 500 | 500 | C | N/A | YES | | 500 | 500 |
| 7 GREEN SPACE STRATEGY | | 995 | 3,000 | 1,000 | 4,995 | C | NO SCORE | YES | 25 | 4,970 | 4,995 |
| TOTAL 2005/2006 ONWARDS - UNAPPRAISED SCHEMES | | 2,245 | 15,400 | 15,100 | 32,745 | | | | 2,645 | 30,100 | 32,745 |

Note:

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- Ⓞ Where a 'Yes' appears in the On hold column this is due to a scheme which needs appraisal/re-appraisal to establish all four green indicators for:
 - Strategic fit
 - Financial implications
 - Deliverability & procurement
 - Benefits plan

MEDIUM TERM FINANCIAL STRATEGY

2004/05 TO 2006/07

MEDIUM TERM FINANCIAL STRATEGY
2004/05 TO 2006/07

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MEDIUM TERM FINANCIAL STRATEGY
2004/05 TO 2006/07

1 Introduction

- 1.1. This document sets out a framework for using the Council Finances to deliver the Community Priorities over the next three years. It is not possible to accurately set out future years' expenditure plans because of the annual national funding announcements, but it is now possible to predict the broad parameters of Council expenditure for three years with a joint degree of accuracy.
- 1.2. The London Borough of Barking and Dagenham has the advantage, at present, of being debt free, which enables us to plan and predict our capital programme with a greater degree of confidence than other Councils. This should be reflected, in turn, through the revenue budgets.
- 1.3. Our Medium Term Financial Strategy (MTFS) is driven by the Council's desire to maximise its impact in addressing the needs of local people, delivering against the Community Priorities, and working with the local community wherever possible. There will be points of contention and disagreement about the actions that are needed, but these will be addressed through consultation and information sharing. Where contention arises, we will use the Community Priorities as a guide to finding the best solution for our Community, within the overall financial framework.
- 1.4. The Medium Term Financial Strategy covers the three years 2004/05 to 2006/07, that relating to 2004/05 is based on the budget and plans agreed in 2003 and further developed in February 2004. It will be a rolling strategy that is updated annually and informed by the capital plan. It is envisaged that this strategy will be:
 - a) Adopted as part of the 2004/05 budget process
 - b) Updated in July of each year to assist budget planning for future years
 - c) Reviewed in February each year when the annual budget is set.

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

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

2. Community Priorities

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

3. Council Performance

Strategies, Plans and Performance Management

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

Local Public Service Agreement

- 3.3. The Council signed its Local Public Service Agreement on 21st July 2003. A Summary of which is attached as Annex 2.

The pump priming performance grant of £914k will be received in 2003/04 and allocated as Annex 2, this will be supplemented by the redirection of Council expenditure of £158k. The performance reward grant of up to £4.7m is expected to be received in two equal instalments in 2006/07 and 2007/08 after our targets are achieved at 31st March 2006.

Comprehensive Performance Assessment (CPA)

- 3.4. The Council was informed in December 2003 that it has retained its “fair” status under the Comprehensive Performance Assessment (CPA) process. Further work is required to improve on this overall rating and the Medium Term Financial Strategy can assist in supporting the Council to achieve a higher rating.

- 3.5. Alongside the CPA process there is the usual Government inspection process particularly around Education (Ofsted), Social Services (Social Service Inspectorate), Housing (Housing Inspectorate) and Benefits (Benefits Fraud Inspectorate). The outcomes from these inspections need to be incorporated into delivery plans which need a clear link to the Medium Term Financial Strategy.

4. Budget Strategy

Council Tax Strategy 2003/04 – 2005/06

- 4.1. In February 2003 the Council set a Council Tax strategy for 2003/04-2005/06. The key elements were:

- a) Education budget set at least as high as FSS (Formula Spending Share)
- b) Social Services budget set at least as high as FSS
- c) Highways Budget set at FSS
- d) A Council Tax increase of 15% for 2003/04 (11.7% for LBBB, 29% for the GLA) with further projected increases of:-

2004/05 15.7% (11.4% LBBB, 20% for the GLA)
2005/06 12.5% (8% LBBB, 20% for the GLA)
- e) Savings of £2.2m in 2003/04 with further savings required of £2.5m in 2004/05 and £250k in 2005/06. These savings were set out in the strategy. The savings concentrated on areas within the EPCS block but protection was given to service provision that delivers the cleaner, greener, safer Council priority.
- f) There would be no planned use of reserves for ongoing expenditure beyond 2003/04.
- g) A 5 year capital plan totalling £400m, with £200m of the programme funded from external funding or revenue
- h) A Capital Programme dependent on £52m of sale proceeds from land disposals.
- i) Remaining debt free for the 3 year period, with the proceeds from interest on balances reducing as accumulated capital receipts are used to fund the capital programme.
- j) The consequence of the strategy was that the Council would be directing resources to Education and Social Services and away from those in the EPCS block. This would be achieved by reconfiguring services funded from within EPCS and, wherever possible, protecting front-line environmental services.

Budget Strategy 2004/05 onwards

4.2. For 2004/05 the key elements of the strategy set in 2003/04 have been built on and the budget has been based on:-

- a) Education budget set at FSS, including the full passporting to schools of the increase in the schools FSS.
- b) Social Services budget set at FSS.
- c) Highways budget set at below FSS (by £300k).
- d) Protecting the services that deliver the Cleaner, Greener, Safer priorities.
- e) There would be no planned use of reserves for ongoing expenditure.
- f) A 4 year capital plan totalling £283m with £121m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis.
- g) A rigorous asset disposal programme, and a capital programme that is dependent on around £50m of sale proceeds from land disposals. Potentially asset disposals may exceed this level and the programme has been set in order to accommodate a higher level of receipts if they are realised. Similarly if the £50m is not achieved the programme will need to be reassessed.
- h) Remaining debt free for 2004/05 to 2006/07, with the proceeds from interest on balances reducing as accumulated capital receipts are used to fund the capital programme. The position on borrowing will be kept under review.
- i) A council tax increase of

5.9% in 2004/05 (5.46% LBBB, 7.54% GLA) with further projected increases of:-

2005/06 (5.5% LBBB, 10% GLA)
2006/07 (5.5% LBBB, 10% GLA)
- j) Savings of £3.5m for 2004/05, of which £600k relates to highways and the remaining are within the environmental, protective and cultural services block however protecting the service provision for cleaner, greener, safer.

With further savings projected of about;

£3m for 2005/06
and £2.3m for 2006/07 being required.

- k) Growth of £2.6m for 2004/05.
This mainly relates to statutory requirements, unavoidable growth, and existing commitments. However, investment is planned in recycling, contract management, procurement and further investment in Cleaner, Greener, Safer initiatives. In addition, there is also a phased transfer of the costs of grounds maintenance from the HRA to the general fund.

Further budget pressures of £17m and £14.5m are projected for 2005/06 and 2006/07 respectively.

- 4.3 The strategy for 2005/06 and beyond continues the position that has been established for 2003/04 and 2004/05.
- 4.4 A summary of spending and Formula spending Share projections for 2005/06 onwards plus council tax increases are contained in Annexes 3 and 4.

5. Formula Spending Share

- 5.1. For 2004/05 the local Government settlement was based on the Formula Spending Share (FSS). The FSS is based on formulae that include information on the population, social structure and other characteristics of each Authority including a top up to reflect the extra costs of employing staff in high cost areas such as London and the south east.
- 5.2. The FSS covers the following major service blocks:

Education
Social Services
Highways
Environmental, Protections and Cultural Services (EPCS)
Capital

- 5.3. The Government does not use FSS as a measure of how much a Council should spend. Rather, it is a way of dividing up the resources that the Spending Review has made available – how the cake is sliced, rather than how big the cake should be. It is a way of allocating grant according to authorities relative circumstances.

The Government is, however, particularly concerned to ensure that its planned increases in school funding are directed into school budgets. Local Authorities are therefore now required by the DfES to ensure that the full increase in the schools element of the Education FSS is reflected in the schools budget. This is expanded on further in section 19 on Education.

There is an expectation that inspectors will examine Social Services expenditure compared to FSS, but at present there has been no Government requirement to spend at Social Services FSS.

5.4. The FSS formula comprises of the following elements:

- A **Basic Amount** for each client that is the same for each Authority.
- A **Deprivation Top-up** that allows for the additional costs of providing services in deprived areas, e.g. proportion of benefit claimants, ethnicity and English as an additional language.
- An **Area Cost Top-up** that recognises that wages and business rates vary across the country.
- Other **Top-ups** that address a range of cost pressures like sparsity, density, visitors and commuters.

