

Notice of Meeting



CABINET

Tuesday, 19 November 2013 - 5:00 pm
Council Chamber, Civic Centre, Dagenham

Members: Councillor L A Smith (Chair); Councillor R Gill (Deputy Chair); Councillor J L Alexander, Councillor H J Collins, Councillor C Geddes, Councillor M A McCarthy, Councillor L A Reason, Councillor P T Waker, Councillor J R White and Councillor M M Worby

Date of publication: 11 November 2013

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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 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 22 October 2013 (Pages 3 - 8)**
4. **Budget Monitoring 2013/14 - April to September 2013 (Month 6) (Pages 9 - 40)**
5. **Treasury Management Strategy Statement Mid-Year Review 2013/14 (Pages 41 - 55)**
6. **Proposal for Elevate East London to Apply to Join the Modification Order (Pages 57 - 69)**
7. **Leasehold Property Major Works Payment Options (Pages 71 - 77)**
8. **Procurement of Castle Green, Arden House and Halbutt Street Day Nursery Services (Pages 79 - 88)**
9. **Proposed Amalgamation of Northbury Infant and Junior Schools (Pages 89 - 98)**

- 10. School Funding Formula 2014/15 (Pages 99 - 106)**
- 11. Localism Act 2011: Community Rights (Pages 107 - 120)**
- 12. 2012/13 Annual Report on the Financial and Service Performance of the Elevate Joint Venture (Pages 121 - 139)**
- 13. Any other public items which the Chair decides are urgent**
- 14. 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 Cabinet, 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 paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

- 15. Abbey Sports Centre - Future Site Options and Disposal (Pages 141 - 149)**
Relates to financial matters associated with Council's land (paragraph 3)
- 16. Energy Company Obligation (ECO) and Green Deal Investment in Housing Stock (Pages 151 - 159)**
Concerns the business affairs of the Council and advice subject to legal professional privilege (paragraphs 3 and 5)
- 17. Any other confidential or exempt items which the Chair decides are urgent**

Barking and Dagenham's Vision

Encourage growth and unlock the potential of Barking and Dagenham and its residents.

Priorities

To achieve the vision for Barking and Dagenham there are five priorities that underpin its delivery:

1. Ensure every child is valued so that they can succeed

- Ensure children and young people are safe, healthy and well educated
- Improve support and fully integrate services for vulnerable children, young people and families
- Challenge child poverty and narrow the gap in attainment and aspiration

2. Reduce crime and the fear of crime

- Tackle crime priorities set via engagement and the annual strategic assessment
- Build community cohesion
- Increase confidence in the community safety services provided

3. Improve health and wellbeing through all stages of life

- Improving care and support for local people including acute services
- Protecting and safeguarding local people from ill health and disease
- Preventing future disease and ill health

4. Create thriving communities by maintaining and investing in new and high quality homes

- Invest in Council housing to meet need
- Widen the housing choice
- Invest in new and innovative ways to deliver affordable housing

5. Maximise growth opportunities and increase the household income of borough residents

- Attract Investment
- Build business
- Create a higher skilled workforce

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MINUTES OF CABINET

Tuesday, 22 October 2013
(5:00 - 5:10 pm)

Present: Councillor L A Smith (Chair), Councillor R Gill (Deputy Chair), Councillor J L Alexander, Councillor C Geddes, Councillor L A Reason, Councillor P T Waker, Councillor J R White and Councillor M M Worby

Also Present: Councillor J E McDermott

Apologies: Councillor H J Collins

42. Declaration of Members' Interests

There were no declarations of interest.

43. Minutes (24 September 2013)

The minutes of the meeting held on 24 September 2013 were confirmed as correct.

44. Budget Monitoring 2013/14 - April to August 2013 (Month 5)

The Cabinet Member for Finance presented a report on the Council's capital and revenue position for the 2013/14 financial year, as at 31 August 2013.

The General Fund continued to show a projected end of year surplus of £7.0m against the total approved budget of £178.3m, exceeding the planned surplus of £5.2m, while the Housing Revenue Account (HRA) continued to show a projected break-even position. The Capital Programme showed a projected spend of £139.2m against the total revised budget of £142.1m.

The Cabinet Member also referred to a number of proposed adjustments to budgets in relation to Locality Services, the new Barking Leisure Centre site, re-profiling of Housing General Fund budgets, the staff pay award and additional funding for highways improvement works. In respect of the latter, the Cabinet Member advised that he wished to withdraw the proposal pending further consideration of the business case.

Cabinet resolved:

- (i) To note the projected outturn position of the Council's General Fund revenue budget at 31 August 2013, as detailed in paragraphs 2.3 to 2.9 and Appendix A of the report;
- (ii) To note the progress against the 2013/14 savings targets at 31 August 2013, as detailed in paragraph 2.10 and Appendix B of the report;
- (iii) To note the position of the Housing Revenue Account (HRA) at 31 August 2013, as detailed in paragraph 2.11 and Appendix C of the report;

- (iv) To approve a revenue budget increase of £0.689m within the HRA in respect of Locality Services, as detailed in paragraph 2.11 of the report;
- (v) To note the projected outturn position of the Council's Capital Programme at 31 August 2013, as detailed in paragraph 2.12 and Appendix D of the report;
- (vi) To approve the use of £250,000 Section 106 monies to meet the cost of archaeological works at the Barking Leisure Centre site, as detailed in paragraph 2.12 of the report;
- (vii) To approve the re-profiling of Housing General Fund budgets as detailed in Appendix E of the report; and
- (viii) To approve the transfer from Central Expenses to Council directorates of the £1m provision for the 1% increase in staff pay, as detailed in paragraph 2.9 of the report.

45. Hate Crime Strategy and Delivery Plan 2013 to 2016

The Cabinet Member for Crime, Justice and Communities presented the Barking and Dagenham Community Safety Partnership's Hate Crime Strategy and Delivery Plan 2013 to 2016.

The Cabinet Member advised that the Strategy's overall vision was to "ensure that the Community Safety Partnership has an effective, co-ordinated community response to hate crime" and this was underpinned by three key objectives aimed at preventing hate crimes, increasing the reporting of hate crimes and improving the operational response to hate crime.

Cabinet resolved:

- (i) To adopt the Community Safety Partnership's Hate Crime Strategy and Delivery Plan 2013 to 2016, as attached to the report, and agree to its implementation; and
- (ii) To note that the other Crime and Disorder Act responsible authorities have been asked to adopt the Strategy and agree its implementation.

46. Growth Strategy 2013 to 2023

The Cabinet Member for Regeneration introduced the Growth Strategy for the Borough covering the period 2013 to 2023, which presented the vision, direction and deliverables for regeneration in the Borough over that period of time, as well as specific deliverables for the next three years.

Cabinet **resolved** to approve the Barking and Dagenham Growth Strategy as appended to the report.

47. Transport Projects to Deliver Growth

Further to Minute 46 above, the Cabinet Member for Regeneration presented a

report on a number of specific transport projects that had been identified as being crucial to the delivery of the Council's regeneration plans for the London Riverside area which encompassed Barking Town Centre, Barking Riverside and the South Dagenham areas of Beam Park, Chequers Corner and Dagenham Dock.

The Cabinet Member explained that the projects would be embodied in the Council's emerging Local Plan and the Growth Strategy 2013-2023 and he outlined a number of actions that the Council should take to support the delivery of the projects.

