

Notice of Meeting

THE EXECUTIVE

Tuesday, 25 August 2009 - 5:00 pm
Council Chamber, Civic Centre, Dagenham

Members: Councillor L A Smith (Chair); Councillor R C Little (Deputy Chair); Councillor J L Alexander, Councillor G J Bramley, Councillor S Carroll, Councillor H J Collins, Councillor R Gill, Councillor M A McCarthy, Councillor Mrs V Rush and Councillor P T Waker

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Chief Executive

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AGENDA

1. **Apologies for Absence**
2. **Declaration of Members' Interests**

In accordance with the Council's Constitution, Members are asked to declare any personal or prejudicial interest they may have in any matter which is to be considered at this meeting.
3. **Minutes - To confirm as correct the minutes of the meeting held on 11 August 2009 (Pages 1 - 2)**
4. **Urgent Action- Butler Court Accommodation (Page 3)**
5. **Budget Monitoring June (Pages 5 - 36)**
6. **Council Debt Write Offs (Pages 37 - 44)**
7. **Any other public items which the Chair decides are urgent**
8. **To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

Private Business

The public and press have a legal right to attend Council meetings such as the Executive, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 as amended).

9. Barking Riverside Thames View Pedestrian and Cycle Link (to follow)

Concerns a financial and contractual matter (paragraph 3)

10. Any other confidential or exempt items which the Chair decides are urgent

THE EXECUTIVE

Tuesday, 11 August 2009
(5:00 - 5:25 pm)

Present: Councillor L A Smith (Chair), Councillor G J Bramley, Councillor H J Collins, Councillor R Gill, Councillor Mrs V Rush and Councillor P T Waker

Also Present: Councillor J E McDermott

Apologies: Councillor R C Little, Councillor J L Alexander, Councillor S Carroll and Councillor M A McCarthy

41. Declaration of Members' Interests

None declared.

42. Minutes - To confirm as correct the minutes of the meeting held on 28 July 2009

Agreed.

43. Proposed Designated Public Places Order at Martin's Corner

In response to the concerns of residents and members, received a report from the Corporate Director of Adult & Community Services proposing the designation of an area around Martin's Corner within which there will be an additional restriction on public drinking of alcohol from bottles or cans, as a further measure to tackle instances of anti-social behaviour.

The Council has powers under Section 13(2) of the Criminal Justice and Police Act 2001 which enables the Council to make an area within Martin's Corner a 'Designated Public Place', sometimes referred to as an 'alcohol control zone'. Following the designation, if a Constable or a Police Community Support Officer has reason to believe a person is consuming alcohol within the zone, s/he can require the person to stop consuming and surrender the alcohol. Failure to comply without reasonable excuse is an offence for which a person can be arrested and carries a £500 maximum fine.

Arising from the discussions, asked that officers provide a further report with a view to considering an 'alcohol control zone' borough-wide.

Agreed, in order to assist the Council to achieve its Community Priorities of 'Safe' 'Healthy' and 'Clean' to recommend the proposed Designated Public Places Order to the Assembly for adoption

44. Tendering of an Alternative Education Provision for Year 11 Children

Received a report from the Corporate Director of Children's Services concerning proposals to tender and award the contract for an Alternative Education Provision for Year 11 Children from September 2010 for a period of up to five years.

It is proposed that the new service will be tailored around the pupil's needs, both educationally, vocationally and wider – including any special educational needs which may not have been adequately identified and met. The Service will also offer the opportunity for some of the cohort to take GCSE's or gain formal vocational qualifications.

Arising from the discussion, deferred a decision pending further consultation with members and a more detailed report providing evidence of the quality of provision currently provided.

45. Cambell Infant School - Procurement of New Classrooms to Replace Temporary Accommodation

Received a report from the Corporate Director of Children's Services concerning proposals to replace some of the accommodation currently used as classrooms at Cambell Infant School.

As more pupils enter the school system there is a need to procure new classrooms to replace the poor quality and borrowed accommodation.

Agreed, in order to assist the Council to achieve its Community Priority of 'Inspired and Successful' to

- (i) Approve the procurement route as set out in the report at section 3 for the tendering of this project through a single stage design and build contract package utilising the Council's construction framework;
- (ii) Authorise the Corporate Director of Children's Services to determine the detailed tender evaluation criteria prior to the commencement of the tender process, on the basis that the principle criteria is on a quality [40%] and price [60%] split;
- (iii) In accordance with the constitution (Contract Rule 3.6) Cabinet Members for Finance and Human Resources and Education and Children's Wellbeing to attend the subsequent evaluation and award of the contract process; and
- (iv) Note the financial position as set out in the report.

THE EXECUTIVE

25 AUGUST 2009

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

Title: Urgent Action - Butler Court Accommodation		For Information
<p>Summary</p> <p>At the Executive meeting on 14 July 2009, Members received a report from the Corporate Director of Children's Services in respect of proposed increases to charges for room lettings for teachers' accommodation and also hospitality rooms. At that meeting, Members deferred a decision pending a full detailed business case on the charging policy and costing arrangement of Butler Court covering both teaching and hospitality accommodation further information.</p> <p>The subsequent discussions highlighted the urgency in increasing charges for the teachers' accommodation from 1 September 2009, in line with the original proposal, to enable the provision to be self-financing. In order to inform all relevant teaching staff at the earliest opportunity and as the matter could not await the next meeting of the Executive, the Chief Executive took urgent action, in line with the provisions of the Constitution, in agreeing to increase the charges for room lettings for the teachers' accommodation at Butler Court by 15% from 1 September 2009, pending a subsequent business case review for the hospitality accommodation, to be considered as part of the 2010/11 budget strategy.</p> <p>Recommendation</p> <p>The Executive is asked to note the action taken by the Chief Executive under the urgency procedures contained within paragraph 17 of Article 1, Part B of the Council's Constitution in respect of the following:</p> <p>(1) The increase in charges for room lettings for the teachers' accommodation at Butler Court by 15% from 1 September 2009, pending a subsequent business case review for the hospitality accommodation, to be considered as part of the 2010/11 budget strategy.</p>		
Contact: Alan Dawson	Team Manager, Democratic Services	Tel: 0208 227 2348 Fax: 0208 227 2171 E-mail: alan.dawson@lbbd.gov.uk

Background Papers

- "Butler Court Accommodation" report and minutes of the Executive, 14 July 2009
- Letter and enclosure from the Chief Executive of 30 July 2009 entitled "Butler Court Accommodation - Urgent Action under Paragraph 17, Article 1, Part B of the Constitution".

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THE EXECUTIVE

25 AUGUST 2009

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

Title: Budget Monitoring Report June 2009/2010	For Decision
<p>Summary:</p> <p>The report updates the Executive on the Council's revenue and capital position for the first three months of the 2009/10 financial year.</p> <p>The current forecast for revenue expenditure across the Council has identified that three departments are projecting in-year pressures amounting to £2.5 million (Children's Services £0.9 million, Customer Services £1.1 million and Resources £0.5 million). The largest pressures are within the Customer Services department, where expenditure within the Barking and Dagenham Direct division is currently at a higher level than originally anticipated. Also, within the Children's Services department where pressures are arising in regard to providing transport services for children with Special Educational Needs (SEN) and from Looked after Children Placements and in meeting the Council's Leaving Care responsibilities.</p> <p>Where pressures do exist, all departments will need to address these as part of their own, and the Council's, ongoing budget monitoring process so that they produce the necessary balanced budget by the year end. The outcomes and progress of any action plans will be monitored and reported to both the Resource Monitoring Panels and the Executive through the regular budget monitoring meetings and reports.</p> <p>For the Housing Revenue Account (HRA) the forecast is that the year end working balance will be £6.1 million representing an in year contribution to balances of £2.1 million.</p> <p>In regard to the Capital programme, the current projection is that total spend will be in line with the budget by the year end. Directors will continue to review the delivery of individual capital schemes to ensure maximum spend is achieved by the year end.</p> <p>Wards Affected: This is a regular budget monitoring report of the Council's resource position and applies to all wards.</p>	
<p>Recommendations</p> <p>The Executive is asked to:</p> <ol style="list-style-type: none"> 1. note the current position of the Council's revenue and capital budget as at 30 June 2009 (sections 3 and 5 of the report and Appendix A and C); 2. note the position for the HRA (section 4 of the report and Appendix B); 3. note that where potential pressures have been highlighted, Directors are required to identify and implement the necessary action plans to mitigate these budget pressures to ensure that the necessary balanced budget for the Council is achieved by year end (sections 3 and 4 of the report); 4. agree to virements with the Schools Budget for 2009/10 that allocate or defer £4.647 million of currently unallocated funding in the following ways: <ol style="list-style-type: none"> a) Allocating £2.1 million to all schools on the basis of age-weighted pupil units; 	

- b) Deferring a decision about £0.4 million of funding for schools until Executive has made a final decision about whether it wishes to pursue an initiative for expanding free school meals or introducing a breakfast scheme;
 - c) Allocating an extra £0.5 million for schools, which will be allocated to Warren on the basis of a pre-existing agreement to provide them with such funding during 2009/10;
 - d) Earmark £0.135 million for the Extended Schools Initiative, in accordance with plans for the service made during 2008/09;
 - e) Allocating £0.09 million to the school specific contingency budget; and
 - f) Deferring £1.422 million of funding to 2010/11 financial year, so as not to count in the Central Expenditure Limit calculation for 2009/10 (section 3.3.4 of the report);
5. note the prudential indicators for April to June 2009 (section 6 of the report and Appendix D); and
6. note the first quarter financial health indicators (section 7 of the report and Appendix E).