5.5. The Councils FSS for 2004/05 is:

| | £M |
|-----------------|--|
| Education | 115.035 (Schools - £101.911m & LEA Central Servs - £13.124m) |
| Social Services | 61.293 |
| Highways | 4.847 |
| EPCS | 42.140 |
| Capital | <u>2.555</u> |
| | <u>225.870</u> |

5.6. The Government does not expect to change the FSS formulas for 2005/06 (except in so far as the weightings given to particular indicators may need to change following the incorporation of the new 2001 census data) and this has been assumed in the Strategy. However, four factors can change:

1. The overall amount of money available which is based on the 2004 Spending Review updated to take into account known movements since that date.
2. Changes in Local Government responsibilities.
3. The underlying data used in the formula.
4. Floors and Ceilings

These four factors are analysed further in Sections 6 to 10.

6. Census Data and Demographic Changes

6.1 The ODPM did not use the demographic and socio economic indicator data from the 2001 Census data to distribute 2004/05 formula grant. This data is likely to be used, however, in some form in 2005/06. These indicators currently account for around 40% of the Borough's social services funding. No announcement has been made as to when the new indicator data will be used or indeed whether the ODPM will seek to revisit the weightings given to each indicator in the FSS formula in the light of the census results. If new data which has so far been released had been applied it would have had the following effect:-

- Social Services FSS down £1.1m (£0.9m for children)
- EPCS FSS up £0.4m
- RSG down £0.4m

This is due primarily to the children's element of FSS in particular the data for

- a) Children with Limiting Long Term Illness
- b) Proportion of Children in One Adult (Lone Parent Households)
- c) Proportion of Children living in flats
- d) Population density

6.2 The continued use of the 1991 data in 2004/05 appears to be a one year reprise, so representation needs to be made to the ODPM as well as the funding departments (DfES and DoH) about the validity of the data and the impact on our service provision of such grant losses were they to arise. The majority of deprived London boroughs would also see sharp losses in funding from the application of the new census data to the current formula (e.g.

Hackney and Tower Hamlets' children's social services funding could fall by over 20%).

6.3 The impact of this could be to reduce the funds available for Social Services to deal with budget pressures and new incentives while assisting the EPCS block in addressing its pressures.

6.4 The 2001 census indicated that the borough experienced the largest population growth in the capital compared with the previous 2000 mid year estimates issued by the Office for National Statistics and this trend is likely to continue for the foreseeable future due to the major housing developments planned along the Thames Gateway.

6.5 The changing demographic profile of the borough will put pressure on resources for schools and children's social services in particular. This is illustrated by the fact that the population aged under 18 increased by 4.8% in the 2001 census compared with the previous 2000 mid year estimates whereas the population over 65 increased by only 1.25%. The proportion of the population of working age (18 - 64) increased by the greatest amount – almost 7% - which in part reflected the revised methodology which was used by the ONS to allocate in migrants and adult asylum seekers across the 33 London boroughs. The Borough's elderly population is therefore likely to decline as a percentage of the total whereas the number of children of school age is likely to continue to increase substantially. As more young families move into the area this may also impact on relative deprivation levels.

- 6.6 An analysis of the census data shows other trends which offer both significant challenges and opportunities to the borough.

For example Barking and Dagenham:

1. had the highest percentage increase in its ethnic minority population over the last decade of any district in England by some margin. The increase of 148% compares with an average nationally of 37% and in London of 42%. Excluding the Corporation of London where the results are arguably not statistically significant due to its low population the next highest increase was Thurrock at 97%. Despite the boroughs ethnic minority population still only representing 9% of the total although this percentage is much higher amongst the child and younger adult population. This increase will tend to drive expenditure pressures upwards per child for social services and special educational needs as children from BME backgrounds are up to three times as likely to be placed in care than their white counterpart.
 2. ranks second in London after Hackney in terms of the proportion of children with a limiting long term illness according to the 2001 census. In 1991 it only ranked 14th out of 33 – it is not clear whether this reflects a real relative movement or is indicative of an undercount in the figures for other deprived London boroughs due to the tick box nature of this question on the census form and the lack of rigorous quality controls on this indicator by the Office for National Statistics.
 3. had the greatest relative decline in the proportion of its children living in flats in London i.e. a reduction from 25% of children to 20%. This modest reduction may have implications for the Council's future funding for children's social services.
- 6.7 The Council will therefore need to review its spending priorities particularly in the areas of Education and Social Services. From 2005/06 the full effects of the new 2001 census indicators are likely to feed into the government's funding allocation formula. Aligned with the relative changes in government funding due to the Borough's population trends this will tend to reduce the relative level of resources allocated through FSS for elderly care over time with corresponding increases in expected expenditure on schools and particularly children's social services.

7. Spending Review

- 7.1. The Government decides how much it can afford to spend, reviews its expenditure priorities and sets targets for the improvements, which are to be delivered from additional spending in its spending reviews (SR).
- 7.2. These reviews take place every two years, covering a three year period. They set out Government assumptions about local authority revenue, spending and determine the total level of grant to local authorities. The final year of a spending review becomes the first year of the next.

- 7.3. Spending Review 2002 (SR 2002) was announced in July 2002 and set out plans from 2003/04 to 2005/06, in the context of the overall national budget of 2002.

SR 2002 indicated the following increases in FSS:

| | 2003/04 | 2004/05 | 2005/06 |
|---|----------------|----------------|----------------|
| | % | % | % |
| Education | 6.3 | 5.5 | 5.9 |
| Social Services | 8.6 | 6.3 | 8.8 |
| Highways | 2.6 | 2.5 | 2.4 |
| Environmental, Protective and Cultural Services | 5.3 | 2.9 | 3.3 |
| Capital Financing | 19.1 | 5.2 | 17.1 |

With the following increases in:

| | 2003/04 | 2004/05 | 2005/06 |
|-------------------------------------|----------------|----------------|----------------|
| | % | % | % |
| Net External Finance (RSG and NNDR) | 7.3 | 5.9 | 6.7 |
| Locally Financed | 6.2 | 2.3 | 6.1 |

N.B. 1. The percentage increase for the schools element is significantly higher (6%+) than the planned growth for LEA central services (3.5%).

These figures are inclusive of inflationary increases. The plan does include the total budgeted figures, but these are at the national level and no detail is given at the Authority level.

- 7.4 The next review in 2004, likely to be announced in July 2004 and will cover the period 2005/06 to 2007/08. One of the key priorities of the review is addressing child poverty so it is to be expected that schools and children's social services are likely to see the greatest growth in funding between now and 2007/08. The increases shown above for 2005/06 are therefore likely to change.
- 7.5 The Chancellor in his Autumn 2002 Statement reinforced the July 2002 plans and these are being used in this strategy.
- 7.6 Annex 4 sets out a projection based on the latest available information.

8 Changes in Local Government Responsibilities (Functional Changes)

- 8.1 Changes occur between the years due to change in responsibilities (e.g. transfer of responsibility for post 16 education to the learning and skills council in 2002/03 or the funding of nursing care for the elderly to the NHS in 2003/04); the Government will make adjustments for these. This will also include transfers from specific formula grants and ring-fenced grants into FSS. The Government has committed itself to reducing the amount of ring fenced grants to 4.5% of total funding but the actual proportion will still be 11.1% in 2004/05. A reduction in ring fencing for social services (releasing an extra £4.5m for general use by LBBDD) has been offset by a 17% growth in the proportion of education funding which is ring fenced.
- 8.2 At the total level, these transfers are neutral but for the Council there is a risk that funding levels change as the distribution of the grant is not the same as that when calculated via the FSS.
- 8.3 The strategy assumes that the transfer of these grants into FSS is neutral. In each case there is a risk that the cash transfer will not be like for like, although due to the borough's rising population there is unlikely to be a disadvantageous effect. At present these are not considered as budget pressures but they may become such.

9 Changes in the Underlying Data in the Formula

- 9.1 Population changes, pupil numbers, relative deprivation etc can all change from year to year and will impact on the overall grant position. In general these are not usually too significant to cause financial planning difficulties in the short term. Data changes are also only relative in the context of all councils.
- 9.2 For education, the funding is strongly linked to pupil numbers which in turn feeds into the fair funding formula used to distribute the schools budget.
- 9.3 The 2001 census indicates that the borough is experiencing one of the largest population growths in the capital and will continue to for the foreseeable future due to the major housing developments planned along the Thames Gateway. The changing demographic profile of the borough will put pressure on resources for schools and children's' social services. The Borough's elderly population is likely to decline as a percentage of the total whereas the number of children of school age is likely to increase substantially. As more young families move into the area this may also impact on relative deprivation levels.
- 9.4 There is a tendency for a two year 'lag' in the population data that feeds into the FSS (i.e. population estimates from July 2002 determine funding for 2004/05). There will also be an impact on the needs for the development of the infrastructure.
- 9.5 The council is already experiencing this with increasing pupil numbers and the need to provide school places. This is impacting on the capital programme, which in turn has revenue consequences. The Schools Organisation Plan is being used to inform the potential demand for school places and the capital programme requirements.