Cabinet resolved:

- (i) To support and lobby for the following key transport projects to assist the regeneration of London Riverside and to improve transport conditions in the Borough:
 - A13 improvements
 - Barking to Stratford direct rail link
 - Gallions Reach road crossing and Silvertown Crossing
 - London Overground extension
 - Barking Station improvements
 - East London Transit
- (ii) To approve the actions to support the delivery of the above transport projects, as detailed in paragraph 2.53 of the report.

48. Becontree Heath Master Plan and Land Sales

Further to Minute 144 (24 April 2012), the Cabinet Member for Regeneration presented a report on the comprehensive master plan that had been developed for the regeneration of the Becontree Heath area.

The Cabinet Member referred to the proposals for the nine specific sites that had been identified for redevelopment / improvement in the area and the steps required to deliver each project. These included the sale of the Becontree Leisure Centre car park and a vacant strip of Council-owned land to Wm Morrison Supermarkets plc (known as "Morrisons") to facilitate the expansion of the supermarket and options for the former Ship and Anchor Public House site, the details of which were set out in a private and confidential appendix to the report.

Cabinet resolved:

- (i) To agree the Becontree Heath master plan proposals as set out in the report, which include the potential sites identified for redevelopment, the Merry Fiddlers Public Realm improvements, the procurement of a Developer Partner for Althorne Way and other potential sites and the commencement of enveloping works to Stour Road and Gosfield Road housing blocks;
- (ii) To authorise the Chief Executive, in consultation with the Head of Legal and Democratic Services, the Chief Finance Officer and the Cabinet Member for Finance, to agree the terms of the sale to Morrisons of the Becontree

Leisure Centre car park and a vacant strip of land, shown edged purple and green respectively on the map at Appendix B to the report, and to enter into all necessary agreements;

- (iii) To authorise officers to begin negotiations with the owners of the former Ship and Anchor Public House site, with the option of acquiring the privately owned land and marketing the site for a commercial use;
- (iv) To agree that Becontree Heath be included as a potential pilot project under the proposed borough-wide Energy Companies Obligation (ECO) retrofitting scheme partnership with British Gas, which is to be the subject of a detailed report to the next meeting of Cabinet on 19 November 2013;
- (v) To note that a further report will be presented to Cabinet in due course to seek the necessary approvals, including the allocation of funding for the redevelopment works, to enable the delivery of the Becontree Heath master plan proposals; and
- (vi) To agree that consultation be carried out with local residents and businesses on the proposals.

49. Parking Modernisation Programme

The Cabinet Member for Crime, Justice and Communities presented a report which gave an update on the implementation of phase 1 of the Parking Modernisation programme as well as proposals to spend a further £1.18m over the next three years to implement the final phases of the programme and new parking schemes across the Borough.

Cabinet **resolved**:

- (i) To approve a three-year capital investment programme for 2013/14 - 2015/16 totalling £1.18m to be funded through borrowing, the main elements of the programme being:
 - (a) £0.51m for the development and implementation of parking schemes, as outlined in paragraph 3.4 of the report.
 - (b) £0.67m for the final phases of the Parking Modernisation Programme, as outlined in paragraph 4.7 of the report.
- (ii) To approve the implementation of cashless payment methods as set out in the report, subject to the Corporate Director of Housing and Environment, in consultation with the Cabinet Member for Crime, Justice and Communities, being authorised to vary the implementation arrangements in response to comments received from the draft Traffic Order public consultation.

50. Business Rates Pooling Opportunity

The Cabinet Member for Finance introduced a report on the proposal to make an application to the Department for Communities and Local Government (DCLG) for Barking and Dagenham, Basildon, Havering and Thurrock Councils to enter into a business rates pool.

The Cabinet Member explained that pooling arrangements between ‘top-up’ authorities and ‘tariff’ authorities could generate significant financial benefits and a recent review concluded that a pool between the four authorities could generate an additional £13.2m over the four year period 2014/15 to 2017/18. Thurrock Council had been nominated as Lead Authority for the pool and a Memorandum of Understanding had been drafted, as part of the DCLG’s application criteria, which contained provisions to ensure that the additional funding generated via the pool was shared appropriately and that none of the participating authorities would be worse off than if they were outside the pool.

The Cabinet congratulated all those involved in the project and asked officers to ensure that the project received appropriate publicity.

Cabinet resolved:

- (i) To approve the creation of a business rates pool with the London Borough of Havering, Thurrock Council and Basildon District Council from 1 April 2014;
- (ii) To delegate authority to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to agree the operational details of the pooling arrangements with the participating councils; and
- (iii) To authorise the Chief Finance Officer, in consultation with the Head of Legal and Democratic Services, to make any amendments to the draft Memorandum of Understanding, attached at Appendix A to the report, as may be required by the Secretary of State, and to enter into the final Memorandum of Understanding on behalf of the Council.

51. Proposal to Regularise Property Leasing Arrangements

The Cabinet Member for Finance presented a report on proposals to formalise and regularise property leasing arrangements to provide a transparent and consistent approach to the leasing of Council property assets.

The Cabinet Member advised that a new policy would apply to all Council property leasing arrangements, except for those associated with Community Asset Transfers driven by the Council in respect of community centres and future Transfer of Assets or Services as part of the Community Right to Bid or the Community Right to Challenge elements of the Localism Act 2011. The policy would be based on the principle of full market rent but with a mechanism for third parties to apply for financial support towards rent that would be linked to the delivery of corporate and departmental objectives. Although the detail of the policy was still to be determined, the Cabinet Member suggested that funding support arrangements would be on a three-year basis and subject to ongoing monitoring and review.

Cabinet resolved:

- (i) To agree that future leases with third parties in respect of Council property assets be at a market rent, with rent subsidy levels considered through the submission of a business case; and

- (ii) To authorise the Chief Finance Officer, in consultation with the Cabinet Members for Finance and Crime, Justice and Communities, to agree the formal policy and scoring mechanism, linked to the delivery of Council priorities, by which rent subsidy levels shall be determined.

52. Sale of Footpath Land to Facilitate the Former Barking Magistrates Court Development

The Cabinet Member for Regeneration presented a report on the proposed sale of footpath land to facilitate the redevelopment of the former Barking Magistrates Court in Barking Town Centre.

Cabinet **resolved** to approve the freehold sale of the area of footpath land adjacent to the former Barking Magistrates Court, shown hatched on the plan at Appendix 1 to the report, to Chrisfys Properties on the terms set out in the report.

53. Award of Contract for the Provision of Personal Protective Equipment (PPE) and Uniform

Further to Minute 86 (22 January 2013), the Cabinet Member for Finance presented a report on the outcome of the procurement of a contract for the provision of personal protective equipment (PPE) and uniform.

Cabinet **resolved**:

- (i) To award the three-year Term Contract for the Provision of Personal Protective Equipment and Uniform (Lots, 1, 2 and 3) to Rexel UK Limited (trading as Parker Merchanting) with effect from 1 August 2013, with the option of a one-year extension subject to satisfactory performance, on the terms set out in the report; and
- (ii) Authorise the Head of Legal and Democratic Services to enter into and execute the contract with Rexel UK Limited.