Reason

As a matter of good financial practise, the Executive should be regularly updated with the position on the Council's budget.

Implications:

Financial:

The overall revenue budget is indicating early potential budget pressures across three of the Council's service departments totalling £2.5 million. Where pressures exist Corporate Directors are required to identify and implement the necessary action plans to alleviate these pressures. The capital programme is reported to be on target against the working budget of £112.7 million.

Legal:

There are no specific legal implications regarding this report.

Risk Management:

The risk to the Council is that budgets are overspent and that this reduces the Council's overall resource position. Where there is an indication that a budget may overspend by the year end the relevant Director will be required to review the Departmental budget position to achieve a balanced position by the year end.

This may involve the need to produce a formal action plan to ensure delivery of this position for approval and monitoring by the Resource Monitoring Panel and the Executive. Similarly, if there are underspends this may mean a lower level of service or capital investment not being fully delivered. Specific procedures and sanctions are in place through the Resource Monitoring Panels, Capital Programme Management Office (CPMO), Corporate Management Team and the Executive.

Social Inclusion and Diversity:

As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.

Crime and Disorder:

There are no specific implications insofar as this report is concerned.

Options Appraisal:

There are no specific implications insofar as this report is concerned.

Contact Officer Joe Chesterton	Title: Divisional Director of Finance	Contact Details: Tel:020 8227 2932 E-mail: joe.chesterton@lbbd.gov.uk
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1. Introduction and Background

- 1.1 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. It is now practise within the Council for this monitoring to occur on a regular monthly basis, which helps members to be constantly updated on the Council's overall financial position and to enable the Executive to make relevant decisions as necessary on the direction of both the revenue and capital budgets.
- 1.2 The report is based upon the core information contained in the Oracle general ledger system supplemented by detailed examinations of budgets between the budget holders and the relevant Finance teams to take account of commitments and projected end of year positions. In addition, for capital monitoring there is the extensive work carried out by the Capital Programme Management Office.
- 1.3 The monthly Resource Monitoring Panels, chaired by the Cabinet Member for Finance, and attended by Directors and Heads of Service, monitors the detail of individual departments' revenue and capital budgets alongside relevant performance data and this also enhances and forms the basis of this report.

2. Current Position**2.1 Overview for Revenue Budget**

- 2.1.1 The current forecast across the Council in respect of its revenue budget has identified that three departments are projecting in-year pressures amounting to £2.5 million as detailed below:

	<u>£'000</u>
Children's Services	900
Customer Services	1,132
Resources	<u>506</u>
	<u>2,538</u>

- 2.1.2 Details of each Department's current financial position are provided in Section 3 of this report. In those areas where budget pressures have been highlighted, continual work is being undertaken by Corporate Directors and their management teams to ensure a balanced budget is produced for the year end. To this end, Corporate Directors are beginning to identify action plans to address and rectify these pressure areas and these plans will be actively monitored by the various Resource Monitoring Panels.

3. Service Position

3.1 General

3.1.1 Details of each Department's financial position and the work being undertaken by Corporate Directors and their management teams to ensure a balanced budget is produced for the year end, are provided in this section of the report.

3.2 Adult's and Community Services Department

3.2.1 At this early stage of the year the Department is projecting a break-even position, albeit this projection is based on only three month's activity.

3.2.2 The Department is already experiencing financial pressures in the Learning Disability Service area with regards to Transitions arrangements from Children's Services. Whilst the relevant management team is attempting to manage these pressures, it is felt that these are likely to have an effect on the overall Department's budget performance during the year and these will need to be carefully monitored and managed.

The 2009/10 budgets reflect savings of £4.3 million which equates to 6% of the net budget.

3.2.3 Adult Care Services

This area is primarily Older Persons Residential and Home Support provided by the remaining in-house services. It also includes the Passenger Transport Service and Sheltered Housing Support. The net budget for the area is £5 million. Budget and demand pressures are currently being experienced in Passenger Transport (of which 80% of the service is provided for and charged to Children's Services) and these will need to be carefully monitored and managed by the service.

3.2.4 Adult Commissioning Services

This service area represents the Social Work and Care Management budgets in the department together with services commissioned from the Independent and Private Sector. Service areas include Older Persons, Physical Disability, Learning Disability and Mental Health. The net budget for the area is £44 million, the largest area in cash terms in the Department. The Department set itself some challenging targets (£2 million) in this area for this financial year around staffing and commissioning savings. Interface issues with the local hospitals and the PCT in areas such as Delayed Transfers of Care are acute in this area and are carefully managed. A pressure is being experienced in the Transitions from Children's Services area due to the increasing number of children with care packages/arrangements turning eighteen. Also, in common with other Boroughs and national experiences, Learning Disability budgets are experiencing demand for more services.

3.2.5 Community Safety and Neighbourhood Services

This service area includes CCTV, Community Safety, Parks Police and Security, Substance Misuse, Neighbourhood Management, Youth Offending Service and the Adult Safeguarding Team. The net budgets are in the region of £4 million for this area. The division is required to deliver staffing and service savings in 2009/10 of approximately £500k. No significant budget pressures are being experienced at present.

3.2.6 **Community Cohesion and Equalities**

This service area covers Heritage and Archives, Library Services, the Barking Learning Centre, Community Development and Halls, Community Cohesion and Equalities and Diversity. The net budgets are in the region of £8 million in this area. The division is required to deliver staffing and service savings in 2009/10 of approximately £500k. No significant budget pressures are being experienced in this area at present.

3.2.7 **Leisure and Amenities**

The Leisure and Arts service has transferred to Adult and Community Services from the former Regeneration Department. The service area covers Leisure Centres, Parks Services and Arts and Events. The net budgets for the area are in the region of £5 million. The division is required to deliver staffing and service savings in 2009/10 of approximately £600k. Whilst a balanced budget is being projected, the implications of the current economic climate may effect income generation across the division.

3.2.8 **Other Services, Central Budgets, Recharges, and Government Grants**

The Adult and Community Services Department receive specific government grants and incur recharges for departmental and divisional support. All specific grants will be used in support of existing service areas. Central budgets and recharges within the department are on target.

3.3 **Children's Services Department**

3.3.1 At this very early stage in the financial year, Children's Services are projecting £900k of General Fund budget pressures that if not managed may lead to an overspend. This reflects the outcomes of the first quarterly review in 2009/10 of the Children's Placements and Leaving Care position, which suggests an overspend in the region of £500k and the previously reported concerns about the transport budget, which is projected to overspend by £400k.

3.3.2 There are currently unallocated resources within the Schools Budget (DSG) and there are proposals included in this report for decision that have been subject of consultation with the Schools Forum and Resource Monitoring Panel (RMP) about how these may be allocated for 2009/10. The year-end forecast position is currently that there will be no material variance.

3.3.3 The budget for 2009/10 has been set in the context of an additional £3.5 million of funding for Children's Placements and Leaving Care (less £480k repayment for the previous year's invest to save additions for higher in-house fostering rates) which acknowledges the levels of activity in this area. It is also set in the context of achieving £1.9 million of corporate savings and re-profiling £1.9 million of internal budget measures to address previous underlying financial difficulties. The Departmental Management Team has addressed these issues for 2009/10 and is confident it can absorb all pressures within the available resources.

3.3.4 **Schools**

Schools Budgets are for Executive to determine following consultation with the Schools Forum on proposals being considered. Schools Forum were asked to comment on a proposal for allocating £3.225 million of unallocated resources

within the Schools Budget, funded from the Dedicated Schools Grant (DSG), at its meeting on 29 June 2009. Members are invited to determine how the unallocated resources within the DSG ought to be dealt with at this stage in the financial year.

There are two changes to the overall funding available, compared to the £141.511 million of DSG that was the basis for budget setting:

- Brought forward balances from 2008/09 amount to £3.225 million; and
- DCSF confirmed in late June 2009 that the final level of DSG for 2009/10 was £142.933 million, an increase of £1.422 million on the amount used to set the budget for the year.