10. Floors and Ceilings

- 10.1 Each year, the Government guarantees a minimum increase in the Revenue Support Grant for each Council. This is known as a “Floor” increase set at 4% in 2004/05. This has to be paid for, so the Government also sets a maximum grant increase, a “Ceiling”, set at 7.5% for 2004/05. It dampens the effect of extreme changes in grant year on year. Neither applied to Barking and Dagenham in 2004/05 as the grant increase was 7.46% although there is a risk that its grant increase may be capped by the ceiling in future years due to the expected growth in population and pupil rolls.
- 10.2 The Government does not announce the level of floors and ceilings in advance of the provisional settlement announcement in November so it is difficult to predict funding levels for future years.
- 10.3 The DFES also guarantees that every LEA receives a minimum per pupil increase in schools FSS each year and is 5% in 2004/05. Barking and Dagenham benefited from this floor protection by £1m in 2004/05. This has translated directly into a higher level of formula grant and FSS.
- 10.4 For planning purposes it has been assumed that the Council will not be subject to formula grant floors or ceilings and as a result of the DfES’s guarantees for 2005/06 will receive an increase in schools funding per pupil of at least 5%.
- 10.5 The Council should campaign to get the cap lifted where the increase is a result of increased population, otherwise public service provision will lag behind population growth.

11. 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.

12 Inflation

- 12.1 Price inflation of around 2.7% is expected over the next 2-3 years. Some economic drivers are subject to negligible inflationary or even deflationary drivers, but staff costs, taking account of the levels of pay increases and additional national insurance and employer pension contributions, are likely to contribute to inflationary pressures. So too is incremental drift as the council tackles difficulty to fill posts.

UBS are predicting average earnings to increase by 4% into 2004.

- 12.2 The London Weighting pay dispute is unresolved, which could contribute to inflationary pressures. This is estimated to cost approaching £300k per annum (including HRA staff).
- 12.3 Approximately 80% of the Council's expenditure is on staff costs, so the inflationary pressures here are particularly important. Barking and Dagenham in common with nine other East London boroughs receives a top up of only 9% (around £20m) to its basic Formula Spending Share allocations to reflect the higher costs of recruiting staff in the capital – the area cost adjustment – compared to 15% for those in West London and 26% for the twelve inner London authorities. This is a potential lobbying area for the Council as relative wages paid in Barking and Dagenham are around 50% higher than the East London average according to the ONS's New Earnings Survey (the data source for determining relative wage rates) and this ought to be reflected in the area cost adjustment calculation.

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

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

| | 2004/05 | Later Years |
|------------------|---------|--------------|
| Employee costs | 3% | 3% |
| Other inflation | 2.5% | 2.5% |
| Fees and charges | 2.5% | 2.5% |
| Pensions costs | ½% | 2% per annum |

13. Vacancy Provision for Employee Costs

- 13.1 Budgets are currently set taking into account vacancy factors. Heads of Service have discretion as to the level depending on the local circumstances; in general Social Services and Education do not operate with such factors.

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

- 13.2 The Council has a policy for reducing its use of agency staff and is being monitored extensively.

14. Charging Policy

- 14.1 The Council has agreed a charging policy and this is set out in Annex 5.
- 14.2 A Corporate Charging Register will be developed during the first half of 2004. It will set out:
- A schedule of charges
 - The date of revision
 - The basis of calculations
- 14.3 All charges will be reviewed annually as part of the budget setting process and this review will commence for the financial year 2004/05. In general fees and charges will be increased to ensure a 2.5% increase in yield in addition to the principles set out in the charging policy.
- 14.4 The Local Government Act 2003 will permit Councils to charge in further areas and these will need to be reviewed as further information becomes available.
- 14.5 From 01/04/03, Department of Health "Fairer Charging" statutory guidance applies to non-residential charging policies within care environments. The Fairer charging Guidance requires charges to take account of both the users' ability to pay and level of service required. This in effect makes it a requirement to undertake a means test to decide levels of charge and to move away from previous non-means tested flat rate charges the Council has favoured in Social Care. The statutory means test has meant that over 50% of Social Services clients have been taken out of being required to pay charges. This guidance will need to be adhered to when making charges for Social Services activities.

15. Prudential Capital Guidelines

- 15.1 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.
- 15.2. The new regime requires the pooling of housing capital receipts. Transitional arrangements have been approved for debt free Councils which will allow 75%, 50% and 25% of our pooled receipts to be retained over the three years 2004/05 to 2006/07 providing they are used for housing purposes. 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. 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.

- 15.3. 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. Annex 6 sets this out in more detail.

16. Debt Free Status

- 16.1 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 (see Annex 6). There is however a transitional assistance for councils that is debt free on 31 March 2004. The council needs to be debt free on 31 March 2004 otherwise it would forego about £30m of transitional relief.
- 16.2 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.
- 16.3 The Director of Finance will report during 2004/05 on the implications of borrowing and give consideration to when this might be advantageous to the Council.

17. Reserves and Contingency

Reserves

- 17.1 When reviewing the Medium Term Financial plans, Councils need to consider the level of reserves and the reasons for those reserves. There is also a requirement to undertake a review when the annual budget is set in February each year.
- 17.2 The CIPFA guidance on Local Authority Reserves and Balances 2003 does not set any "level", but sets out the factors the Finance Director should use when assessing the level. Until recently the external auditors have been silent of specifying levels, tending to only comment on adequacy.
- 17.3 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.

In addition, the Council will hold earmarked reserves for specific purposes.

17.4 Annex 7 sets out the Council's position on reserves and a policy for their application. It can be summarised:-

- General Reserve
 - Projected uncommitted reserve at £11.3m for 2004/05
- Repairs and Renewals Reserve
 - Transfer un-required balances into the general reserve.
 - Set up a spend to save reserve and service reconfiguration reserve from the vehicle and plant reserve.
- Capital and Revenue Support Fund
 - No Change
- Insurance Fund
 - Utilize un-required contributions for revenue spending in 2004/05 onwards, use un-required contribution in 2003/04 for the new resource equalisation reserve.
- Resource Equalisation Reserve
 - A reserve be established to cover the potential shortfall as a result of the reduction in the council tax base as reported to the Executive on 23 December 2003.

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

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

Contingency

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

18. Flexibility Plans

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

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

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

19. Education

- 19.1 The 2004/05 budget has been set based on education spending at FSS. The Council has 'passport' 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.
- 19.2 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.
- 19.3 This puts a more intense focus on the need to "passport" and the council's budget is therefore based on this.
- 19.4 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.
- 19.5 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.

19.6 In common with Newham and Haringey, Barking and Dagenham pays inner London pay rates to teachers but receives no direct compensation for this through the FSS system as it falls within the outer east London area cost adjustment region. As a result the schools area cost adjustment top up for these three boroughs- 9.1% - is the same as that for all other services and identical to that for the neighbouring boroughs of Redbridge, Havering and Bexley which all pay outer London weighting. Inner London boroughs, by contrast, receive an ACA top up for schools of 27% (almost 3 times as much) despite paying the same wage rates to teachers as Barking and Dagenham. This represents a critical lobbying issue for Barking and Dagenham (and arguably Newham) where relative wage pressures according to the ONS New Earnings Survey (the basis for calculating the ACA) are around 50% higher than the East London average and indeed greater than or equivalent to some boroughs with an inner London ACA (e.g. Greenwich).

20. Social Services

20.1 Social Services budget planning for the three year period 2003/04 to 2005/06 is contained within 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 framework 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 re-provision/modernisation of five residential home and day centres and continued modernisation of service delivery.

20.2. 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 | <u>7.543</u> | <u>6.405</u> | <u>6.245</u> | <u>10.16%</u> |
| | <u>61.454</u> | <u>67.699</u> | | |

21. Housing

21.1. The Housing Revenue Account has a medium term and long term financial plan as part of its Business Plan, and has been assessed as “Fit for Purpose”

21.2. Within the Housing General Fund there are increasing expenditure pressures around homelessness and in particular on Bed and Breakfast and leasing arrangements. As part of the Council’s Homelessness Strategy, it is important that these pressures are addressed through its implementation. In order to deliver the financial strategy in 2004/05 there are also a number of statutory changes (mainly in respect of benefits). It is expected that there will be other such changes in future years and these will need to be accounted for in the financial plan.