CABINET

19 November 2013

Title: Budget Monitoring 2013/14 - April to September 2013 (Month 6)	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Kathy Freeman Group Manager, Corporate Finance	Contact Details: Tel: 020 8227 3479 E-mail: kathy.freeman@lbbd.gov.uk
Accountable Director: Jonathan Bunt, Chief Finance Officer	
<p>Summary:</p> <p>This report provides Cabinet with an update of the Council's revenue and capital position for the six months to the end of September 2013 projected to the year end.</p> <p>The Council began the current financial year in a better financial position than the previous year with a General Fund (GF) balance of £17.5m.</p> <p>The Council's approved budget of £178.3m for 2013/14 includes a planned surplus of £5.2m agreed at Assembly in February 2013 to address the funding issues of 2014/15 . At the end of September 2013 (Month 6), the in year position is a surplus of £3.2m in addition to the planned surplus of £5.2m meaning total service expenditure for the full year is projected to be £169.9m. The increase on last month's position is due to the late notification of a one off payment from the Department for Education. Explanatory summaries are contained in section 2 of this report.</p> <p>The current projected surplus of £8.4m, including the £5.2m planned surplus would result in the General Fund balance increasing to £25.8m (rounded).</p> <p>The Housing Revenue Account (HRA) is projected to break even, maintaining the HRA reserve at £8.5m. The HRA is a ring-fenced account and cannot make/receive contributions to/from the General Fund.</p> <p>The Capital Programme has been updated to reflect changes approved at Cabinet, including roll forwards and reprofiles. The capital budget at 30 September stands at £142.7m. Capital budgets cannot contribute to the General Fund revenue position although officers ensure that all appropriate capitalisations occur.</p>	
Recommendation(s)	
<p>The Cabinet is recommended to:</p> <p>(i) Note the projected outturn position for 2013/14 of the Council's General Fund revenue budget at 30 September 2013, as detailed in paragraphs 2.3 to 2.9 and Appendix A of</p>	

the report;

- (ii) Note the progress against the 2013/14 savings targets at 30 September 2013, as detailed in paragraph 2.10 and Appendix B of the report;
- (iii) Note the position for the HRA at 30 September 2013, as detailed in paragraph 2.11 and Appendix C of the report; and
- (iv) Note the projected outturn position for 2013/14 of the Council's capital budget at 30 September 2013, as detailed in paragraph 2.12 and Appendix D of the report.

Reason(s)

As a matter of good financial practice, the Cabinet should be regularly updated with the position on spend against the Council's budget. In particular, this paper alerts Members to particular efforts to reduce in-year expenditure in order to manage the financial position effectively.

1 Introduction and Background

- 1.1 This report provides a summary of the Council's General Fund and HRA revenue and capital positions. It also provides an update on progress made to date in the delivery of the agreed savings targets built into the 2013/14 budget setting out risks to anticipated savings and action plans to mitigate these risks.
- 1.2 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. This is achieved within the Council by monitoring the financial results on a monthly basis through briefings to the Cabinet Member for Finance and reports to Cabinet. This ensures Members are regularly updated on the Council's overall financial position and enables the Cabinet to make relevant financial and operational decisions to meet its budgets.
- 1.3 The Budget report to Assembly in February 2013 provided for a target of £15m of General Fund balance, plus a planned surplus of £5.234m to be generated in 2013/14 and carried forward into 2014/15. The Outturn for 2012/13 led to a General Fund balance of £17.456m. The current projected position keeps the Council on track to deliver a balanced budget and maintain the minimum general fund balance of £15m.

2 Current Overall Position

- 2.1 The following tables summarise the spend position and the forecast position of the General Fund and Housing Revenue Account (HRA) balances.

Council Summary	Net Budget	Full year forecast at end September 2013	Over/(under) spend Forecast
	£000	£000	£000
Directorate Expenditure			
Adult and Community Services	57,349	57,349	-
Children's Services	69,735	69,735	-
Housing and Environment	23,684	23,684	-
Chief Executive	21,780	21,421	(359)
Central Expenses	551	(2,249)	(2,800)
	173,099	169,940	(3,159)
Budget Surplus (Agreed MTFS)	5,234	-	(5,234)
Total Service Expenditure	178,333	169,940	(8,393)

	Balance at 1 April 2013	Forecast Balance at 31 March 2014	Budgeted Combined Balance at 31 March 2014*
	£000	£000	£000
General Fund	17,456	25,849	20,234
Housing Revenue Account (including Rent Reserve)	8,461	8,461	8,461

*Budget Combined Balance for General Fund comprises a target balance of £15m plus budgeted surplus of £5.2m

2.2 The current Directorate revenue projections indicate a surplus of £8.4m for the end of the financial year, made up as follows:

- £0.359m underspend in the Chief Executive department as a result of shared arrangements with Thurrock Council and vacancies within Legal and Democratic services;
- £2.8m surplus in Central Expenses arising from interest budgets and a one off grant windfall from the Department of Education (DfE); and
- £5.234m surplus as planned and agreed in the MTFS 2013/14.

The initial forecast of a £8.4m underspend would result in the Council's General Fund balance remaining above the budgeted target of £15.0m. The Chief Finance Officer has a responsibility under statute to ensure that the Council maintains appropriate balances.

The Chief Finance Officer, after consideration of the factors outlined in the CIPFA guidance on Local Authority Reserves and Balances 2003 and the other financial provisions and contingency budgets held by the Council, set a target GF reserves level of £15.0m. The General Fund balance at 31 March 2013 was £17.5m and the current forecast combined balance for the end of the financial year is £25.8m. If maintained, this position will provide added flexibility for the Council in addressing

the forthcoming significant further reductions in funding from the government. This compares with a budgeted combined General Fund balance of £15m plus a planned surplus of £5.2m within the two year 2013-15 strategy.

At the end of September 2013, the HRA is forecasting to break even, and maintain the HRA reserve at £8.5m.

2.3 Directorate Performance Summaries

The key areas of risk which might lead to a potential overspend are outlined in the paragraphs below.

2.4 Adult and Community Services

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	60,701	57,349	57,349
Projected over/(under)spend			-

The Adult and Community Services directorate is forecasting a balanced budget position for 2013/14. This reported position is masking a number of pressures within the service, particularly for Mental Health (£388k) and externally purchased care for all other client groups (£407k). These pressures are being managed by management actions within the service and draw down from funding set aside for 2013/14 to offset anticipated service pressures. The net budget includes the full allocation of £3.3m social care funding transfer from NHS England; this is allocated by local Section 256 agreement taken to the Health and Wellbeing Board.

Proposals for use of reablement monies totalling £650k were agreed by the Health and Wellbeing Board on the 17th September to improve reablement services and outcomes for residents. The outcome of a submission to NHS England for Winter Pressures funding is awaited, including £410k for Barking and Dagenham social care; amongst other issues this funding covers pressures for 7 day social care working.

A challenging savings target of £4.3m is built into the 2013/14 budget. There are pressures against some of the savings, these are being reviewed and addressed in order to ensure their delivery.

2.5 Children's Services

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	69,448	69,735	69,735
Projected over/(under)spend			-

The Children's Service delivered a balanced budget for 2012/13 but it was reported that this financial position was masking significant demand pressures within the Complex Needs and Social Care division. As at the end of 2012/13 referral activity had increased consistently since the end of 2012 and shows no sign of reducing

which suggests more of a trend rather than a 'spike' in demand. In 2012/13 the number of core assessments was double the level of 2011/12 and section 47 child protection investigations increased by 37% over 2012/13. The OFSTED Safeguarding and Looked After Children inspection of June 2012 reported that caseloads were high but manageable. However increases in demand at the end of 2012 persisting into 2013 has required additional resourcing to ensure risks are more manageable.

The increases in demand and mitigating actions bring with it an increased pressure on the revenue account. Although the service is forecasting a balanced budget position for 2013/14 this is masking £4m of management actions, a number of which are non-recurrent and will not continue into 2014/15. The change from LACSEG to Education Support Grant and the changes to the funding of statutory services to two year olds from General Fund to the Dedicated Schools Grant have released £2.7m of ongoing funding to invest in social care demand pressures.