The Authority has a number of options for dealing with this funding, but it is constrained by the Central Expenditure Limit over how much it can retain, rather than delegate to schools. Moreover, £0.135 million of the balance from 2008/09 is earmarked for the Extended Schools initiative.

Schools Forum were consulted on a proposal that £3 million of the additional funding available be delegated to schools. This was before it was known that a further £1.4 million was available. The proposal was that:

- £0.5 million of funding be allocated to Warren, as a school in financial difficulties, as agreed with the Schools Forum in February 2009;
- £2.5 million be delegated to schools through age-weighted pupil units or with up to £0.4 million being allocated through the free school meals factor.

Schools Forum was supportive of this approach, although they did not support the proposals to increase spending on catering.

At Executive on 14 July 2009 it was agreed that a project to implement cashless catering in schools as part of the development of a Youth Access Card would be introduced. This will have a cost of £0.721 million in 2009/10 from the DSG and this will be funded from unallocated monies in the contingency fund. The financial consequences of this will be reflected in the financial management system.

Executive are yet to formally consider whether to provide an extension to the arrangements for free school meals or breakfasts which could be funded from the DSG.

Rather than make a decision about retaining or devolving the additional £1.422 million announced by the DCSF, it is proposed to take advantage of one of the technical options available to the Authority in treating brought forward balances. This allows part of the balance to be carried forward into 2010/11, rather than brought into 2009/10. In the Council's accounts the money will still be treated as a balance, but it will not count in the calculation of the Central Expenditure Limit. Further consideration of this can be made in the autumn term and if some of this money is required, a different decision can be made at that point.

In summary, the proposals for dealing with this funding are as follows:

- £0.225 million allocated for retained activities within the Schools Budget;
- £2.600 million devolved to schools; and

- £1.822 million deferred, of which £1.422 million is deferred until 2010/11 and £0.400 million is deferred until there is a decision about whether a new catering initiative is to proceed.

These arrangements are designed to ensure that the Central Expenditure Limit (CEL) is not breached. The CEL is calculated on the basis that the year-on-year increase in the overall Schools Budget (i.e. DSG plus LSC) is not greater than the year-on-year increase in the Individual Schools Budget (i.e. devolved budgets for each school). Table 1 explains the position.

Table 1: Impact of proposals on the central expenditure limit

Impact of proposals on Central Expenditure Limit	2008-09 total £'000	2009-10 current total £'000	%age increase	Proposed changes £'000	2009-10 future total £'000	% age increase
Overall Schools Budget	148,469	154,546	4.01%	+2,825	157,371	6.00%
Individual Schools Budgets	134,637	140,221	4.15%	+2,600	142,821	6.07%
CEL limit ok?			OK			OK

These recommendations ensure that funding is available to schools so that they may make plans to spend it during this year. It is consistent with an approach that avoids breaching the Central Expenditure Limit, in accordance with Department for Children, Schools and Families regulations. These proposals have been considered by Schools Forum, where they agreed to them, with the exception of the possible further allocation of resources for catering, which they did not support. These proposals have also been considered by Children's Services Resource Monitoring Panel (RMP) where concern was expressed about whether schools would be in a position to spend this additional money this year and how this would affect school balances. RMP nonetheless agreed that the proposals should go to Executive for decision, alongside what the alternative approaches that are outlined.

The net effect of all the proposals is in Table 2.

There are two possible options instead of the recommendation above:

- a) to reformulate plans for spending the unallocated resources, with more money being retained for eligible expenditure within the DSG (e.g. more funding in support of the Every Child Matters (ECM) Agenda). This would need to be the subject of consultation with the Schools Forum and they would have a veto on any proposal to breach the Central Expenditure Limit or to spend money on the ECM agenda (as it would count as "Combined Services" under the regulations).
- b) to defer more of the funding into 2010/11 up to the maximum of the £3.225 million brought forward from 2008/09. This would mean reformulating the plans for how the remaining £1.422 million should be spent and consulting again with Schools Forum.

Table 2: Impact of proposals on Section 52 analysis of 2009/10 Schools Budget

	Original Section 52 Budget Statement 2009/10 £'000	Impact of proposed changes £'000	Future Section 52 Budget Statement 2009/10 £'000
SCHOOLS BUDGET			
Devolved			
Individual Schools Budget - DSG	126,128	2,600	128,728
Individual Schools Budget - LSC	13,035	0	13,035
Total Devolved	139,163	2,600	141,763
Early Years			
Private/voluntary/independent fees for education of children under 5	1,058	0	1,058
Total Early Years	1,058	0	1,058
Retained			
Support for schools in financial difficulty	1,000	-500	500
School-specific contingencies	1,335	-131	1,204
14 - 16 More Practical Learning Options	770		770
Special Educational Needs	6,170		6,170
Central Expenditure on Education of Children under 5	1,027		1,027
Pupils out of school	2,371		2,371
School meals	587	+721	1,308
School admissions	507		507
Miscellaneous	558	135	693
Total Retained	14,325	225	14,550
TOTAL SCHOOLS BUDGET (including LSC)	154,546	2,825	157,371
Funded from:			
DSG b/f	0	3,225	3,225
DSG 2009/10	141,511	1,422	142,933
DSG c/f	0	-1,822	-1,822
LSC 2009/10	13,035	0	13,035
Total	154,546	2,825	157,371

3.3.5 Quality and School Improvement

The activities in the division are broadly equal between DSG and General Fund. The DSG includes work on direct support for children with special needs or pupils out of school, as well as admissions. The General Fund work tends to be advice, inspection and support for schools, as well as transport costs for individual children.

The Authority is required to provide transport for children with special educational needs (SEN) where their statement of SEN says so and this forms the majority of the transport costs incurred by the Children's Services department (as well as transport for social care cases and pupils who have to travel more than the statutory minimum distances for home to school journeys). There was an overspend in this budget of £400k in 2008/09 and it is expected that this level of spending will recur into 2009/10.

The Children's Services Special Education Needs Transport budget for 2009/10 is £3.283 million.

The overall passenger transport costs for all client groups (i.e. Adults, Children,

courier service, school swimming etc) rose from £4.3 million in 2007/08 to £5.2 million in 2008/09. This £0.9 million increase was split equally by increases in direct staffing costs and in the transport costs themselves.

The overall change is accounted for by:

- More emphasis on using directly employed staff, rather than agency staff;
- Increased costs of vehicles recharged from the depot;
- More clients needs being met by the passenger transport service, rather than through the more ad hoc use of taxis, thus growing the scale of the operation;
- The financial impact of moving to leased vehicles, rather than taxis;
- The impact of changing client numbers on the number and type of routes to be run.

The budget shortfall within Children's Services is accounted for by:

- The factors described above for the overall passenger transport service;
- Proportions of the overall passenger transport budget have changed for 2009/10, with a shift away from 2/3rd Children – 1/3rd Adults to an indicative split of 73% Children – 27% Adults. While this may be justified in terms of an analysis of the relevant activity for each department, it still represents a shift in costs between departments, regardless of the overall financial position.
- Late additional costs in 2008/09 were not known about when the original budget for Children's Services Transport was set for 2009/10, so some of the reported overspend arises for the same reasons as the overspend arose for 2008/09.

Officers from Children's Services, Adults, Customer Services and corporate colleagues are actively engaged in a review of policies, practices, route management and costs, with a view to getting a better appreciation of how much of the costs are attributable to the different factors. This will assist in determining the best course of action for keeping transport costs at an optimal level. Progress on this will be reported to Members.

3.3.6 **Integrated Family Services**

Much of the work of the Shared Services and Engagement division is either funded from SureStart Grant or from the DSG, with only around £1million of the total funded from the General Fund. There are not anticipated to be major variances at this stage.

3.3.7 **Safeguarding and Rights**

The main budget issue is that of the cost of Looked After Children placements and Leaving Care costs. These budgets are kept under close review and the first quarterly review for 2009/10 was completed in June. There are some good signs in the recent position. For instance, there has been an increase in capacity of in-house foster care, invest to save initiatives continue to support the position and there are fewer private, voluntary and independent foster cases than in 2008/09. The size of the budget problem faced by Children's Services is significantly lower than that reported in previous years. The potential for volatility in this budget has, nonetheless, not gone away and officers are projecting that if admission numbers remain in the region of 60 per quarter and other assumptions about care plans, costs and the reprofile of provision remain valid, there would be an overspend of £500k during 2009/10. Funding was increased for 2009/10 in line with the

expected position in the autumn, but this continues to be a volatile budget and the position could still change further during the year.