22. Other Services

Highways

22.1 The Highways FSS for 2004/05 has reduced by £167k, which together with inflation of £150k is an overall reduction of £317k. In addition the budget that has been set is £300k below FSS. The fall in FSS is due to a reduction in the indicator for traffic flows and the flow of HGV’s, buses and coaches on principal roads.

22.2 While there is a reduction in the budget, it is not planned to reduce service provision as greater use will be made of the opportunity to utilise Transport for London funding. It is the council’s medium to long term strategy to ensure highway maintenance is maintained at an appropriate level. Currently Councils in London spend well below FSS on highways maintenance.

Environmental, Protective and Cultural Services (EPCS)

22.3 The service areas in EPCS are going to be subject to the greatest budget pressures over the short to medium term as resources are directed to Education and Social Services.

22.4 For 2003/04 and 2004/05 the overall budget is heavily dependent on interest on balances, which will reduce as capital receipts are used and balances reduce. Further budget pressures will result to fund debt charges if the council goes into borrowing. All of this will put increased pressure on the EPCS block.

22.5 For 2004/05 the overall budget includes savings on the EPCS block of £3.5m. Forward projections indicate that further savings of £3m for 2005/06 and £2.3m for 2006/07 will be needed from the EPCS. This will entail further reviews of the services provided to establish if they are still contributing to the council's priorities and delivering value for money.

22.6 Strategy for Achieving Savings within the EPCS Service Areas

In order to achieve the level of savings projected with the EPCS block it will require fundamental changes in the service provision and a fundamental review of the range of services provided.

Areas that need to be addressed are:-

- Fundamental service reviews
- Procurement and the delivery of the best value review improvement plan
- Income generation – by examining extensively the opportunities for external funding of existing service provision as well as new sources of funding.
- Charging Policy (see section 14)
- Maximising investment income
- Setting efficiency targets for specific service areas.

Regeneration and Urban Development Corporation (UDC)

22.7 Regenerating the local economy as a community priority requires strong links to the financial planning of the council. The council has undertaken a best value review of regeneration and the action plan from this sets out the financial implications.

22.8 The council has allocated £700k from reserves over a 3 year period from 2003/04 to 2005/06 to invest in the staffing infrastructure to support the regeneration agenda. Key to the regeneration strategy is the leveraging in of external funding and it is planned that this investment will generate external funding in the future (capital and revenue) to deliver the regeneration priorities.

22.9 The Sustainable Communities Plan, published earlier this year recommended that a number of special purpose vehicles should be established in the Thames Gateway and the other growth areas to take forward their regeneration. The government proposed at that time that an Urban Development Corporation (UDC) should be established in two areas in the Thames Gateway, namely Thurrock (covering a single borough) and East London. This was in accord with the Council's policy objectives for the regeneration of London Riverside and that of its partners in the Thames Gateway London Partnership, subject to caveats relating to representation on the Board of the UDC, its geography and the exercise of its powers.

22.10 On 17 November 2003, the Office of the Deputy Prime Minister (ODPM) published the formal consultation paper on the proposed UDC for East London.

22.11 The major issues for Barking and Dagenham remain issues of geography (in terms of the boundary of the UDC), representation on the Board and the exercise of powers in particular under the Town and Country Planning Act 1990 and related legislation. The key issue is the continuing support of the Council to the establishment of the UDC and the delivery of the objectives contained in the Sustainable Communities Plan, but the serious concerns the Council has in relation to the Government's draft proposals need to be addressed before the Council can confidently endorse the establishment of the UDC. It is unlikely that the UDC will be operation until Winter 2004.

22.12 Notwithstanding this welcome investment in regeneration projects in the Borough the need for major investment in the London Riverside area and Barking Town Centre to secure the delivery of the Communities Plan's objectives will require concerted effort and considerable resources (with estimates as high as £2 billion for infrastructure improvements alone). Recognising this, the Council has been broadly supportive of the proposal to establish an Urban Development Corporation both independently and as a partner in the Thames Gateway London Partnership.

There are likely to be substantial financial implications as a result of the establishment of the UDC, depending on the powers that it takes. These are impossible to assess at present, due to the lack of information on these matters included in the consultation paper.

22.13 All of this will impact on the medium term financial strategy, although most likely in future versions as the significant growth will come over 5-10 years.

Customer First

22.14 The Customer First initiative comprises of a 3 year plan aiming to deliver the vision of "An excellent contact service with high standards of quality and performance." This will be by a contact centre and one stop shops.

22.15 The **initial** indicative costing indicates:-

| | Revenue Costs | Revenue Savings | Net |
|---------|--------------------------|----------------------------|------------|
| | £m | £m | £m |
| 2004/05 | 2.0 | - | 2.0 |
| 2005/06 | 3.2 | 2.4 | 0.8 |
| 2006/07 | 7.0 | 4.0 | 3.0 |

Provision has been made to use reserves to fund the set up costs for 2004/05 and 2005/06 while staff savings are being delivered.

In addition, there is a capital budget of £5m covering the period 2003/04 to 2006/07.

- 22.16 The savings detailed above are based on staff costs being saved from across service areas and further savings of £3m will be required in 2006/07. The extent of this level of service reconfiguration is extensive and the financial viability of the project is dependent on driving out savings from service departments as a result of streamlining back office business processes, otherwise additional budget pressures will result.
- 22.17 This cross cutting initiative is key to the council's future service provision and will figure significantly in the council's financial planning, as resources are required to be redirected and saved in order to deliver the initiative.

Procurement

- 22.18 The best value review of procurement has recommended the establishment of a corporate procurement team and the 2004/05 budget includes provision for this growth item.

The review identified potentially significant savings from better procurement practices, without impacting on service provision.

The improvement plan from the review includes activity on this with a key outcome to "deliver savings and efficiencies in areas of major spend within the council".

The improvement plan also focuses on the development of a mixed economy of service provision, with a variety of in-house, voluntary sector and commercial suppliers.

This area will need to contribute to achieving long term savings.

23. Future Considerations

- 23.1. **Balance of Funding** – The Government is conducting a review of the balance of local Government funding. Views are being sought with a final report setting out the options for change (but without any recommendations) which was due to be issued in late 2003, and is still awaited.

There is no indication of an implementation date, but this review would impact significantly on Local Government finance.

- 23.2. **Local Authority Business Growth Incentives** – At present all business rate revenues are collected by Councils and passed into a central pool. These revenues are then re-distributed on a per capita basis. The Local Authority Business Growth Incentive Scheme would allow Councils to individually retain some of the business rate revenues that are associated with growing the business rate tax base at a local level.

The Scheme is to be piloted and we have asked to be a pilot, but have not yet been advised of the outcome. The Scheme would be introduced on 01/04/05, the same time as the Business Rate Revaluation. The Executive has considered that it may be of value to use the funds generated from this scheme to be invested in economic development work.

23.3 **Revaluations** – The following revaluations are as planned:

Business Rates 1/4/05 then 1/4/10

Council Tax Revaluation in Spring 2005 – Implemented 1/4/07.

For business rates, five yearly reviews are well established and the transitional arrangements ensure that the impact is spread over a number of years. The Council will be required to implement the results of the revaluation. The Council's own properties may be subject to changing costs of NNDR.

For Council Tax, there has been no revaluation since Council Tax was introduced and the valuations are based on market values in 1991.

House prices in Barking and Dagenham have increased by 104% since 1991 (compared to 90% nationally). The impact of this revaluation and any other changes that occur as a result will need to be carefully assessed.

There is a potential for significant administrative activity needed in the implementation of the new valuations. Transitional arrangements will ensure the impact is spread over a number of years.

23.4 **Population Increase** – The current population of the Borough is 165,000. This is projected to increase to 181,000 (9.6%) by 2010 and to 230,000 (39%) by 2020. This will have a significant impact on the Council's financial position, in particular the investment in the infrastructure that will be needed.

There is likely to be a timelag of two years between population increases and funding feeding through into FSS for non-schools services (i.e. 2003/2004 settlement uses 2001 population data), there is a potential medium term problem here due to the rapidly increasing population growth expected at Barking Reach and Dagenham Dock over the next decade.

There is also the up-front revenue costs associated with schools for example, while they become occupied with a full intake. However, none of these factors will make any significant difference to the financial position over the next three years. Therefore the population projections will need to be taken into account in future revisions of this Medium Term Financial Strategy.

24. **Capital Investment**

24.1. 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.

24.2. 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.