Grant flexibility of £0.6m is available in 2013/14 to manage pressures but, at present, there is no indication this will continue into 2014/15. The Targeted Support Division is forecasting an under spend in 2013/14 of £0.8m but this is largely as a result of the early achievement of approved savings for 2014/15 which means this forecast under spend is unlikely to continue into the next financial year. Finally a drawdown of £1.0m is required from the Children Services Reserve to achieve a balanced budget position for 2013/14.

2.6 Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school aged pupils within the borough. The grant is allocated between the Schools and Centrally Retained budget in agreement with the Schools Forum. The indicative 2013/14 DSG allocation is £218m which is inclusive of pupil premium and sixth form funding.

2.7 Housing and Environment

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	24,040	23,684	23,684
Projected over/(under)spend			-

The projection to year end is currently forecast to break even. Potential pressures have been identified within these budgets during the year, however, it is expected that they will be managed within the service.

The main area of pressure relates to Parking where early indications show fewer than normal issue of PCNs, as well as pressure within car park income due to car park closures and staff permit take up. The service is undergoing significant system upgrades and structural changes designed to make the service more efficient and the benefits have started to reduce pressure in recent months. Cabinet approved additional capital funding for the Parking Service in October, which will be invested in schemes to deliver improved efficiency and effectiveness. This will further contribute to mitigating the risk.

Within the Housing General Fund, the current number of Bed and Breakfast placements is holding steady as at the end of September, however, there is potential budget risk if this trend continues, as the budget anticipates that numbers should reduce as the year progresses. These placements are a significant cost to the Council due to the cap on benefits on this type of accommodation. Whilst the current pressure is being mitigated within the service and alternative accommodation is utilised where possible, the introduction of welfare reform provides increased risk to this position. The level of placements and impact of welfare reform is being closely monitored and reflected in financial forecasts.

The department started the year with a savings target of £1.67m. A high proportion of the savings will be fully delivered but there is currently an overall pressure of £44k. This is mainly due to the pressures facing the Environmental Services budget but is being managed within the service.

2.8 Chief Executive Department

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	19,059	21,780	21,421
Projected (under)spend			(359)

At the end of September, the Chief Executive (CEX) department is forecast to underspend against its revised budget by £359k at year end. Although the department has experienced some budget pressures, the forecast underspend position has arisen mainly as a result of in year vacancies across the divisions, tighter controls of expenditure, savings from treasury management contracts and additional training income.

There are savings of £2.7m built into the 2013/14 budget which are largely being delivered. There is a pressure of £150k relating to transfer of Facilities Management to the Housing and Environment directorate. This pressure is currently being managed within existing budgets.

This projection also assumes adjustments will be made for the corporate procurement Gainshare savings

2.9 Central Expenses

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	1,021	551	(2,249)
Projected (under)spend			(2,800)
Budget Surplus (Assembly agreed MTFs)		5,234	-
Projected Surplus			(5,234)

There is a £1.4m surplus expected due to the management of our cash balances enabling a lower than budgeted cost to be charged to the General Fund in 2013/14.

The Council has also received a windfall from the Department for Education (DfE) of £1.4m. This £1.4m relates to the Academy Top Slice applied to the Council's Revenue Support Grant in 2012/13. Due to changes in how Academies are funded, previously top sliced sums are being returned to Local Authorities nationally. This one off payment increases the overall surplus on Central Expenses £2.8m.

As planned within the MTFS a budget surplus of £5.2m has been built into the base budget and the current position is projected to meet this target.

2.10 In Year Savings Targets – General Fund

The delivery of the 2013/14 budget is dependent on meeting a savings target of £16.6m. Directorate Management Teams are monitoring their targets and providing a monthly update of progress which is summarised in the table below. A detailed breakdown of savings and explanations for variances is provided in Appendix B.

Directorate Summary of Savings Targets	Target £000	Forecast £000	Shortfall £000
Adult and Community Services	4,324	4,262	62
Children's Services	2,708	2,708	-
Housing and Environment	1,665	1,621	44
Chief Executive	2,733	2,583	150
Central Expenses	5,199	5,199	-
Total	16,629	16,373	256

2.11 Housing Revenue Account (HRA)

The HRA is currently forecast to breakeven in 2013/14.

Income

Income is expected to be on budget.

Expenditure

Expenditure is forecast to be on budget, however, there is potential risks within locality spend and savings delivery. Current projections assume that expenditure pressures will be managed through underspends on other budgets.

The in-house repairs and maintenance service is forecasting to deliver within budget. System issues are close to being fully resolved allowing full reporting. Projections indicate that there may be pressures relating to the set up of the service in the region of £390k due to one-off procurement costs and severance payments following reintegration of the service. These will be managed within the DLO set up budget.

As part of the 2013/14 budget agreed by February Cabinet, the service committed to delivering savings of £1.4m from its Supervision & Management budget. These savings have now been agreed and current forecasts assume full delivery in year. As with the General Fund, the introduction of welfare reform is expected to increase pressure on the HRA with the combination of the bedroom tax, benefit cap and Universal Credit impacting on income levels. Some provision has been made within

the budget through increased bad debt provision plus the availability of discretionary housing payments. The position is being monitored closely.

HRA Balance

Overall, the HRA is forecasting to breakeven.

The HRA maintains revenue reserves balance of £8.5m. Currently it is anticipated that this will be maintained at £8.5m by the end of 2013/14.

There is a budgeted contribution to capital resources of £35.5m; however, this may be reviewed to accommodate expenditure pressures

2.12 Capital Programme

The Capital Programme (2013/14) forecast spend is as follows:

	Budget £'000	Actual Year to Date £'000	Projected Outturn £'000	Variance against Budget £'000
Adult & Community Services (ACS)	9,948	1,548	9,974	26
Children's Services (CHS)	28,721	14,146	27,838	(883)
Housing & Environment (H&E)	4,489	2,077	4,503	14
Chief Executive (CEO)	11,708	2,119	11,052	(656)
General Fund subtotal	54,866	19,890	53,367	1,499
HRA	87,854	21,420	87,217	(637)
Total	142,720	41,310	140,584	(2,136)

The detail for schemes is in Appendix D. Please note totals here may differ slightly to those in Appendix D due to roundings.

The total approved capital programme currently stands at £142.7m. Against this budget, Directorates are currently projecting to spend £140.7m, representing an overall underspend of £2.1m. The year-to-date capital expenditure total is £41.3m; meaning that £99.2m is still expected to be spent in the remaining six months of the year. The Finance Service will continue to monitor this position closely in conjunction with service Project Managers and Sponsors, in order to identify any potential year-end underspends or slippage as early as possible.

Progress to Date on Approved Schemes

Adult & Community Services (ACS)

There are no forecast variances of note to be reported this month.

Children's Services (CHS)

These schemes are showing an overall net underspend of £0.9m against the current approved budget of £28.7m. This represents a movement compared to the underspend of £2.5m reported to Cabinet last month due to new schemes being designed and progressed. A budget re-profiling exercise is still scheduled to be undertaken and put to Cabinet, so that available funding, particularly Basic Need grant, can be allocated to schemes in order to remove the individual overspends shown.

The Council has £55.0m in respect of Basic Needs Funding for schools where the projects are currently in the process of being developed or projected sums in each phase are being finalised. An update of this position will be made to the next Budget Monitoring report (Month 7) to Cabinet, in December.

Housing & Environment (H&E)

The HRA has a revised funded programme totalling £88.4m (£87.9m plus £0.5m for Disabled Adaptations within the ACS total). The Disabled Adaptations scheme is funded by the HRA but included within the ACS position for reporting.