3.3.8 Children's Policy and Trust Commissioning

The catering service is accounted for in the DSG, and the Youth Service and the Policy and Commissioning elements are within the General Fund. While catering continues to require a subsidy, currently there are no other expected variances in this division.

3.3.9 Skills Learning and Employment

This service (including the Adult College, training and 14-19 services) has been transferred from the former Regeneration department and there are not currently any expected variances.

3.4 Customer Services Department

3.4.1 The Department's budget for this year is £24.3 million. The department is currently projecting an overspend of £1.132 million which is mainly within the Barking and Dagenham Direct division.

3.4.2 The overspend within the Barking and Dagenham Direct division is a result of higher levels of expenditure than originally anticipated on employees expenses and supplies and services. This is being addressed by management through implementing action plans to contain the overspend over the coming months.

3.4.3 The Department has undergone a comprehensive budget review to realign budgets to services based on current service provision. This exercise was completed in May 2009 and has been fundamental in delivering the savings targets for 2009/10, the redistribution of budgets within service areas and identifying opportunities for future business development.

3.4.4 The budget review has engaged service managers with finance staff and has delivered an outcome where both have a clearer understanding of the needs of the service together with the financial controls needed to deliver services to the highest standard within available resources. This has led to some risk areas being identified quite early in the monitoring process including:

- The vehicle fleet procurement is scheduled to be completed in September 2009. The service will overspend on a monthly basis if this is not completed on schedule. However, the Department has a robust plan to deliver this on target and therefore does not envisage any problems;
- The service is heavily reliant on the use of fuel and other types of natural energy. Any movement in fuel prices will have a material impact on the Department's spend. Controls are being put in place to monitor these areas closely to ensure management actions can be taken early should prices increase;
- Loss of income generation within the Housing Advice Service in regard to site refurbishment at John Smith House;
- In 2008/09, the Department identified a shortfall within the Private Sector Leasing service. This was contained in 2008/09 through quick and decisive management actions in increasing the administration charges and by slowing down the release of this type of property. This area may fluctuate as the service is based on demand, however robust processes are now in place and any

significant changes in demand will be highlighted early to assist management to make the necessary strategic decisions when required;

- In recent years the trade waste service has struggled to meet income targets due to competition in the borough and recent increases in charges. The current income target will be challenging in 2009/10 and the service will continue to monitor this robustly to ensure the service is delivered within existing budgets.

3.4.5 During July the operational and management activities of the Off-Street Parking function will be reassigned from the Resources department to the Customer Services department and therefore, budgets will be transferred accordingly.

3.5 **Resources Department**

3.5.1 The Department has identified a number of pressures that may become difficult to contain within existing budgets.

3.5.2 Within the Strategic Asset Management and Capital Delivery Division, there is likely to be a shortfall of £261k from income recovery. This shortfall is in respect of the delay in the introduction of staff car parking charging and also from the Land Disposal Programme. The Regeneration and Economic Development Division has also identified pressures from the delayed commencement of the planning work on behalf of the Local Housing Company (£125k assuming a six month delay) and £120k from shortfalls in income (Local Land Charges and Planning Application Fees).

3.5.3 The Management Team are working towards developing an action plan across the Department so that a balanced budget position can be achieved by the end of the financial year.

3.5.4 The Department's budgets have been adjusted and reflect its agreed savings, budget pressures and invest to save projects for 2009/10.

3.5.5 **Corporate Director of Resources & Business Support**

This budget includes the costs for the Director, Business Support, One Barking and Dagenham and some of the Area Based Grant (ABG) expenditure which will be incurred within the Department. The budget also includes an invest to save project for strategic partnering arrangements for back office support services. All of these budgets are currently on target.

3.5.6 **Strategy & Performance**

The division is central to the Council developing and delivering a framework that supports, challenges and ensures the Council is an excellent organisation. Its specific functions include Performance, Innovation, Policy, Partnerships, Marketing & Communications and the Olympic Ambition team.

This division is also responsible for the production and distribution of the new Council wide newspaper i.e. "The News". The first issue was produced at the end of May and will replace three publications which had been produced in previous years. The production of the newspaper does rely on significant income and recharges from external advertising and placing public notices in the 'The News'. If these income levels are not achieved then there will be a risk that an overspend may arise. This position is being monitored on an ongoing basis between the Marketing and Communications team and Finance.

There are no other significant issues to report for this division.

3.5.7 **Legal & Democratic Services**

There are currently no specific issues to report for this division at this stage and it is projected that the level of spend will be in line with the budget at year end. The levels of spend on external legal services need to be carefully monitored in 2009/10 to ensure that legal services operate within the overall Council budget. Where demand levels do change in legal work these will be reported to both the RMP and the Executive as a matter of urgency to ensure appropriate action is undertaken.

3.5.8 **IT & Transformation**

Early indications show that a balanced position will be achieved by year end.

3.5.9 **Human Resources**

The division is currently undergoing a reorganisation which will take into account a savings requirement for 2009/10 of £300k. There are a number of vacant posts within the division and as a consequence the delay in the implementation of the new structure has not resulted in financial pressures. Therefore, the required savings will be achieved and the division is currently projecting that a breakeven position will be achieved by the end of the financial year.

3.5.10 **Corporate & Strategic Finance**

This division is currently undergoing a reorganisation and the new structure will take into account the financial monitoring and support requirements of the four newly formed departments and a more strategic financial approach. There continues to be a significant number of vacant posts within the divisions for which a number of agency staff have been approved to ensure that the service continues to deliver its statutory functions. The continued use of agency staff could create a cost pressure later in the year. The division is, however, currently managing this pressure to ensure it achieves a balanced financial position.

3.5.11 **Strategic Asset Management & Capital Delivery**

The division is currently projecting an overspend of £261k as a result of the following income shortfalls:

- The loss of income arising from the lack of any disposal programme to generate transaction fees;
- The decision to defer the charging of car parking charges for staff to 1 April 2010.

There are also a number of other issues which could lead to further financial pressures later in the year. However, every effort is being made to contain these costs within existing budgets. These pressures include:

- The Capital Delivery Unit;
- Buildings related costs;
- Rental income may fall short of budget due to the recession;
- Budget pressures in respect of building repairs and maintenance costs for the Town Hall and Civic Centre.

The Departmental Management Team is currently assessing how this projected overspend can be funded collectively within the Department.

During July the operational and management activities of the Off-Street Parking function will be reassigned from the Resources department to the Customer Services department and therefore, budgets will be transferred accordingly.

3.5.12 Regeneration & Economic Development

The division is projecting an overspend of £245k due, in part, to the shortfall in income that has arisen as a result of the delayed commencement of the planning work on behalf of the Local Housing Company (£125k). This is based on a six month delay. However, should the delay become a full year then this shortfall will amount to £250k. In addition, there is a projected under achievement of income due to the current economic climate particularly in Land Charges and Planning Applications.

3.5.13 Interest on Balances

The current position on interest from investments is that these are performing to the budget target. A proportion of the Council's investments continue to be managed by two external investment managers and the Council's Treasury Management strategy has once again set stretching targets for these managers in 2009/10 which are being closely monitored by the Corporate Finance Division. An element of these investments require the use of investment instruments such as gilts to be used which require tactical trades to be undertaken. Inevitably there are risks and rewards with the use of such investment instruments and whilst the Council needs to continue to review the managers' performance it also needs to be aware that these potential risks/rewards do exist.

The position of interest on balances is also affected during the year by both performance and actual spend on the Capital Programme and the delivery of the Council's disposals programme. Any positive position arising in these areas may allow Council balances to increase. However, at the same time, any weakening of this position may lead to reductions in investment income.

4. Housing Revenue Account (HRA)

4.1 The HRA is currently projecting a surplus for the year of £2.073 million. This is mainly as a result of a decrease in the amount of negative subsidy and Housing Benefit Limitation payable.

4.2 However, there are some areas that will need to be monitored closely over the coming months.

These include:

- a) With the reduction in the Bank of England base rates the interest on balances may underachieve in 2009/10. This area is under review but the shortfall could be as much as £500k;
- b) The downturn in the economy will place an emphasis on the Council to maintain rent collection levels as high as possible. A 0.1% fall in collection levels is equivalent to £70k reduction in income.

Full details of the HRA position are shown in Appendix B.

5. Capital Programme

- 5.1 As at the end of June, the working budget on the capital programme was £112.7 million against an original budget of £75.9 million. Since the original budget was set, budgets have been transferred from 2008/09 into 2009/10 in the February budget monitoring report, and four new schemes have been approved.
- 5.2 These new schemes fall into two categories:
- (a) Provisional schemes from the 2008/09 budget report that have now been successfully appraised by the Capital Programme Monitoring Office (CPMO); and
 - (b) Schemes which have attracted additional external funding, and whose budgets have been increased accordingly.