- 24.3. 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.
- 24.4. 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.
- 24.5 The range of external sources of capital funding that are potentially available to support the capital programme include those arising from regeneration programmes, Transport grants, Disabled Facilities grants, a number of Education grants e.g. seed challenge, Lottery, European Funds , PFI programmes and other specific Government programmes. These will also need to be kept under review by relevant spending departments throughout the year to ensure their full use and access to further availability of such external funds.
- 24.6. An important part of planning is for the Council to have a Capital Strategy and Asset Management Plan in place. In addition, there are other Service Capital Plans that are required by Government Departments and they need to link clearly to the overall Capital Strategy and Asset Management Plan. Specific ones are for Housing and Education.
- 24.7. The Capital Strategy and the Asset Management Plan are integral to the Council's future capital investment planning process. The Capital Strategy links policies and priorities to capital investment and provides a framework for the operational work of asset management. The Asset Management Plan, which covers all of the Council's assets, provides essential information in determining Capital Investment needs.
- 24.8. 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.

A programme for 2004/05 to 2007/08 amounting to £283 million, funded by capital receipts of £162 million and externally funded sources of £121 million is to be considered by the Assembly in March 2004.

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

Dated : February 2004

Statutory Plans

The Council is requested to produce a number of Statutory Plans, the Government has proposals to reduce the number of these by 75% over a period of time.

At present the following plans are required:

| Name | Lead Department |
|---|--------------------------------------|
| Adult Learning Plan | Education |
| Behaviour Improvement Plan | Education |
| Early Professional Development Plan | Education |
| Educational Asset Management Plan | Education |
| Excellence Clusters Plan | Education |
| Excellence in Cities Plan | Education |
| ICT Development Plan | Education |
| National Literacy Plan | Education |
| National Numeracy Plan | Education |
| Under Reforming Schools Plan | Education |
| Youth Service Plan | Education |
| Behaviour Support Plan | Education |
| Early Years Development and Childcare Plan | Education |
| Education Development Plan | Education |
| Schools Organisation Plan | Education |
| Accessibility Strategy | Education |
| Library Plan | Education |
| Local Cultural Strategy | Education |
| | |
| Children's Service Plan | Social Services |
| Youth Justice Plan | Social Services |
| Area Child Protection Committee Business Plan | Social Services |
| Teenage Pregnancy Strategy | Social Services |
| Community Care Plan | Social Services |
| Social Care Plans | Social Services |
| | |
| Waste Recycling Plans | DLES |
| Emergency Plans | DLES |
| Air Quality Action Plan | DLES |
| Local Development Plan | DLES |
| Local Transport Plan | DLES |
| Rights of Way Improvement Plan | DLES |
| Asset Management Plan | DLES |
| Contaminated Land Plan | DLES |
| Local Bio Diversity Action Plan | DLES |
| Local Agenda 21 | DLES |
| | |
| HRA Business Plan | Housing and Health |
| Homes Energy Conservation Act Report | Housing and Health |
| Homelessness Strategy | Housing and Health |
| Food Law Enforcement Service Plan | Housing and Health |
| Trading Standards Plan | Housing and Health |
| Supporting People Strategy | Housing and Health |
| | |
| Local Neighbourhood Renewal Strategy | DCS |
| Best Value Performance Plan | DCS |
| Community Strategy | DCS |
| Capital Strategy | No longer required as rated as good. |
| | |
| IEG Statement | Finance |

Local Public Service Agreement

VISION:

Barking and Dagenham Council is undergoing a transformation. It is re-engineering itself into a modern proactive Council in order to tackle a legacy of traditional and too often poorly performing services and to provide much clearer leadership across the community to improve the social, economic and environmental well being of local people.

At the heart of this programme is our 20 year vision for the area and seven community priorities which were developed following extensive consultation with the community.

Promoting equal opportunities and celebrating diversity

Better education and learning for all

Developing rights and responsibilities with the local community

Improving health, housing and social care

Making Barking & Dagenham cleaner, greener and safer

Raising general pride in the Borough

Regenerating the local economy

We have also developed balanced scorecards as a way of managing the whole authority and ensuring that all the Council's activity is focused on delivering the seven community priorities.

The balanced scorecards have been our starting point in developing our PSA. We have sought to use the PSA to reinforce and stretch the targets we had already identified as important in our balanced scorecards. In this way we have ensured that our PSA is at the centre of our work on improving services and delivering the community priorities.

HEADLINE OUTCOMES:

Improving the educational attainment of looked after children

Increase the number of pupils achieving 5 A*-G (or equivalent) including English & Maths

To reduce domestic burglary

Reducing deaths and serious injuries on the roads in Barking & Dagenham

To improve cost effectiveness across the council

Reduce the level of absence in local primary and secondary schools

To reduce the rate of offending of children and young people who are looked after and improve their health

Improve the overall cleanliness of the streets within the borough

Reduce the number of abandoned vehicles on the streets of Barking & Dagenham

To increase the availability of homes to let

To reduce the rate of re-offending of all young offenders

Making Barking & Dagenham greener by improving the natural environment and increasing awareness and use of the natural environment

WHAT FLEXIBILITIES HAVE BEEN GIVEN?

In support of Target 1: Improving the educational attainment of children looked after.

In support of Target 2: Increasing the number of pupils achieving 5 A* -G (or equivalent) including English and Maths.

In support of Target 6: Reduce the level of absence in local secondary and primary schools.

In support of Target 7: Narrowing the gap between the proportions of children in care and their peers who are cautioned or convicted.

Change 1 The Department for Education and Skills will permit Barking and Dagenham Council, with approval from all key stake holders, to provide access to preparatory modules from modern apprenticeships before the age of 16.

Change 2 The Youth Justice Board agrees to prioritise the Council for training and consultation in relation to protocols of reducing offending of Looked after Children. (*Target 7a only*)

In support of Target 11: Reducing the rate of youth re-offending.

Change 3 Pooling of budgets and transfer between funding streams (both from YJB and other sources) is likely to be allowed (within the financial year) on the following conditions:

Original projects must be delivered

Majority of cash must go to original purpose (75% minimum)

Any new project must be within YOT's statutory duties

YOT must submit a costed plan for the new work/work involving the pooled budget

Original grant recipient remains responsible for accounting to YJB for use of it

Audit certificates must be supplied for new as well as original projects

ISSP budgets cannot be diverted

The YJB will look sympathetically on year end flexibility for specific projects in specific circumstances.

WHAT WILL THE PUMP PRIMING GRANT MONEY BE USED FOR?

| Target | Project | Planned total of Council expenditure £ | Grant contribution towards this expenditure (£) |
|----------|--|---|---|
| 1,2 | A Personal Tutor (qualified teacher) to work with Looked After Children (LAC) | £111,563 (+£23,591) | £87,972 |
| 1,2,6,7a | A Learning Co-ordinator to support the Borough's "Flexi-Learning Programme" | £93,636 (+£23,636) | £70,000 |
| 1,2,6,7a | Tuition fees for pupils to attend Barking College as part of the "Flexi-Learning Programme" | £194,727 (+£19,727) | £175,000 |
| 6 | Appointment of Access and Attendance Officer to primary team | £88,363 (+£45,000) | £43,363 |
| 3 | Appointment of a Burglary Reduction Advisor in the Chief Exec's Community Safety Team | £94,981 | £94,981 |
| 4 | Walking bus co-ordinator | £71,000 | £71,000 |
| | Consultation with schools | £4,000 | £4,000 |
| 8 | Trial of innovative and more responsive equipment to improve street cleansing 2 SCARAB machines at £45,000 each | £90,000 | £90,000 |
| 9 | Staffing resources for the abandoned vehicle team | £76,786 | £76,786 |

| Target | Project | Planned total of Council expenditure £ | Grant contribution towards this expenditure (£) |
|---------------|--|---|--|
| 10 | Develop and implement handheld technology (consisting of 6 no. handheld computers with mobile telemetry capability). Training and on-site support during the development and implementation phases | £26,000 | £26,000 |
| 11 | Appointment of Crime Reduction Worker based in YOT to implement specialist programme for all young people | £89,500 | £89,500 |
| 12 | Rangers post. Woodland planting programme. Appointment of external consultants to gain green flag accreditation. Publicity and education materials. | £131,488 (+£45,744) | £85,744 |
| | | £1,072,044 (+£157,698) | £914,346 |

UNSUPPORTED CREDIT APPROVALS:

None.

PERFORMANCE REWARD GRANT:

Barking & Dagenham's net budget requirement for 2002/2003 was £186,500,000, therefore the maximum potential grant that can be awarded is £4,662,500.