The programme is forecasting a net under spend by £0.6m. The main variances are set out below:

Estate Renewal: An expected acceleration of spend on the Borough wide demolitions scheme, where additional remedial works and garage sites have been added. This is offset by some smaller slippages within Althorn Way and Leys decanting, to give a net variance of £0.3m

New Build Programme: The variance of £0.2m represents underspend on the 2009-2012 Council New Build programme, which has now completed.

Street Purchase and Environmental Improvement: The main reason for the variance is the intention to hold back spends of £0.6m on the Street Purchase budget as alternative uses are now being considered. Also, slippage of £0.2m is forecast in respect of older persons housing due to delays in recruitment.

Investment in own stock: There is expected slippage on Asbestos Removal works of £0.4m due to ongoing review of the Asbestos Strategy and slippage of £0.3m in respect of phase 3 of the Door Entry Programme with works expected to complete in May 2014. This is offset by £0.5m accelerated void works that need to be brought forward to accommodate a larger than expected programme to meet decent homes, and £0.5m to complete stock condition survey work to inform the 2014/15 decent homes programme.

Budget re-profile requests will be submitted in November where appropriate to align budgets with delivery.

The Environment capital programme budget currently stands at £4.5m. This is an increase of £0.7m compared to last month's budget, following Cabinet approval of the Parking Modernisation Programme.

The Environment service is currently reporting an overspend of £14k. This relates to Abbey Green Churchyard wall, where the cost of restoration may exceed initial estimates.

Chief Executive (CEO)

The Directorate is currently reflecting an overall variance position of £0.7m below approved budget primarily due to slippage in Regeneration, ICT, and Asset Strategy schemes.

The variance is mainly due to slippage of £0.2m in the London Road North Street Site Acquisitions scheme which relates to public realm works which can only commence following the completion of the new ADSA store. £0.1m of the Legi grant is currently unallocated, pending options appraisal for appropriate projects for delivery in 2014/15.

The ICT Modernisation & Improvement Capital fund is expected to request slippage of £0.2m due to re-programming of the MyAccount Phase 3 project, with two tranches to be delivered in 2014/15. The Corporate Accommodation Strategy project variance of £0.1m is due to the programming of works to return leased buildings to appropriate conditions required in 2014/15 and 2015/16. Re-profile requests will be submitted in November for the Directorate's schemes.

2.13 Financial Control

At the end of September all key reconciliations have been prepared and reviewed, and there are no major reconciling items unexplained.

3 Options Appraisal

- 3.1 The report provides a summary of the financial position at the relevant year end and as such no other option is applicable for appraisal or review.

4 Consultation

- 4.1 The relevant elements of the report has been circulated to appropriate Divisional Directors for review and comment.
- 4.2 Individual Directorate elements have been subject to scrutiny and discussion at their respective Directorate Management Team meetings.

5 Financial Implications

- 5.1 This report details the financial position of the Council.

6 Legal Issues

- 6.1 Local authorities are required by law to set a balanced budget for each financial year. During the year there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

Background Papers Used in the Preparation of the Report

- Final Revenue and Capital Outturn 2012/13; Cabinet 25 June 2013;
- Budget Framework 2013/14; Assembly 25 February 2013.

Appendices

- A – General Fund expenditure by Directorate
- B – Savings Targets by Directorate
- C – Housing Revenue Account Expenditure
- D – Capital Programme

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GENERAL FUND REVENUE MONITORING STATEMENT
September 2013/14

Directorate	Outturn 2012/13	Original Budget	Revised Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000	£000
<u>Adult & Community Services</u>					
Adult Care & Commissioning	43,122	39,149	39,178	39,178	-
Mental Health	3,583	3,197	3,211	3,211	-
Community Safety & Neighbourhood Services	3,665	2,772	2,801	2,801	-
Culture & Sport	9,112	5,966	6,027	6,027	-
Public Health	-	-	-	-	-
Management	1,219	6,145	6,132	6,132	-
	60,701	57,229	57,349	57,349	-
<u>Children's Services</u>					
Education	4,645	1,781	2,905	2,990	85
Targeted Support	11,958	7,987	8,061	7,277	(784)
Complex Needs and Social Care	35,312	29,151	29,291	29,884	593
Commissioning and Safeguarding	4,531	3,559	3,803	3,806	3
Other Management Costs	13,002	25,449	25,675	25,778	103
	69,448	67,927	69,735	69,735	-
<u>Children's Services - DSG</u>					
Schools	195,018	171,315	171,315	171,315	-
Early Years	4,621	16,285	16,285	16,285	-
High Needs	12,489	24,407	24,407	24,407	-
Non Delegated	2,508	2,850	2,850	2,850	-
Growth Fund	688	3,070	3,070	3,070	-
School Contingencies	1,544	-	-	-	-
DSG/Funding	(216,868)	(217,927)	(217,927)	(217,927)	-
	-	-	-	-	-
<u>Housing & Environment</u>					
Environment & Enforcement	21,858	20,378	21,450	21,450	-
Housing General Fund	2,182	2,215	2,234	2,234	-
	24,040	22,593	23,684	23,684	-
<u>Chief Executive Services</u>					
Chief Executive Office	(225)	(597)	(99)	(162)	(63)
Strategy & Communication	(152)	-	(73)	(108)	(35)
Legal & Democratic Services	304	410	545	355	(190)
Human Resources	(8)	-	289	206	(83)
Finance	(861)	(124)	(45)	(95)	(50)
Corporate Management	2,956	4,352	4,352	4,264	(88)
Regeneration & Economic Development	3,853	3,145	3,307	3,307	-
Assets & Facilities Management	1,146	1,153	1,329	1,291	(38)
Customer Services, Contracts & Business Improvement	12,046	11,422	12,175	12,363	188
	19,059	19,761	21,780	21,421	(359)
<u>Other</u>					
Central Expenses	(7,921)	(4,299)	(8,868)	(11,668)	(2,800)
Levies	8,942	9,620	9,419	9,419	-
Budget Surplus (Agreed MTFs)	-	5,281	5,234	-	(5,234)
	1,021	10,602	5,785	(2,249)	(8,034)
TOTAL	174,269	178,112	178,333	169,940	(8,393)

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GENERAL FUND SAVINGS MONITORING STATEMENT**September 2013/14****Adult and Community Services**

Ref:	Detail	Current Position	Target £000	Forecast £000	Variance £000
ACS/SAV/01	Community Cohesion and Equalities Team - reduced voluntary sector function	All staff have now moved or left, variance to be met within the division, no further action remaining	229	216	13
ACS/SAV/02	Statutory Social Care & Complaints - reorganisation of the team	Achieved	85	85	0
ACS/SAV/03	Occupational Therapy and Sensory Services Team - reorganisation of the team	Achieved	186	186	0
ACS/SAV/04	Drug & Alcohol Services - a reduction in support service to drug and alcohol users	Budget earmarked for Tier 4 Rehab, funding for which can be sought from NHS, analysis underway to confirm status	165	165	0
ACS/SAV/05	Youth Offending - Reduction in work to prevent young people becoming involved in crime and disorder and reoffending	Achieved	50	50	0
ACS/SAV/06	Withdraw or reduce Domestic Violence service	Achieved	211	211	0
ACS/SAV/07	Reduction in voluntary sector grants and commissions	Achieved	110	110	0
ACS/SAV/10 (a)	Free Leisure Offer - fund service from the Public Health Grant	Achieved	130	130	0
ACS/SAV/10 (b)	Active Age Centres - fund service from the Public Health Grant	Achieved	150	150	0
ACS/SAV/10 (c)	Advice, Information and Support for people with HIV/Aids provided by Positive East - fund service from the Public Health Grant	Achieved	49	49	0