Full details of the Capital programme are shown in Appendix C.

- 5.3 Actual spend as at the end of June was £7.7 million, which is 7% of the working budget. At this early stage in the year, it is expected that the outturn will be £107.6m against the budget of £112.7m. However, this position will be subject to robust scrutiny to ensure that timetables and milestones can be adhered to, and that budgets are realistic.
- 5.4 The completion of capital projects on time and on budget not only supports the Council's drive to excellence through its Use of Resources score, but will also ensure that the benefits arising from our capital projects are realised for the community as a whole.

6. Prudential Indicators

- 6.1 The Assembly at its meeting on 25 February 2009 agreed the Council's Prudential Indicators for 2009/10. The indicators are required to be set and regularly monitored by the Council to ensure capital investment plans of the authority are prudent, affordable and sustainable. The monitoring of these indicators take place on a quarterly basis, and the position at the end of the first quarter of the financial year, i.e. April to June 2009, is presented in Appendix D.
- 6.2 The Prudential Indicators as laid out in this report show the impact of capital investment decisions in the first quarter of 2009/10 compared to those figures agreed at the beginning of 2009/10.
- 6.3 These figures demonstrate that the capital programme has been put together taking into account the key principles of the CIPFA Prudential Code of prudence, affordability and sustainability.

7. Financial Health Indicators

- 7.1 The Audit Commission's Comprehensive Area Assessment requires the council to undergo an assessment into its Use of Resources (UoR).
- 7.2 One of key themes within the UoR assessment is the need to evaluate the Council's position regarding its financial standing. A key line of enquiry requires Members to monitor key financial health indicators and set challenging targets for areas

including, income collection, level of variance from budget, prudential framework indicators and capital programme management. Whilst the council has a good track record of achieving these targets, it is appropriate that performance against these targets is presented to the Executive on a regular basis. Attached at Appendix F is a list of the Council's significant health indicators for the period ending 30 June 2009.

8. Consultees

- 8.1 The members and officers consulted on this report are:
- Councillor Bramley, Cabinet Member for Finance and Human Resources
 - Corporate Management Team
 - Group Managers – Corporate Finance
 - Capital Programme Management Office
 - Yinka Owa- Legal Partner

Background Papers Used in the Preparation of the Report:

- Oracle reports
- CPMO reports

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BUDGET MONITORING REPORT - JUNE 2009

SERVICES	2009/10						
	Original Budget	Working Budget	Year to Date Budget	Actual to Date	Year to Date Variance - over/(under)	Forecast Outturn	Projected Variance - over/(under)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult & Community Services							
Adult Care Services	5,046	5,058	1,489	1,489	0	5,058	0
Adult Commissioning Services	43,690	43,571	11,457	11,457	0	43,571	0
Community Safety & Neighbourhood Services	3,652	3,752	1,445	1,445	0	3,752	0
Community Cohesion & Equalities	7,552	7,562	1,821	1,821	0	7,562	0
Leisure & Arts	6,473	6,551	845	845	0	6,551	0
Other Services	581	638	1,811	1,811	0	638	0
	66,994	67,132	18,868	18,868	0	67,132	0
Children's Services							
Quality & Schools Improvement	7,151	7,151	3,532	4,679	1,147	7,551	400
Integrated Family Services	752	752	160	2,549	2,389	752	0
Safeguarding & Rights Services	33,313	33,318	9,237	9,682	445	33,818	500
Children's Policy & Trust Commissioning	1,960	1,960	3,569	642	(2,927)	1,960	0
Skills, Learning and Enterprise	1,837	2,451	599	1,417	818	2,451	0
Other Services	6,986	6,986	2,041	2,853	812	6,986	0
	51,999	52,618	19,138	21,822	2,684	53,518	900
Children's Services - DSG							
Schools	(11,382)	(11,382)	31,905	36,093	4,188	(11,382)	0
Quality & Schools Improvement	7,417	7,417	1,854	945	(909)	7,417	0
Integrated Family Services	2,575	2,575	644	919	275	2,575	0
Safeguarding & Rights Services	578	578	145	136	(9)	578	0
Children's Policy & Trust Commissioning	587	587	147	713	566	587	0
Other Services	225	225	56	(39)	(95)	225	0
	0	0	34,751	38,767	4,016	0	0
Customer Services							
Environment & Enforcement	21,370	21,370	4,284	4,718	434	21,377	7
Housing Services	842	842	210	1,061	851	872	30
Customer Services Strategy	(99)	(99)	(25)	6	31	(99)	0
Barking & Dagenham Direct	2,268	2,268	15,567	14,223	(1,344)	3,363	1,095
	24,381	24,381	20,036	20,008	(28)	25,513	1,132
Resources							
Chief Executive	(4)	(4)	(1)	15	16	(4)	0
Director of Resources & Business Support	478	546	137	43	(94)	546	0
Strategy & Performance	(86)	(86)	(21)	115	136	(86)	0
Legal & Democratic Services	727	727	182	191	9	727	0
Corporate & Strategic Finance	63	63	16	(96)	(112)	63	0
ICT & eGovernment	(347)	(347)	(87)	(56)	31	(347)	0
Human Resources	(290)	(200)	(50)	(172)	(122)	(200)	0
Strategic Asset Management/Capital Delivery	374	376	545	608	63	637	261
Regeneration & Economic Development	3,151	3,151	788	860	72	3,396	245
Corporate Management	5,758	5,454	1,364	736	(628)	5,454	0
	9,824	9,680	2,873	2,244	(629)	10,186	506
General Finance	(11,181)	(11,794)	(2,949)	(2,949)	0	(11,794)	0
Contingency	1,500	1,500	375	0	(375)	1,500	0
Levies	7,646	7,646	1,909	1,909	0	7,646	0
TOTAL	151,163	151,163	95,001	100,669	5,668	153,701	2,538

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APPENDIX B

HOUSING REVENUE ACCOUNT - BUDGET MONITORING SUMMARY

Month June 2009

	Original Budget £'000	Revised Budget £'000	Budget Jun-09 £'000	Actual Jun-09 £'000	Forecast £'000	Variance £'000
Housing Revenue Account						
NET RENT OF DWELLINGS	(74,068)	(74,068)	(18,517)	(18,007)	(71,989)	2,079
OTHER RENTS	(2,473)	(2,473)	(618)	(311)	(2,473)	0
OTHER CHARGES	(10,575)	(10,575)	(2,644)	(3,306)	(10,478)	97
CAPITALISATION OF REVENUE REPAIRS	(3,500)	(3,500)	(875)	0	(3,500)	
TOTAL INCOME	(90,616)	(90,616)	(22,654)	(21,624)	(88,440)	2,176
REPAIRS AND MAINTENANCE	23,982	23,982	5,996	5,258	22,657	(1,325)
SUPERVISION & MANAGEMENT	27,996	27,996	6,999	5,694	27,746	(250)
RENT, RATES AND OTHER CHARGES	524	524	131	0	524	0
NEGATIVE HRA SUBSIDY PAYABLE	22,057	22,057	5,514	2,181	19,286	(2,771)
HOUSING BENEFIT LIMITATION	504	504	126	0	101	(403)
DEPRECIATION & IMPAIRMENT OF FIXED ASSETS	13,689	13,689	3,422	3,422	13,689	0
BAD DEBT PROVISION/WRITE OFFS	746	746	187	102	746	
CAPITAL EXPENDITURE FUNDED FROM REVENUE	1,885	1,885	471	0	1,885	0
HRA SHARE OF CORPORATE & DEMOCRATIC CORE (CDC) COSTS	811	811	203	203	811	0
TOTAL EXPENDITURE	92,194	92,194	23,049	16,860	87,445	(4,749)
INTEREST EARNED	(1,364)	(1,364)	(341)	0	(864)	500
TRANSFER FROM RESERVES	(214)	(214)	(54)	0	(214)	0
(SURPLUS)/DEFICIT FOR THE YEAR	0	0	0	(4,764)	(2,073)	(2,573)
WORKING BALANCE B/F	(4,200)	(4,200)			(4,200)	0
WORKING BALANCE C/F	(3,986)	(3,986)			(6,059)	(2,073)