SUMMARY OF BUDGET PROJECTIONS UP TO 2006/07

| | 2004/05 £'000 | 2005/06 £'000 | 2006/07 £'000 |
|--|--------------------------|--------------------------|--------------------------|
| BUDGET REQUIREMENT B/F | 205,200 | 220,168 | 236,476 |
| Pressures/Changes | | | |
| Unavoidable | 0 | 200 | 200 |
| Likely Commitments | | | |
| Education spending to FSS | 6,444 | 6,804 | 5,806 |
| Social Services spending to FSS | 4,264 | 5,581 | 3,868 |
| Inflation (EPCS Services Only) | 1,100 | 1,150 | 1,200 |
| London Weighting | 0 | 200 | 0 |
| Concessionary Fares | 213 | 250 | 250 |
| Impact of 2004/05 budget decisions - growth | 1,765 | 120 | 10 |
| Areas of Potential Concern | | | |
| Corporate | 355 | 1,350 | 2,150 |
| Other | 250 | 550 | 200 |
| Future issues | 0 | 750 | 750 |
| Adjustments | | | |
| FSS fundamental changes | 3,038 | | |
| Other accounting/Executive decisions | 2,323 | 0 | 0 |
| Adjustment to Reserves - deficit on collection fund | -1,305 | 0 | 0 |
| Total of Pressures/Changes | 18,447 | 16,955 | 14,434 |
| Less: Impact of Savings agreed for 2004/05 | 3,479 | 647 | 120 |
| Revised Budget Requirement | 220,168 | 236,476 | 250,790 |
| Funding | | | |
| Formula Grant | 177,122 | 187,055 | 196,470 |
| Council Tax Collection | 44,351 | 46,790 | 49,365 |
| Collection Fund Deficit | -1,305 | -250 | -250 |
| Total Funding | 220,168 | 233,595 | 245,585 |
| Council Tax Base (1) | 51,055 | 51,055 | 51,055 |
| LBBD Council Tax (2) | 868.68 | 917 | 967 |
| GLA Precept (3) | 241.33 | 265 | 292 |
| Total | 1110.01 | 1,182 | 1,259 |
| Overall change | 5.9% | 6.5% | 6.5% |
| Funding Gap to be met by savings/elimination of growth/ further increase in Council Tax | 0 | 2,881 | 5,205 |

(N.B. This is after allowing a 5.5% increase in Council Tax)

Notes

1. Assumes the same Council Tax base as in 2004/05.
2. Assumes a 5.5% increase in Council Tax consistent with a 5.5% projected increase for the Council's Formula Spending Share for both 2005/06 and 2006/07.
3. Assumes a 10% increase for both 2005/06 and 2006/07.

COMPARISONS BETWEEN FSS AND BUDGET PROJECTION

| | 2003/04 | | 2004/05 | | 2005/06 | | 2006/07 | |
|---|-----------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|
| | FSS £m | BUDGET £m | FSS £m | BUDGET £m | FSS £m | BUDGET £m | FSS £m | BUDGET £m |
| Education | 106.4 | 106.4 | 115.0 | 115.0 | 121.8 | 121.8 | 127.6 | 127.6 |
| Social Services | 53.9 | 53.9 | 61.3 | 61.3 | 66.9 | 66.9 | 70.5 | 70.6 |
| Highways | 5.0 | 5.0 | 4.8 | 4.5 | 5.0 | 4.7 | 5.1 | 4.8 |
| EPCS (B) | 42.8 | 47.5 | 42.2 | 46.3 | 43.5 | 45.4 | 44.4 | 46.7 |
| Capital Financing | 2.4 | 0.0 | 2.6 | 0.0 | 2.7 | 0.0 | 2.8 | 0.0 |
| Sub Total (A) | 210.5 | 212.8 | 225.9 | 227.1 | 239.9 | 238.8 | 250.4 | 249.7 |
| Reserves | 0.0 | -3.2 | 0.0 | -1.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest on Balances | 0.0 | -4.4 | 0.0 | -5.6 | 0.0 | -5.2 | 0.0 | -4.2 |
| Total (C) | 210.5 | 205.2 | 225.9 | 220.2 | 239.9 | 233.6 | 250.4 | 245.5 |
| % Under FSS (C) | | 2.5% | | 2.5% | | 2.6% | | 2% |
| £m under FSS | | £5.3m | | £5.7m | | £6.3m | | £4.9m |
| £m over EPCS FSS (B) | | £4.7m | | £4.1m | | £1.9m | | £2.3m |
| £m Over/Under FSS (before interest on balance/reserves (A) (NOTE 1) | | Over £2.3m | | Over £1.2m | | Under £1.1m | | Under £0.7m |

Note (1) - This illustrates the extent to which the budget compares to FSS if there were no use of interest on balances or reserves

(2) - Net of Savings required

(3) - Assuming all savings made in EPCS block

Comparison of FSS and Available funding sources

| | 2003/04 £m | 2004/05 £m | 2005/06 £m | 2006/07 £m |
|--|---------------|---------------|---------------|---------------|
| Government Grant | 161.8 | 177.1 | 187.1 | 196.4 |
| Council Tax (including Collection Fund Surplus/Deficit) | 43.4 | 43.1 | 46.5 | 49.1 |
| Interest on Balances | 4.4 | 5.6 | 5.2 | 4.2 |
| Use of Reserves | 3.2 | 1.3 | 0 | 0 |
| Total funding Sources | 212.8 | 227.1 | 238.8 | 249.7 |
| FSS | 210.5 | 225.9 | 239.9 | 250.4 |
| Difference | +2.3 | +1.2 | -1.1 | -0.7 |

Formula Spending Share Projections to 2006/07

| Service | 2003/04 FSS | 2003/04 Adjusted FSS (Like for like vs 04/05) | 2004/05 FSS | 2004/05 Increase | 2004/05 Adjusted FSS (Like for like vs 05/06) | 2005/06 Projected FSS | 2005/06 increase | 2006/07 Projected FSS | 2006/07 Increase |
|-----------------------------------|----------------|--|----------------|---------------------|---|-----------------------------|---------------------|-----------------------------|---------------------|
| | £m | £m | £m | % | £m | £M | % | £M | % |
| Schools | 93.8 | 96.0 | 102.0 | 6.2% | 102.0 | 108.1 | 6.1% | 113.5 | 5.0% |
| LEA Block | 12.6 | 12.6 | 13.0 | 3.8% | 13.0 | 13.7 | 4.5% | 14.1 | 2.9% |
| Education | 106.4 | 108.6 | 115.0 | 5.9% | 115.0 | 121.8 | 5.9% | 127.6 | 4.8% |
| Social Services | 53.9 | 57.0 | 61.3 | 7.5% | 61.5 | 66.9 | 8.8% | 70.5 | 5.4% |
| Highways Maintenance | 5.0 | 5.0 | 4.9 | -3.3% | 4.8 | 5.0 | 2.4% | 5.1 | 6.2% |
| EPCS | 42.8 | 40.5 | 42.2 | 4.0% | 42.2 | 43.5 | 3.3% | 44.4 | 2.1% |
| Capital Financing | 2.4 | 2.4 | 2.5 | 7.2% | 2.6 | 2.7 | 5.2% | 2.8 | 3.7% |
| TOTAL FSS ALL SERVICES | 210.5 | 213.5 | 225.9 | 5.8% | 226.1 | 239.9 | 6.1% | 250.4 | 4.4% |

Notes to table:

- 1 London teachers pay budget support and additional budget support grant transferring into FSS (£2.2m) in 2004/05
2. Three children's quality protects grants transferring into FSS in 2004/05 (£3.2m)
- 3 Funding for council tax benefit and non HRA rent rebates being as 100% subsidy from 2004/05 and not through formula grant
4. Rent allowance FSS abolished - this funding will now be paid via subsidy in 2004/05
5. 97% of Environment agency levy ceasing in 2004/05 (paid directly by DEFRA)
6. Training support grant transferring into Elderly PSS FSS from 2005/06 (£192k)

Charging Policy for Council Services

1. Introduction

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

2. Context for Charging

2.1. Charging in a mixed economy

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

2.2. Mandatory Charging

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

2.3. Discretionary Charging

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

The next section sets out the policy on subsidisation.

3. Subsidy

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

3.2. General Subsidy

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

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

- That the proposed subsidy demonstrably supports a Council priority or policy.
- There is evidence to suggest that the impact of the policy can be measured.
- The cost of the subsidy can be estimated and accommodated within Council budgets.

- That the proposal is the most effective approach to delivering the policy objective having considered alternatives.

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

3.3. **Specific Subsidies**

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

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

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

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

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

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

Charging Policy Commission

Fundamental Principles

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

And

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

Or

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

Member Checklist for Reviewing Charges

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

What is the evidence for these projections of the impact of the policy?

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

Prudential Capital Guidelines

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.