Ref:	Detail	Current Position	Target	Forecast	Variance
			£000	£000	£000
ACS/SAV/10 (d)	Alcohol Co-ordinator - fund service from the Public Health Grant	Achieved	42	42	0
ACS/SAV/10 (e)	Floating Support for Homeless People - reduce capacity on the contract by £50k	Achieved	50	50	0
ACS/SAV/10 (f)	Specialist employment support for people with mental health needs	Saving to be delivered by external funding from CCG, variance to be met within the division, no further action remaining	100	91	9
ACS/SAV/10 (g)	Decommission 6 beds of accommodation based support for 16 - 18 year olds at the Vineries (and possible transfer of accommodation to Children's Services)	Achieved	40	40	0
ACS/SAV/10 (h)	Supporting Employment Opportunities for People with Drug and Alcohol problems	Achieved	33	33	0
ACS/SAV/10 (i)	Domestic Violence - cessation of Refuge Floating Support contract	Achieved	105	105	0
ACS/SAV/10 (j)	Delete Administrator post in the Adult Safeguarding Team	Achieved	39	39	0
ACS/SAV/10 (k)	DV and Hate Crime Strategy Manager - reduce post to 0.6 FTE	Achieved	21	21	0
ACS/SAV/10 (l)	Delete post supporting administration of the Learning Disability Partnership Board	Achieved	28	28	0
ACS/SAV/10 (m)	Cessation of Service Development Budget for Older People	Achieved	30	30	0
ACS/SAV/10 (n)	Maximising Grant Flexibilities	Achieved	64	64	0
ACS/SAV/12	Management Reductions (reduce social care GM)	Achieved	40	40	0
ACS/SAV/17	Reduce hospital social work team	Achieved	84	84	0
ACS/SAV/18	Kallar Lodge staff reduction	Achieved	23	23	0
ACS/SAV/19	Reduce business support in Adult	Achieved	15	15	0

Ref:	Detail	Current Position	Target	Forecast	Variance
			£000	£000	£000
	Social Care				
ACS/SAV/20	Delete Arts Team	Achieved	25	25	0
ACS/SAV/24	End support to the Create Festival	Achieved	25	25	0
ACS/SAV/27	Review CCTV monitoring	Achieved	153	153	0
ACS/SAV/28	Reduce strategic commissioning posts	Achieved	28	28	0
ACS/SAV/29	Reduce dedicated support to service users and carers	Achieved	19	19	0
ACS/SAV/32	Summers Sorted Holiday Activity Programme	Achieved	30	30	0
Feb 2012 Assembly	Non Staffing Supplies & Services Budgets	Achieved	90	90	0
Feb 2012 Assembly	Remodelling homecare services in line with the principles of personalisation	Achieved	100	100	0
Feb 2012 Assembly	Revisions to pricing framework for Care Home Placements	Achieved	20	20	0
Feb 2012 Assembly	Changes to in-house residential care service for adults with a learning disability (80 Gascoigne)	Achieved	75	75	0
Feb 2012 Assembly	Reconfiguration of mental health services	Achieved	100	100	0
Feb 2012 Assembly	Commissioning Contracts & Purchase Savings	Achieved	250	250	0
Feb 2012 Assembly	Changes to grants to voluntary organisations	Achieved	215	215	0
Feb 2012 Assembly	Remodel of learning disability day, volunteering and employment services	Achieved	100	100	0
Feb 2012 Assembly	Broadway theatre	Achieved	100	100	0
Feb 2012 Assembly	Closure of Goresbrook Leisure Centre	Achieved	371	371	0

Ref:	Detail	Current Position	Target	Forecast	Variance
			£000	£000	£000
Feb 2012 Assembly	Olympic unit	Achieved	218	218	0
Feb 2012 Assembly	Changes to the public events programme	£30k variance due to commitments made to still deliver St. Georges day and classical concert events. Shortfall to be funded by early delivery of Events staff saving, no further action remaining	90	60	30
Feb 2012 Assembly	Expanding commercial opportunities at heritage venues	Plans put in place to bring in more income from weddings and other events have not been successful. Steps being put in place to reduce expenditure to offset the income target	10	0	10
Feb 2012 Assembly	Libraries Review	Achieved	226	226	0
Total Adult & Community Services			4,324	4,262	62

Children's Services

Ref:	Detail	Current Position	Target	Forecast	Variance
			£000	£000	£000
CHS/SAV/01	Early Years - Changes to the delivery format of Phase 3 Children's Centres	On Target	500	500	0
CHS/SAV/02	Integrated Youth Service - Reduction in staff and commissioning	On Target	100	100	0
CHS/SAV/03	Borough Apprentice Scheme - Removal of apprenticeship wage subsidy to departments and reduction in 14-19 staffing	On Target	100	100	0
CHS/SAV/04	Education - school improvement - retirement and efficiency savings	On Target	25	25	0
CHS/SAV/05	Education - School Estates Team (capitalisation)	On Target	75	75	0
CHS/SAV/06	Education - Reduction of £100k in Education Inclusion	On Target	50	50	0
CHS/SAV/08	Commissioning & Safeguarding - Transfer of costs to catering traded services account as an overhead	On Target	50	50	0
CHS/SAV/10 (a)	Targeted Support - Reduction in repairs, maintenance and equipment budgets	On Target	300	300	0
CHS/SAV/10 (b)	Troubled Families Co-ordinator funding - For 2012/13, 13/14 and 14/15 (non-recurrent)	On Target	100	100	0
CHS/SAV/10 (c)	Commissioning - Youth Access card to be transferred to Public Health Grant	On Target	150	150	0
CHS/SAV/10 (d)	Commissioning - Misc budget savings	On Target	45	45	0
CHS/SAV/10 (e)	Education - Deletion of 1 Attendance Officer (vacant following resignation) and 1 Admin Support	On Target	50	50	0
CHS/SAV/10 (f)	Social Care and Complex Needs -	On Target	80	80	0

Ref:	Detail	Current Position	Target	Forecast	Variance
	Additional EP income				
CHS/SAV/10 (g)	Efficiencies within Prevention - Long Term Care	On Target	120	120	0
CHS/SAV/10 (h)	Maximising of grant flexibilities	On Target	5	5	0
CHS/SAV/11	Adoption - Reduction in use of independent social workers	On Target	70	70	0
CHS/SAV/12	Complex Needs and Social Care, Assessment and Care Management.	On Target	60	60	0
CHS/SAV/15	School Estate Management - reduce to statutory only posts, and charge for lead manager from capital funding	On Target	45	45	0
CHS/SAV/17	Inclusion Services - Further reduce central support team, would only be funded from DSG but schools may feel not equipped to manage complex special needs - potential impact is increased SEN costs	On Target	35	35	0
CHS/SAV/20	Youth Service - Reduce to statutory provision only	On Target	140	140	0
Feb 2012 Assembly	Prevention/Crisis Intervention/ Family Group Conferencing Merger of the three preventative services to create efficiencies	On Target	50	50	0
Feb 2012 Assembly	CAMHS Schools Counselling contract ending that will not be renewed and reduction in primary and emotional team	On Target	100	100	0
Feb 2012 Assembly	Disabled Children's Team - Contribution from short breaks funding on mainstreamed into base budget	On Target	100	100	0
Feb 2012 Assembly	Adult College - contribution from the College towards management costs / overheads	On Target	100	100	0
Feb 2012 Assembly	Education Inclusion/School Improvement - Staffing Review and	On Target	100	100	0