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APPENDIX C

CAPITAL PROGRAMME 2009/2010

SUMMARY OF EXPENDITURE - JUNE 2009

<u>Department</u>	<u>Original Budget (1)</u>	<u>Revised Budget</u>	<u>Actual to date</u>	<u>Percentage Spend to Date</u>	<u>Projected Outturn</u>	<u>Projected Outturn against Revised Budget</u>	<u>Projected Outturn Variation against Original Budget</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>%</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Adult & Community Services	25,850	25,845	1,256	5%	23,800	(2,045)	(2,050)
Children's Services	7,809	29,451	235	1%	26,334	(3,117)	18,525
Customer Services	25,493	28,935	4,880	17%	34,396	5,461	8,903
Resources	16,760	28,513	1,340	5%	23,027	(5,486)	6,267
Total for Department Schemes	75,912	112,744	7,711	7%	107,557	(5,187)	31,645
<u>Accountable Body Schemes</u>							
Resources	-	-	-	-	-	0	0
Total for Accountable Body Schemes	-	-	-	-	-	0	0
Total for all Schemes	75,912	112,744	7,711	7%	107,557	(5,187)	31,645

Note

(1) Excludes provisional schemes approved at Executive in February subject to achieving 'four green lights' from CPMO appraisal

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The Prudential Code for Capital Investment in Local Authorities

Prudential Indicators First Quarter 2009/10

1. Introduction

- 1.1. The Prudential Code for Capital Investment commenced on the 1st April 2004. This system replaced the previously complex system of central Government control over council borrowing, although the Government has retained reserve powers of control which it may use in exceptional circumstances. The Code offers significantly greater freedom to authorities to make their own capital investment plans, whereas the previous system restricted authorities to credit approvals controlled by central government.
- 1.2. Within the regime, authorities must have regard to the *Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities*. The principles behind this code are that capital investment plans made by the Council are prudent, affordable and sustainable. The code identifies a range of indicators which must be considered by the Council when it makes its decisions about future capital programme and sets its budget.

2. The Prudential Indicators

- 2.1. The Prudential Code sets out the information that each Council must consider when making its decisions about future borrowing and investment. This takes the form of a series of "Prudential Indicators".
- 2.2. Since 1st April 2005, the Council's "prudential indicators" have been reported to the Executive on a quarterly basis as an appendix to the budget monitoring report. This ensures that members and senior officers are kept up to date with the financial implications of capital investment decisions on a regular basis.

3. **Capital Expenditure**

- 3.1 The first prudential indicator sets out **capital expenditure** both for the General Fund, and Housing Revenue Account Expenditure. These figures are shown in table 1:

Table 1: Capital Expenditure (Prudential Indicator)

	2009/10	2010/11	2011/12
	£'000	£'000	£'000
HRA	17,980	17,862	13,500
General Fund	94,764	104,886	174,599
Total	112,744	122,748	88,099

- 3.2 Table 1 shows the current 3 year programme (2009/10 to 2011/12). These figures include projects for future years that will be subject to appraisal before inclusion in the programme.

4. **Financing Costs**

- 4.1 The prudential code also requires Councils to have regard to the financing costs associated with its capital programme.
- 4.2 Financing costs are incurred based on the interest and repayment of principle on borrowing which are costs to the Council's general fund.
- 4.3 For the HRA there is 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.
- 4.4 Table 2 shows the following:
- Figures as at 30th June 2009 for the Council's Net Revenue Streams for both the General Fund and the Housing Revenue Account;
 - Financing Costs for these two funds; and
 - The ratio of Net Revenue Streams to Financing Costs, based on capital expenditure shown in Table 1.

Table 2: Financing Costs (Prudential Indicator)

	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Net Revenue Stream			
HRA	87,116	87,116	87,116
General Fund	151,163	154,741	156,474
Financing Costs			
HRA	13,681	13,500	13,500
General Fund	2,564	6,009	7,891
Ratio			
HRA	15.7%	15.5%	15.5%
General Fund	1.7%	3.88%	5.04%

- 4.5 The net revenue streams for the HRA and the General Fund have not changed since the original budgets were set.
- 4.6 Financing costs take into account the cost of borrowing that falls on the revenue account, both in terms of interest payable, and also the minimum revenue provision for repayment of principle. Since the original budget was set, the financing costs for 2009/10 have risen slightly as a result of a number of schemes being carried forward into 2009/10 from 2008/09.
- 4.7 Financing costs in the HRA relate principally to the Major Repairs Allowance, which is a government subsidy from the Department for Communities and Local Government (DCLG). This figure is fixed throughout the year.
- 4.8 Financing costs can also be shown with reference to their impact on Council Tax and Housing Rents. This shows the Council Tax burden for Band D from financing new capital schemes. This is set out in Table 3.

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

	2009/10	2010/11	2011/12
	£	£	£
For Band D Council Tax	49.76	116.62	153.14
For average Housing Rents	0	0	0

- 4.9 Any additional capital schemes added to the programme over and above the level included in the original budget for 2009/10 onwards will further reduce the investment income and increase borrowing costs for the general fund.
- 4.10 As a consequence of the absence of debt and the Government's policy on rent restructuring the capital programme has a minimal impact on future rents. There are no borrowing costs and the revenue contribution to

capital expenditure is set according to the rent levels that are established by the rent restructuring regulations.

5. **Capital Financing Requirement**

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

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

Table 4: Capital Financing Requirement (Prudential Indicator)

	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Housing Revenue Account (HRA)	(23,355)	(23,355)	(23,355)
General Fund	91,543	119,218	130,319
Capital Financing Requirement	68,188	95,863	106,964

5.3 The capital financing requirement as shown in table 4 takes into account the fact that in setting the capital programme budget for 2009/10 to 2011/12, the Council included a number of schemes which would require borrowing. The revenue impact of borrowing costs was at that time factored into the Council's medium term financial strategy.

6. **External Debt**

6.1 Table 5 sets out the prudential indicators in borrowing limits. The Council is required to set two limits, an operational limit which should be kept to on a day to day basis (but could be exceeded for short term, "cashflow" purposes), and an authorised limit, which is the outer limit for borrowing in exceptional purposes. In the medium term local authorities only have the power to borrow for capital purposes.

6.2 The operational limit has been set at £90m for 2009/10, in line with the Council capital programme requirements, which will require the Council to borrow during 2009/10. The authorised limit has been set at £100m which allows significant flexibility should the Council want to borrow for significant housing or regeneration projects (as a statutory limit, it is sensible for this limit to be set well above the expected level of borrowing).

6.3 **The Council has not exceeded either limit up to 30th June 2009.** Actual borrowing as at 30th June was £50m. No investment decisions have been made that suggest either of these limits will be breached in future.

Table 5: Authorised Borrowing Limits (Prudential Indicator)

	2009/10 £m	2010/11 £m	2011/12 £m
Operational Limit on Borrowing	90	115	120
Margin for Unforeseen Cash Flow Movements	110	85	80
Authorised Limit	200	200	200

7. Treasury Management Indicators of Prudence

- 7.1 The authority has an integrated treasury management strategy and has adopted the *CIPFA Code of Practice for Treasury Management in the Public Sector*. The *Prudential Code for Capital Finance in Local Authorities* supplements this by requiring council's to set and monitor specific indicators to demonstrate the prudence of its treasury management policies. The position against these indicators is set out below:

a) Interest Rate Exposure

Indicator set:

The Council will not be exposed to any interest rate risk since all its borrowing will be at fixed rates.

30th June position:

The Council was not exposed to any interest rate risk up to 30th June 2009.

b) Maturity Structure of Borrowing

Indicator set:

All long term borrowing is expected to be for a period of over 10 years.

30th June position:

The Council has built up a portfolio of debt from the first quarter of 2008/09 through to early 2009/10. The portfolio comprises a combination of market loans and loans from the Public Works Loan Board (PWLB). As at 30th June, the Council had borrowed XXXX.

c) 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. The risk inherent in the maturity structure of the Council's investments is that it may be forced to realise an investment before it reaches final maturity and thus at a time when its value may be dependent on market conditions that cannot be known in advance.

30th June position:

The maturity structure of the Council's investments to the 30th June 2009 was such that it did not have to release any of its investments before they reached their maturity date.

8. Summary Assessment

- 8.1 The Prudential Indicators as laid out in this report show the impact of capital investment decisions in the first quarter of 2009/10 compared to those figures agreed at the beginning of 2009/10.
- 8.2 These figures demonstrate that, while changes to the capital programme have had financial implications on the Council, they have been made having taken into account the key principles of the CIPFA Prudential Code of **prudence, affordability** and **sustainability**.