2. The second exposure draft of 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 from other long term liabilities.
- Various treasury management prudential limits e.g. interest rate exposures, maturity structure and borrowing.

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.

4. 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.

5. 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.

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

| | <u>£m</u> |
|-------------|-----------|
| • 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.

Reserves

1. General Reserve

- 1.1. The free balance for 2004/05 is estimated to be £11.3m. This takes into account the current approved usage of the reserve in future years.
- 1.2. It is projected to retain the reserve at around 5% of net expenditure, a target of around £11m.
- 1.3. The reserve is being used to fund on-going expenditure (£250k) in support of the regeneration activity. The use of the reserve will expire in 2006/07 when alternative funding will need to have been identified.

2. Repairs and Renewal Reserve

- 2.1. This reserve is set up to fund the repair and renewal of specific assets and is broken down into a number of individual reserves.
- 2.2. Three of these individual reserves totalling around £770k relate to services or assets that no longer exist and it is recommended that these be transferred to the general reserve.
- 2.3. The reserve contains a sum of £8m for vehicles and plant repairs and renewals. The Council has a policy of operating leasing these now and reserves to replace the assets are not required. However, if the leasing policy was to change a significant capital sum would be required to replace the assets.
- 2.4. The Council is currently undergoing significant changes in its service provision as it addresses the community priorities. Over the next few years, the introduction of Customer First and addressing e-government targets will significantly change the way the Council conducts its business.
- 2.5. Alongside this, the council is also required to make savings on the EPCS block.
- 2.6. It is recommended that £4m of this reserve be ear-marked for potential spend to save activities, each of which would require a fully costed business case approved by TMT and the Executive.
- 2.7. It is recommended that £4m (£2.8m has already been approved for Customer First) of the reserve be held for potential one-off costs associated with service reconfigurations e.g. Customer First; Single Status; accommodation reviews; delivery of e-Government targets.
- 2.8. The use of these two new reserves will be reviewed annually as part of the budget setting process.

3. Capital and Revenue Support Fund

- 3.1. This fund has been set aside to fund planned capital expenditure should the anticipated capital receipt fail to arise.

The current capital programme requires the following net receipts after allowing for transitional arrangements:

| Year | RTB/Mortgages £m | Land Disposals £m |
|--------------|---------------------|----------------------|
| 2003/04 | 36 | 11 |
| 2004/05 | 19 | 23 |
| 2005/06 | 16 | 13 |
| 2006/07 | 12 | 17 |
| Total | 83 | 64 |

- 3.2. Receipts from RTB/Mortgages have regularly been received and are subjected to monthly monitoring to ensure the planned level is received or action taken quickly to rectify the position. Those of land disposals are more risky. To date, the council has not had a track record of land disposal to this extent.
- 3.3. The current planned disposal programme, includes several high value disposals which if failed, were delayed or were for a lower value could impact significantly on the Capital Programme. Progress to date on asset sales has been slow. For budget planning purposes £52m of asset disposals has been projected, based on the 2003/04 original programme.
- 3.4. It is recommended that this reserve is maintained at the £10m level (representing 1/5th of the land sales in the programme). The reserve can be used to substitute for a short fall in the planned use of capital receipts.

4. Insurance Fund

- 4.1. The Insurance Fund is held to meet potential and contingent liabilities for insurance that the council self insures. Based on the claims history over the last five years, the annual contribution to this fund (£1.1m) is no longer required to cover claims and the reduction has been included within the setting of the Council Tax for 2004/05.
- 4.2. However, the council does need to strengthen its approach to the risk management arrangements and the level of technical expertise of a corporate finance nature. The Executive has agreed to utilise £400k to address risk management and financial management issues. It is proposed that the balance of £700k be used towards the Revenue budget.

5. Interest Equalisation Reserve

The budget has been prepared for 2004/05 utilising £5.6m interest on balances, this will reduce as reserves and balances are used and is higher than that of 2003/04. Interest receipts can be volatile, although at the currently relatively low levels of interest are less so. However, it is recommended that consideration be given to establishing an interest equalisation reserve when the 2003/04 accounts are closed, if there are underspends available to establish such a reserve.

This could then be used to smooth in interest rate changes in future years and reduce the volatility in the budget.

6. Barking College

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

7. Local Management of Schools

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

8. Collection Fund

- 8.1. The Collection fund is a separate account for the Council Tax, NNDR and residential community charge transactions. The transactions must be kept separate from the rest of the Council's income and expenditure.
- 8.2. The Council has an estimated shortfall on its Council base for 2003/04 as a result of not awarding single person discounts to single people on full benefit. The position has been regularized.
- 8.3. It is recommended that £1.305m of reserves be earmarked in a resource equalisation reserve. In order to reduce the Council's net expenditure on a one-off basis in 2004/05 in order to equalize any impact on the overall level of council tax.

9. Housing Reserves

9.1. HRA Working Balance

The position on this reserve reflects the decisions made by the Executive on 27 January 2004 when the HRA estimates were considered along with the rent increase. It stands at £10m at 1/4/03, but is projected to reduce to £550k by 1/4/04. During the year the contributions and the use of the fund will mirror the planned capital expenditure on MRA projects. Any balance is a timing issue.

9.3. **HRA Insurance**

This covers insurance claims within the HRA and is considered to be adequate.

9.4. **Leaseholder Repair Fund**

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

HRA reserves are ring fenced to the HRA.

Profile of Reserves (Estimated)

| | Bal 1/4/03 £m | Bal 1/4/04 £m | Bal 1/4/05 £m | Bal 1/4/06 £m | Bal 1/4/07 £m |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General | 16.4 | 12 | 11.3 | 11 | 11 |
| <u>Earmarked</u> | | | | | |
| Repairs and Renewals | 10.9 | 1.5 | 1.3 | 1.1 | 0.9 |
| Spend to Save | 0 | 4 | 4 | 4 | 4 |
| Service Reconfigurations | 0 | 4 | 2 | 1.2 | 1.2 |
| Capital and Revenue Support Fund | 10 | 10 | 10 | 10 | 10 |
| Insurance Fund | 10.6 | 11.2 | 10.9 | 10.6 | 10.3 |

Profile of Reserves (Estimated)
Ring fenced areas


| | Bal 1/4/03 £m | Bal 1/4/04 £m | Bal 1/4/05 £m | Bal 1/4/06 £m | Bal 1/4/07 £m |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Barking College | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 |
| School Balances (net) | 1.8 | 0.7 | 1.5 | 1.9 | 2.2 |
| <u>HRA</u> | | | | | |
| Working Balance | 3.5 | 1.1 | 2.7 | 2.8 | 2.2 |
| Insurance | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Leaseholder Repair Fund | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| MRA | 10.0 | 0.6 | 0.6 | 0.6 | 0.6 |

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THE ASSEMBLY

3 MARCH 2004

REPORT OF THE DIRECTOR OF FINANCE

| TREASURY MANAGEMENT ANNUAL STRATEGY AND THE COUNCIL'S PRUDENTIAL INDICATORS | | FOR DECISION |
|--|----------------------------|---|
| <p><u>Summary</u></p> <ul style="list-style-type: none"> • The purpose of this report is to set the authorised borrowing limit for 2004/05, agree the Annual Treasury Management Strategy and Prudential Indicators. • In accordance with the Council's Constitution, the Executive on 24th February agreed to recommend a borrowing limit for 2004/05 of £5 million to Assembly for agreement. • Assembly is now required to consider and agree these matters. <p><u>Recommendations</u></p> <p>That the Assembly considers the information contained in this report and the appendix 1 and agrees ;</p> <ul style="list-style-type: none"> i) An authorised borrowing limit for 2004/05 of £5 million. ii) The annual treasury management strategy. iii) The prudential indicators for 2004/05. | | |
| Contact Officer | Title | <p> 020 8227 2932</p> <p>e-mail joe.chesterton@lbbd.gov.uk</p> <p>Minicom: 020 8227 2413</p> |
| Joe Chesterton | Head of Financial Services | |

- 1.1 The Executive at its meeting on 24th February 2004 considered a report on the Council's Treasury Management Strategy and Prudential indicators, which is attached as Appendix 1.
- 1.2. The Executive recommended to Assembly the Director of Finance's proposals on an authorised borrowing limit as set out in Appendix 1 to this report.
- 1.3 It is a statutory requirement under the Local Government 2003 for the Council to determine its borrowing limit for the forthcoming financial year.
- 1.4 In addition, with the introduction of the Prudential Code it is necessary for the Council to agree a set of prudential indicators for the forthcoming financial year.