Ref:	Detail	Current Position	Target	Forecast	Variance
	Reductions				
Feb 2012 Assembly	School Improvement Income - Raising the SLA income - charging Schools for services/Other Local authorities	On Target	50	50	0
Feb 2012 Assembly	Training Reductions	On Target	23	23	0
Feb 2012 Assembly	Reduction of Management costs in the Multi-agency Locality Teams	On Target	55	55	0
Feb 2012 Assembly	Portage Amalgamation	On Target	30	30	0
Total			2,708	2,708	0

Housing and Environment

Ref	Detail	Current Position	Target £000	Forecast £000	Variance £000
H&E/SAV/01(a)	Catering income from Parks	Service manager currently working to implement, not yet up and running.	20	20	0
H&E/SAV/01(b)	Park Ranger Services	Restructure Complete	260	260	0
H&E/SAV/02	Street Lighting - Energy efficiency savings	Complete	52	52	0
H&E/SAV/03	Rationalisation of recharges to the HRA - Street Lighting	Complete	200	180	20
H&E/SAV/04	Review of road safety service / schools crossings patrols	Complete	80	80	0
H&E/SAV/07	Cessation of night time cleansing	Night cleaning service still ongoing, however, alternative posts have been reduced to accommodate	210	210	0
H&E/SAV/09	Consolidation of Transport & Plant - 5% efficiency savings on kit, fuel & vehicle use	Reconciliation work in process to identify all kit in the department	120	120	0
H&E/SAV/11	Land Drainage - Efficiency saving on maintenance budget	Complete	60	60	0
H&E/SAV/12	Decommission of Depots	Likely to be achieved by closing of Parsloes depot.	40	40	0
H&E/SAV/15	Recharge GF works to the Parking Account	Linked to capital strategy; report being prepared for July Cabinet to agree funding.	150	150	0
H&E/SAV/18	Reduction in Environmental Enforcement	Complete	140	140	0
H&E/SAV/21	Introduce charging for a bulky waste collection service	Complete	55	55	0
Feb 2012 Assembly	Transport savings from adjustments for affordability and reductions in use of buses	Dependent on ACS reducing the number of journeys required, but currently still requesting same number of routes.	100	100	0
Feb 2012	Reduced mowing to create	Original figures from 'confirm' are	32	32	0

Ref	Detail	Current Position	Target	Forecast	Variance
Assembly	naturalised environment	now inaccurate, so the actual savings will need to be delivered in a different way.			
Feb 2012 Assembly	Making Parks more commercially sustainable	Parking charges in Parks not being implemented (£9K) as per members decision, Grazing and Education at Millennium Centre not achievable (£4.5k), only half of Bowling Greens savings and 'Golfwise' achievable (i.e.£25k) as original costings from 'Confirm' now inaccurate, Income from Lakes, Tennis and Education and Concessions achievable. Non-essential spend put on hold to cover the deficit.	96	72	24
Feb 2012 Assembly	Efficiencies within Parking services processes	Complete	50	50	0
Total			1,665	1,621	44

Chief Executive

Ref:	Detail	Current Position	Target	Forecast	Variance
			£000	£000	£000
FIN&RES/SAV/01	Regeneration - Transport Planning. Increase the LIP top slice in 2013/14	Achieved	25	25	0
FIN&RES/SAV/06	Efficiencies through implementation of Oracle R12	Achieved	200	200	0
FIN&RES/SAV/10	Reduction in ex Asset & Commercial Services central budgets i.e. supplies & services budgets, training budget reduction and other uncommitted budgets after Elevate transfer	Achieved	120	120	0
FIN&RES/SAV/12	Internal Audit - Removal of special projects provision	Achieved	26	26	0
FIN&RES/SAV/13	Risk Management - Staffing reductions	Achieved	31	31	0
FIN&RES/SAV/14	Reduction in CM Unit budget	Achieved	100	100	0
FIN&RES/SAV/15	Deletion of a Project & Technical officer post - PO4	Achieved	47	47	0
FIN&RES/SAV/16	Transfer of Assets and Facilities Management Group into Elevate, with savings as a result of management and service restructure	Facilities Mgt transferred to H&E to deliver this saving. At present only £150k of the savings has been identified and the division is currently confirming details of achieving the rest. Shortfall is currently being absorbed within the CEX department and H&E.	300	150	150
FIN&RES/SAV/17	Increased charging of Economic Development & Sustainable Communities staff time to the HIRA	Achieved	153	153	0
FIN&RES/SAV/18	Merger of the Corporate Client and Capital Delivery Teams	Achieved	125	125	0

Ref:	Detail	Current Position	Target	Forecast	Variance
			£000	£000	£000
FIN&RES/SAV/22	Regeneration - Deletion of one Development Management post		38	38	0
CEX/SAV/01	CE Office - Reduction in supplies and services and third party payments	Achieved	30	30	0
CEX/SAV/02	Policy & Performance -Reduction in supplies and services, and one PO2 post from the team	Policy restructure completed	102	102	0
CEX/SAV/05	Marketing & Communications - Further reductions in supplies & services; and increased income generation from external suppliers	Achieved	100	100	0
CEX/SAV/06	Legal & Demo - Reduction in employee budgets, and increase in income	Achieved	100	100	0
CEX/SAV/08	Chief Executive Review	Achieved –a report submitted to PASSC on the delivery of this savings. The Marketing & Communication element of the savings could not be fully delivered, but this has been mitigated by the savings from the joint CEX arrangement with Thurrock.	622	622	0
CEX/SAV/10	Policy - Further reduction and sharing of Service	Achieved through centralising Policy officers across the Council Departments	80	80	0
CEX/SAV/11	Cease publication of the News	Achieved – Publication has ceased.	60	60	0
CEX/SAV/12	Legal - Reduction in employee budgets / further sharing with Thurrock Council	Achieved through further sharing of GM posts in Legal	54	54	0
Feb 2012 Assembly	Savings in Sustainable Communities/Economic Development area	Achieved	40	40	0
Feb 2012 Assembly	Reduction in accommodation costs through the Modern Ways of Working project	Some buildings closed and some yet to be closed	226	226	0

Appendix B

Feb 2012 Assembly	Restructure of Senior Managers	Achieved	68	68	0
Feb 2012 Assembly	Merge Payroll and HR Support (within Elevate)	Achieved	86	86	0
Total			2,733	2,583	150

HOUSING REVENUE ACCOUNT MONITORING STATEMENT

September 2013/14

HOUSING REVENUE ACCOUNT	Outturn 2012/13	Original Budget	Revised Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000	£000
Rents	(83,901)	(86,627)	(86,627)	(86,612)	15
Non Dwelling Rent	(2,489)	(2,503)	(2,503)	(2,363)	140
Other Income	(19,785)	(17,530)	(17,530)	(17,530)	-
Capitalisation of Repairs	(2,700)	(1,000)	(1,000)	(1,000)	-
Repairs and Maintenance	22,960	20,000	20,000	20,084	84
Supervision and Management	37,363	37,025	37,025	37,833	808
Rent Rates and Other	443	700	700	700	-
Bad Debt Provision	632	3,159	3,159	3,159	-
Interest Charges	9,294	9,759	9,759	9,759	-
Corporate & Democratic Core	811	811	811	811	-
Interest	(642)	(336)	(336)	(336)	-
Revenue Contribution to Capital & Depreciation	11,345	35,542	35,542	34,495	(1,047)
Service Transformation		1,000	1,000	1,000	-
Repayment of Debt					
Transfer to Major Repairs Reserve	26,342				
Subsidy Limitation	135				
Contribution to HRA Reserve	(192)	-	-	-	-