Key Financial Health Indicators to 30th June 2009

Revenue

<u>Financial Monitoring</u>	<u>2009/10</u> <u>Variance</u> <u>Projection</u>	<u>Current</u> <u>Budget</u>	<u>Projected</u> <u>Outturn</u>	<u>Quarter 1</u> <u>Variance</u> <u>Projection</u>	<u>Variance to</u> <u>2009/10</u> <u>Projection</u>	<u>Next</u> <u>Quarter</u> <u>Variance</u> <u>Target</u>	<u>Year end</u> <u>Variance</u> <u>Target</u>
	£m	£m	£m	£m	£m	£m	£m
Service Departments	0.0	148.4	150.9	2.5	2.5	0.0	0
Other Services	0.0	2.8	2.8	0	0.0	0.0	0
Total	0.0	151.2	153.7	2.5	2.5	0.0	0
<u>Narrative:</u>							
<p>Three departments of the council are reporting budgetary pressures. A number of action plans have been implemented to ensure that the Council achieves a balanced budget by the year end. The current adverse position at the end of Quarter 1 is not considered irreversible and consequently the Council is expected to be on budget by the year end. Full details of the June position is included in Section 3 within the main text of this report.</p>							

Key Financial Health Indicators to 30th June 2009

Revenue

<u>Income Collection</u>	<u>Target Collection Rate</u>	<u>Cash Equivalent</u>	<u>Actual Collection Rate</u>	<u>Cash Equivalent</u>	<u>Variance to Target Rate</u>	<u>Next Quarter Target</u>
Council Tax*	29.00%	£14.863m	28.80%	£14.781m	(0.2%)	55.00%
NNDR*	32.00%	£16.382m	33.10%	£16.955m	1.10%	55.00%
Ctax Arrears*						
• prior years	13.50%	£1.485m	6.30%	£696.93k	(7.2%)	21.00%
Rent Collection	95.00%	£71.518m	96.30%	£72.485m	1.30%	95.00%

Narrative:

Council Tax collection did not achieve target by 0.2% but the collection rate at the end of June 2009 is 0.5% up on last year's performance for the end of June 08, in the current economic climate this is an achievement and we will continue to build on this. We are in the process of a BPRE review of Council Tax which we also hope will help increase the collection rate.

We are also above the collection rate for 2008/09 for Business Rates as the new shared services arrangements have settled down.

The calculation for rent collection is based on the calculation for BVPI66a, which is the indicator which was in use for all LA's, until 2007/08. This indicator is no longer a national indicator but we are using the same methodology for the Local Indicator.

This shows that the collection rate is virtually identical to 2007/08 even taking into account the economic downturn, it is noted that the amount of former tenant arrears has almost doubled from last year due to abandonments and evictions.

Key Financial Health Indicators to 30th June 2009

Investments

	<u>Average Investment Balances</u> £m	<u>Benchmark Return</u>	<u>Actual Return @ Q1</u>	<u>Variance at Q1</u>	<u>Projected Year End Variation</u> £'000
Council in House team	60.1	3.00%	4.31%	-0.54%	0
External Fund Manager (1)	37.7	3.00%	2.05%	-1.10%	0
External Fund Manager (2)	23.1	3.00%	4.46%	-0.50%	0
External Fund Manager (3)	15	3.00%	8.00%	-0.50%	0
<u>Narrative:</u>					
The above statistics show investment statistics to the end of June 2009. Interest rates have fallen considerably in 2009/10 as a result of the economic downturn and action by the Bank of England, and this creates a significantly bleaker outlook for investment income. Sufficient allowance was made in the budget to account for this, and in relation to the lower projection (and as a result of good investment rates locked into before the economic downturn), returns are currently expected to achieve the benchmark return. It is worth noting that current returns are well over benchmark at the end of quarter one, but this is as a result of investments locked into from 2008/09 at favourable rates. When these deposits mature, returns will drop to under 1%, hence the expectation is that budget is unlikely to be exceeded in 2009/10 overall.					

Capital

<u>Capital Programme</u>	<u>Original Budget</u> £m	<u>Working Budget</u> £m	<u>Actual Spend @ Q1</u> £m	<u>Projected Spend</u> £m	<u>Variance to Working Budget</u> %	<u>Variance to Working Budget</u> £m
Capital Spend	76	113	7.7	108	4.53%	5
<u>Narrative:</u>						
Actual spend as at the end of June was £7.7m, which is 7% of the working budget. At this early stage in the year, it is expected that the outturn will £107.6m against the budget of £112.7m, however, this position will be subject to robust scrutiny to ensure that timetables and milestones can be adhered to, and that budgets are realistic.						

Key Financial Health Indicators to 30th June 2009

Capital

<u>Prudential Indicators</u>	<u>Original Indicators @ 1/4/09</u>			<u>Revised Indicators @ 30/6/09</u>		
	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
<u>Indicators</u>						
<u>Capital</u>						
Capital Expenditure (£'000)	£99,867	£122,852	£91,028	£112,744	£122,748	£88,099
Financing Costs						
- Ratio of HRA Financing costs to Net Revenue Stream	15.70%	15.50%	15.50%	15.70%	15.50%	15.50%
- Ratio of General Fund Financing costs to Net Revenue Stream	1.53%	4.03%	5.26%	1.70%	3.88%	5.04%
Impact on Band 'D' Council Tax	£45.00	£121.00	£160.00	£49.76	£116.62	£153.14
Impact on Average Housing Rent	£0	£0	£0	£0	£0	£0
Capital Financing Requirement	£70,532	£100,046	£111,136	£68,118	£95,863	£106,964
<u>Treasury Management</u>						
Operational Limit on Borrowing	£90m	£115m	£120m	£90m	£115m	£120m
Authorised Limit	£200m	£200m	£200m	£200m	£200m	£200m
<u>Narrative:</u>	<p>The capital expenditure indicator is showing an increase in the capital programme budget as a result of schemes being successfully appraised through the CPMO process. The remaining capital indicators look at the affordability of the capital programme, and at this stage of the year, there are no signs that this affordability will be different from that which was projected at the beginning of the year. The Treasury indicators look at the level of borrowing required to finance capital expenditure. As at the end of quarter 1, the projection is in line with budget.</p>					

EXECUTIVE

25 AUGUST 2009

REPORT OF THE CORPORATE DIRECTOR OF CUSTOMER SERVICES

Title: Debt Write Offs April 2009 to June 2009 (1st Quarter)	For Information
<p>Summary:</p> <p>Barking and Dagenham Direct is made up of a number of service areas. Two of these (Income & Collection & Rents & Benefits sections), are linked to the billing, collection and recovery of the vast majority of debts that fall due to be paid to the Council for chargeable services and statutory levies such as Council Tax and Business Rates.</p> <p>The value and type of debts written off as uncollectible within these two sections must be reported to the Executive on a quarterly basis in line with the Council's financial regulations. This is the first such report for the financial year 2009/10 and provides a summary of debts written off for Q1 i.e. April to June 2009 shown in table 3 of appendix A. In total £279k of debts to date have been written off for the 2009/10 year up to 30th June 2009.</p> <p>Wards Affected: None.</p>	
<p>Recommendation(s)</p> <p>The Executive is asked to note the debt write-offs for the first quarter of 2009/10 as detailed in the report and that a number of these debts will be publicised in accordance with the policy agreed by Minute 69 (6 November 2007).</p>	
<p>Reason(s)</p>	
<p>As a matter of good financial practice and to accord with the Council's Financial Rules.</p>	
<p>Implications:</p> <p>Financial:</p> <p>All debts written off, will have been provided for within the Council's Bad Debt Provision and as such there should be no specific financial implications. However, there is the possibility that unforeseen and unplanned additional write offs occur, which lead to the value of debts written off in any year, exceeding the agreed bad debt provision.</p> <p>Where this is likely to happen, this quarterly report will act as an early warning system and will enable additional control measure to be agreed and taken, to either bring the situation back under control, or to make appropriate adjustments to the bad debt provision.</p> <p>Legal:</p> <p>There are no specific legal implications of publishing the details of individual debts as any</p>	

lists published will be limited to those cases where prior to the debt being written off, the debt has been proven at Court as rightly and properly due.

Risk Management:

No specific implications save that of this report acting as an early warning system to any problems in the area of write offs.

Social Inclusion and Diversity: No specific implications.

Crime and Disorder: No specific implications.

Options Appraisal: Not applicable.

Contact Officer: Jackie Adams	Title: Group Manager (Income and Collection)	Contact Details: Tel: 020 8227 2507 Fax: 020 8227 2574 E-mail: Jackie.adams@lbbd.gov.uk
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1. Introduction and Background

- 1.1 The Income & Collection section and the Rents and Benefits Sections are responsible for the collection of the vast majority of debts falling due to the Council by way of statutory levies and chargeable services. Whilst measures are taken to collect all debts and levies due, it is invariably the case that some debts will remain unpaid, even after concerted efforts have been made to collect them.
- 1.2 In order that the Council can take proper account of debts that will actually be paid and also take account of debts that are unlikely to be paid, the writing off of uncollectible debts are carried out on a regular basis. This way the Council is able to take account of just those debts that it knows will be paid, whilst making some provision within its accounts for debts that are unlikely to be paid.