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THE EXECUTIVE**24th February 2004****REPORT OF THE DIRECTOR OF FINANCE**

| | | |
|---|---|--|
| TREASURY MANAGEMENT ANNUAL STRATEGY STATEMENT AND THE COUNCIL'S PRUDENTIAL INDICATORS | | FOR DECISION |
| <p><u>Summary</u></p> <p>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.</p> <p><u>Recommendation</u></p> <p>Members are asked to consider and refer the following to the Assembly on 3rd March 2004 for approval:</p> <ol style="list-style-type: none"> 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. | | |
| Contact Officer Lee Russell | Title Head of Corporate Finance | Tel: 020 8227 2966 Email lee.russell@lbbd.gov.uk Minicom: 020 8227 2413 |

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 been 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

| | 31 st March 2003 £million | 31 st December 2003 £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. Annual Investment Strategy 2004/05

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. Proposed Strategy

- 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. Summary

- 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.

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 | 31.530 | 38.900 | 24.223 |
| Total | 111.693 | 91.772 | 82.812 | 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. Options for the Capital Programme

- 11.1. 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.

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, Support 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. <i>Custodial arrangement required prior to purchase</i> | No | Yes | Yes-varied** Suggested : Short-term F1, Support Individual, Support 1,2,3 or equivalent | NO | Best used by external fund managers | 1 year |
| Gilts : up to 1 year <i>Custodial arrangement required prior to purchase</i> | 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 | 1 year |

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| Investment | Share/ Loan Capital? | Repayable/ Redeemable within 12 months? | Security / 'High' Credit Rating criteria | Capital Expenditure? | Circumstance of use | Maximum period |
|---|-----------------------------|--|--|-----------------------------|---|---|
| <p>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</p> | No | Yes | Govt-backed | NO | to be used by external fund managers only subject to the guidelines and parameters agreed with them | 1 year |
| <p>Money Market Funds These funds do not have any maturity date</p> | 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 |
| <p>Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)</p> | No | Yes | Yes-varied** Suggested minimum : Short-term F1, Individual Support 1,2,3 or equivalent | NO | In-house | 1 year in aggregate |
| <p>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</p> | 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 |
| <p>Gilt Funds - open end***. [Mutual funds investing predominantly in UK gov't 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.</p> | No | Yes | Yes - | NO | to be used by external fund managers only subject to the guidelines and parameters agreed with them | |

Appendix 1(ii)

| Investment | Share/ Loan Capital? | Repayable/ Redeemable within 12 months? | Security / 'High' Credit Rating criteria | Capital Expenditure? | Circumstance of use | Maximum period |
|--|----------------------|---|---|----------------------|---|----------------|
| <p>Other Bond Funds - open end^{***}. <i>[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</i></p> | No | Yes | Yes-varied** Suggested <i>minimum</i> rating for bond fund : AA- | NO | to be used by external fund managers only subject to the guidelines and parameters agreed with them | |
| <p>Treasury bills <i>[Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value]</i></p> <p>Custodial arrangement required prior to purchase</p> | No | Yes | Govt-backed | NO | In-house and external fund managers subject to the guidelines and parameters agreed with them | 1 year |
| <p>Eligible Bills of Exchange < 1 year <i>[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).]</i></p> | No | Yes | Yes-varied** Suggested <i>minimum</i> 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.

LONDON BOROUGH OF BARKING AND DAGENHAM

NON-SPECIFIED INVESTMENTS

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

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

| <u>Investment</u> | <u>(A) Why use it?</u> <u>(B) Associated risks?</u> | <u>Share/ Loan Capital?</u> | <u>Repayable/ Redeemable within 12 months?</u> | <u>Security / Minimum credit rating **</u> | <u>Capital Expenditure?</u> | <u>Circumstance of use</u> | <u>Max % of overall investments</u> | <u>Maximum maturity of investment</u> |
|--|--|------------------------------------|---|--|------------------------------------|--|--|--|
| <u>Term deposits</u> 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 |
| <u>Certificates of Deposit</u> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year <i>Custodial arrangement required prior to purchase</i> | (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 |

Appendix 1(ii)

| <u>Investment</u> | <u>(A) Why use it?</u> <u>(B) Associated risks?</u> | <u>Share/ Loan Capital?</u> | <u>Repayable/ Redeemable within 12 months?</u> | <u>Security / Minimum Credit Rating?</u> | <u>Capital Expenditure?</u> | <u>Circumstance of use</u> | <u>Max % of overall investments</u> | <u>Maximum maturity of investment</u> |
|--|---|-----------------------------|--|--|-----------------------------|--|-------------------------------------|---|
| 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 <i>Custodial arrangement required prior to purchase</i> | (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 gov gilts : any maturity <i>Custodial arrangement required prior to purchase</i> | (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 |

Appendix 1(ii)

| <u>Investment</u> | <u>(A) Why use it?</u> <u>(B) Associated risks?</u> | <u>Share/ Loan Capital?</u> | <u>Repayable/ Redeemable within 12 months?</u> | <u>Security / Minimum credit rating **</u> | <u>Capital Expenditure?</u> | <u>Circumstance of use</u> | <u>Max % of overall investments</u> | <u>Maximum maturity of investment</u> |
|--|---|-----------------------------|--|--|-----------------------------|---|-------------------------------------|---------------------------------------|
| Supranational Bonds <i>Custodial arrangement required prior to purchase</i> | (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 | <i>Suggested limit : 10 years</i> |
| Floating Rate Notes (FRNs) <i>[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]</i> <i>Custodial arrangement required prior to purchase</i> | (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 | <i>Suggested limit : 5 years</i> |

Appendix 1(ii)

| <u>Investment</u> | <u>(A) Why use it?</u> <u>(B) Associated risks?</u> | <u>Share/ Loan Capital?</u> | <u>Repayable/ Redeemable within 12 months?</u> | <u>Security / Minimum credit rating **</u> | <u>Capital Expenditure?</u> | <u>Circumstance of use</u> | <u>Max % of overall investments</u> | <u>Maximum maturity of investment</u> |
|---|---|-----------------------------|--|---|-----------------------------|---|-------------------------------------|---------------------------------------|
| Corporate bonds <i>[Bonds other than sovereign bonds]</i> | (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 | <i>Suggested limit : 10 years</i> |
| 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 : 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 | <i>Suggested limit : 5 years</i> |
| 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 | <i>Suggested limit : 1 year</i> |

Appendix 1(ii)

| INSTRUMENTS NOT CONSIDERED BY THIS COUNCIL AS PRUDENT INVESTMENTS FOR ITS SURPLUS TREASURY FUNDS | | | | | | | | | |
|--|--|-----------------------------|--|---------------------------------------|-----------------------------|----------------------------|-------------------------------------|---------------------------------------|--|
| <u>Investment</u> | <u>Associated risks?</u> | <u>Share/ Loan Capital?</u> | <u>Repayable/ Redeemable within 12 months?</u> | <u>Security / High Credit Rating?</u> | <u>Capital Expenditure?</u> | <u>Circumstance of use</u> | <u>Max % of overall investments</u> | <u>Maximum maturity of investment</u> | |
| 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 ASSEMBLY
3 MARCH 2004
REPORT OF THE DIRECTOR OF CORPORATE STRATEGY

| CALENDAR OF MEETINGS | FOR DECISION |
|---|--------------|
| <p><i>The Constitution (Article 1, Paragraph 5) requires the Assembly to approve the draft Calendar for the coming year at least two months prior to the beginning of the new Municipal Year (May 2004).</i></p> <p>Summary</p> <p>To approve, subject to any amendments, the draft Calendar of Meetings for the coming Municipal Year as considered by the Executive on 24 February 2004. In so doing, to:-</p> <ul style="list-style-type: none"> • Reaffirm the basis of the Calendar, the following principles around which have previously been set by the Assembly; <ul style="list-style-type: none"> ➤ No meeting 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; ➤ Two provisional dates earmarked for the Executive in August. • 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; • Note that ongoing Member Training will continue to be scheduled on a monthly basis, together with regular Departmental and Chief Executive briefings for all Members. However, Departmental "open days" are being discontinued as generally Members do not favour them. They will, however, be reconsidered in Borough election years; • Note that meetings for Community Housing Partnerships have been scheduled to avoid clashes with corresponding Forums; | |

- Note that the programme continues to include a monthly provisional meeting of the Regulatory and General Matters Board. The introduction of the Licensing Act 2003 has transferred many of the licensing functions from the Magistrates Courts to Local Authorities. Therefore, the Executive will consider how these functions are to be dealt with at a Member level at some later date, which may or may not affect the make up and/or frequency of the RGM Board;
- Note that pre-Assembly meetings are now programmed in the Diary.

Recommendation

To consider and approve the content of the draft Calendar circulated separately, subject to any required changes.

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|-------------------------------|--|---|
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