2. Policy for write off of irrecoverable debts & unclaimed credits

- 2.1 The processes and procedures in place for managing and recording debts written off are governed by the Council's write off policy. The purpose of the policy is to establish a framework to regulate the write off of irrecoverable debts and long standing unallocated and unclaimed credits.
- 2.2 Adherence to this policy will ensure that there is always consistency and probity adopted in the procedures of debt and credit write offs and that best practice is followed in:
 - Debt collection and recovery
 - Accountancy code of practice
 - Audit controls

3. Authorisation to write off debts

3.1 Authority to write off debts and credits is delegated to the Chief Financial Officer by the Council's Constitution. Further delegation is made via the constitution and is specified below:

- Up to £2,000 Group Managers
- £2,000.001 to £10,000 Head of Barking & Dagenham Direct
- Over £10,000 Corporate Director of Customer Services or the
Divisional Director of Corporate Finance

3.2 These authorisation levels are strictly adhered to for all write offs.

4. Current Position

4.1 The net value of debts written off for the first quarter (Q1) of 2009/10 (i.e. April 2009 – June 2009) was £ 279,212 as shown in table 3 of appendix A. The total cumulative debt write off for 2009/10 now stands at £279,212.

5. Points to note from debt write off tables (Appendix A)

5.1 Council Tax and Business Rates are both statutory debts and for the most part, regular monthly write offs take place.

5.2 General Income debts relate to debts raised for chargeable services that the Council either provides as a statutory duty or as a service where no other providers are available to provide a similar service.

5.3 Home Care and Residential Care debts are also dealt with within the General Income section and are shown separately.

5.4 Housing Benefit overpayment debts written off relate to relevant adjustments in this area.

5.5 Former tenant arrears relate to previous occupation of rented Council housing.

6. Publication of individual details of debts written off

6.1 A number of Authorities publicise the details (names, addresses etc.), of residents who have had debts written off. In the vast majority of cases, these debts have been written off where the debtor has absconded.

6.2 The Executive agreed in November 2007 (Minute 69, 6 November 2007) that a list showing the details of debtors, who have had debts written off, would be attached to this report. A list has been attached at Appendix B. The list has been limited to the top ten debts only

6.3 As outlined within recommendation 2 above, the Executive is asked to consider the publication of this list of debtors locally (e.g. within The News etc.).

- 6.4 As was previously outlined within the 6 November 2007 Executive report, It was recommended that the following types of debt write offs are excluded from this publicised list:
- (a) Debts that have been written off following a corporate complaint being upheld
 - (b) Debts that have been written off due to the debtor falling within one of the many vulnerable groups (e.g. elderly, disabled, infirm etc.)
 - (c) Where the original debt was raised in error
 - (d) Where debts have been written off, but no legal action has been taken to prove that the debt was legally and properly due
 - (e) Where the debt has been written off following bankruptcy or insolvency action (the majority of these cases will be individually publicised)
- 6.5 The exclusion of the category of debts listed above will eliminate the possibility of any unnecessary and potentially costly legal challenges from debtors, who take issue with their details being publicised. It is intended that where the details or whereabouts of debtors become known following publication, those debtors will be pursued as far as is possible, to secure full payment of the debt.
- 6.6 The list provided at appendix B does not include any debts or debtors that fall within categories a-e above, so the list as it stands can be publicised.

7. Ongoing debt recovery and tracing work

- 7.1 It should be noted that debt recovery and tracing work is an ongoing activity within the Income & Collection and Rents & Benefits section. Some form of tracing work continues on debts even after the debt has been written off. We have a number of management tools to find debtors, including national systems such as Experian In many cases, tracing and follow-up work can continue for up to a year after the debt has been written off (e.g. in the case of higher debts) and debtors have been known to resurface up to five years after a debt has been written off.
- 7.2 Where debtors are located either by ourselves or other departments, for example often Tenancy audit find debtors, the section who owns the debt is advised and the recovery process can be resumed. The debt is often written back on so that legal action can commence or be picked up from where it was left.
- 7.3 Every effort is being made to support customers and minimise debt. A business process re-engineering exercise has been carried out on temporary accommodation and income recovery procedures, to ensure the appropriate use of resources and efficient streamlined procedures are in place in preparation of the implementation of Capita I.T. system. This system will provide robust data for better charging, quicker response time, and improvement in customer experience.

8. Consultees

- Cllr G Bramley – Cabinet Member for Finance and Human Resources
- Joe Chesterton -Divisional Director of Corporate Finance
- Bola Odunsi - Head of Barking & Dagenham Direct

- Annette Cardy - Group Manager (Benefits & Service Development)
- Winston Brown – Legal Partner & Deputy Monitoring Officer
- Tony McNamara – Group Manager (Customer Services, Finance)
- Mary Olawale –Asst Group manager (Customer Services, Finance)

Background Papers Used in the Preparation of the Report:

- Report to Executive on 6/11/07 titled “Council Debt Write Offs” Minute 69, November 2007
- Policy for write off of irrecoverable debts and unclaimed credits
- Previous Quarterly Debt Write Off Reports to Executive
- Income & Collection tracing procedure

Debts written off 2006/7
Table 1

Write Offs	Housing Benefit Overpayment	General Income Debts	Former Tenant Arrears	Home Care	Residential Care	Council Tax	NDR	TOTAL
2006/07	£74,086	£209,571	£698,423	£32,234	£98,608	£1,965,030	£82,256	£3,160,208

Debts written off during 2007/8
Table 2

Write Offs	Housing Benefit Overpayment	General Income Debts	Former Tenant Arrears	Home Care	Residential Care	Council Tax	NDR	TOTAL
2007-8 Totals	£335,194	£165,413	£373,275	£ -	£10,543	£ 668,163	£169,657	£1,722,245

Debts written off during 2008/09
Table 3

Write Offs	Housing Benefit Overpayment	General Income Debts	Former Tenant Arrears	Home Care	Residential Care	Council Tax	NDR	TOTAL
2008-9 Totals	£488,398	£1,170,066	£641,636	£693.00	£1,661	£435,088	£106,629	£2,844,171

Debts written off 2009/10
Table 4

Debts Written Off during 2009/10 Quarter 1

Write Offs	Housing Benefit Overpayment	General Income Debts	Former Tenant Arrears	Rents	Home Care	Residential Care	Council Tax	NNDR	TOTAL
Apr-09	Under £2k	£8,179.31	£265.12		£82.00		£26,622.67		£45,174.91
	Over £2k	£4,080.00	£28,731.14						32,811.14
	Over £10k								£0.00
	Total	£14,105.81	£8,179.31	£28,996.26	£0.00	£82.00		£26,622.67	£0.00
May-09	Under £2k	£2,293.89	£2,586.21	£994.10		£159.00			£27,324.51
	Over £2k		£28,456.28						£36,130.50
	Over £10k								£0.00
	Total	£2,293.89	£28,965.53	£31,042.49	£994.10	£0.00	£159.00	£0.00	£0.00
Jun-09	Under £2k	£13,125.79	£47,509.46			£228.52			£85,496.59
	Over £2k	£7,482.34	£35,233.48	£9,558.43					£52,274.25
	Over £10k								£0.00
	Total	£20,608.13	£59,866.30	£57,067.89	£0.00	£0.00	£228.52	£0.00	£0.00
Quarter 1 Totals	£37,007.83	£97,011.14	£117,106.64	£994.10	£82.00	£387.52	£26622.67	£0.00	£279,211.90

Top 10 debts written off in Quarter 1

NAME	INVOICE NUMBER	AMOUNT	SALESPERSON	REASON
RICHARD DUDDY	61934474	£6,362.64	INC – GENERAL INCOME	PSL PANEL AGREED WRITE OFF
ANDREW MALAOLU	61066597	£6,100.00	INC – GENERAL INCOME	PSL PANEL AGREED WRITE OFF
IAN BUTLER	70284742	£5,228.68	RENTS	UNABLE TO TRACE TENANT
STACEY LANSFIELD	71510973	£4,689.03	RENTS	UNABLE TO TRACE TENANT
PAUL BRUCE	70394806	£4,657.33	RENTS	UNABLE TO TRACE TENANT
B CARROLL	G122004485	£4,639.71	INC – GENERAL INCOME	LETTERS HAVE BEEN RETURNED,UNABLE TO TRACE
PATIENCE ABEKA	62000741	£4,590.67	INC – GENERAL INCOME	PSL PANEL AGREED WRITE OFF
BARRY KELLY	71497895	£4,170.35	RENTS	UNABLE TO TRACE TENANT
TRACEY GEORGE	70022758	£3,989.89	RENTS	TENANT DECEASED –NO NOK DETAILS
DIETMAR ENCKE	71091277	£3,825.68	RENTS	UNABLE TO TRACE TENANT