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2013/2014 CAPITAL PROGRAMME - as at end of September 2013

Project No.	Project Name	Revised Budget 2013/14 (£)	Actual Expenditure as at 30th September 2013 (£)	Forecast Outturn (£)	Forecast Variance (£)
Adult & Community Services					
Adult Social Care					
2872	Fews Lodge Extra Care Scheme		(17,772)		
2913	80 Gascoigne Road Care Home	197,809	133,023	197,809	
2888	Direct Pymt Adaptations	400,000	177,718	400,000	
100	Disabled Adaptations (HRA funded)	582,902	383,597	582,902	
106	Private Sector Households	574,717	250,937	574,717	
105	Private Sector Households (105)	(26,810)			26,810
1	Community Capacity Grant	490,995		490,995	
Culture & Sport					
1654	Ripple Hall (St Georges/Vol Group Relocation)	1,500	1,215	1,500	
191	Eastbury House	3,198		3,198	
2233	Valence Site Redevelopment	18,880	11,525	18,880	
2266	Barking Park Restoration & Improvement	100,247	8,677	100,247	
2768	Abbey Sports Centre (Wet Side Changing Areas)				
2603	Becontree Heath Leisure Centre	159,170	3,300	159,170	
2815	Goresbrook Leisure Centre - Olympic Training Venue		7,625		
2855	Maysbrook Park Athletics Arena	251,465	22,814	251,465	
2870	Barking Leisure Centre 12-14	7,193,859	565,594	7,193,859	
Total For Adult & Community Services		9,947,932	1,548,252	9,974,742	26,810
Children's Services					
Primary Schools					
2365	Gascoigne Primary				
2555	Eastbury	32,477	(75,954)	32,477	
2736	Roding Primary School - Cannington Road Annex	146,939	154	136,154	(10,785)
2745	George Carey CE Primary School (formerly Barking Riverside Prima	932,700	273,086	923,085	(659,615)
2759	Beam Primary Expansion	81,668		81,668	
2799	St Joseph's Primary - expansion	82,503	61,902	82,503	
2800	St Peter's Primary - expansion	33,869		33,869	
2776	Thames View Infants - London TG Agreement	39,937		39,937	
2787	Cambell Junior - Expansion & Refurb	17,626		17,626	
2786	Thames View Juniors - Expansion & Refurb	333,772	11,695	49,185	(284,587)
2784	Manor Longbridge (Former UEL Site)	(29,201)	(334,682)	(29,201)	
2789	Westbury - New Primary School	(419)			419
2790	St Georges - New Primary School	25,385		25,385	
2860	Monteagle Primary (Quadrangle Infill)	95,696	1,722	95,696	
2861	Eastbury Primary (Expansion)	873,012	144	144	(872,868)
2862	Gascoigne Primary (Expansion)	988,963	834,902	988,963	
2863	Parsloes Primary (Expansion)	49,090	11,151	49,090	
2864	Godwin Primary (Expansion)	1,674,018	1,510,934	1,674,018	
2865	William Bellamy Infants/Juniors (Expansion)	2,020,190	72,547	500,000	(1,520,190)
2866	Dagenham Village Rectory Road Library (Expansion)				
2867	Southwood Primary (Expansion)	13,163	4,902	13,163	
2900	Becontree Primary Expansion	41,890	11,193	41,890	
2924	St Josephs Primary Extn	352,092	95,854	352,092	
2918	Roding Cannington 2013-15	1,511,151	1,623,588	1,511,151	
2919	Richard Alibon Expansion	1,466,133	142,950	1,000,000	(466,133)
2920	Warren/Furze Expansion	72,825	48,789	1,500,000	1,427,175
2921	Manor Infant Jnr Expansion	65,630	49,739	500,000	434,370
2922	Valence Halbutt Expansion	1,649,122	1,112,409	1,609,122	(40,000)
2923	Rush Green Expansion	15,000	88,240	300,000	285,000
2956	Marsh Green Primary 13-15			30,000	30,000
2957	John Perry School Expansion 13-15		35,945	785,945	785,945
2958	Fanshawe Adult College Refurb 13-15	2,500,000	1,874,554	2,250,000	(250,000)
2960	Parsloes Fanshawe Primary Expansion 13-15	500,000	34,194	600,000	100,000
2967	Warren Junior School				
Other Schemes					
2972	Implementation of early education for 2 year olds	889,302	38,453	889,302	
2793	SMF - School Modernisation Fund	212,416	361,719	451,067	238,651
2742	Youth Access Card				
2751	School's Kitchen Extension/Refurbishment 10/11	11,556	100	11,556	
2724	Basic Needs Projects (formerly Additional School Places)2011/12	231,226	3,441	231,226	
2581	Schools Legionella Works				
2808	Schools L8 Water Quality Remedial Works 2010/11	(1,811)			1,811
2809	Schools Reboiler & Repipe Fund	(9,730)			9,730
2826	512a Heathway - Conversion to a Family Resource	38,171	21,506	38,171	
2878	512a Heathway (phase 2)- Conversion to a Family Resource with ac	7,222		7,222	
9999	Devolved Capital Formula	1,638,865	613,825	1,638,865	
2601	Renewal School Kitchens 2009/10				

2013/2014 CAPITAL PROGRAMME - as at end of September 2013

Project No.	Project Name	Revised Budget 2013/14 (£)	Actual Expenditure as at 30th September 2013 (£)	Forecast Outturn (£)	Forecast Variance (£)
2753	Cross-Government Co-Location Fund				
2906	School Expansion SEN Projects	862,722	211,502	862,722	
2909	School Expansion Minor Projects	472,973	120,144	620,144	147,171
2929	SMF 2012/13	3,400,303	1,286,275	2,600,275	(800,028)
2968	Capital Works (Devolved Funds)	(1,409,432)		(1,409,432)	
Children Centres					
2310	William Bellamy Childrens Centre	6,458	(14,474)	6,458	
2311	Becontree Childrens Centre		(232,319)		
2217	John Perry Childrens	9,619	(5,079)	9,619	
2651	Alibon Childrens Centre	(8,812)			8,812
2739	Gascoigne Community Centre				
Secondary Schools					
2818	Sydney Russell - Schools For The Future	(1,243,876)	54,075	210,900	1,454,776
2825	Dagenham Park School	(36,277)	(11,793)	(11,793)	24,484
2859	Robert Clack Expansion				
2932	Trinity 6th Form Provison		(153,238)		
2952	Barking Abbey Expansion 13-15	50,000		50,000	
2953	All Saints Expansion 13-15	306,000	305,472	306,000	
2954	Jo Richardson Expansion 13-15			750,000	750,000
2955	Barking Riverside City Farm	3,991,383	3,896,481	5,500,000	1,508,617
2959	Robert Clack Expansion 13-15		6,400	31,400	31,400
2966	Eastbrook Comprehensive School				
Skills, Learning & Enterprise					
2723	Advanced Skills Centre	(80,451)	153,289	500,000	580,451
Code to be allocated					
2974	Robert Clack Artificial Football Pitch	668,435			(668,435)
2975	Barking Abbey Artificial Football Pitch	629,797			(629,797)
	Barking Riverside Secondary School Front Funding				
	Feasibility & Design & Site Set-up				
	Lymington Primary expansion 13-15	2,500,000			(2,500,000)
	Gascoigne Primary -Abbey Road Depot				
Total For Children's Services		28,721,290	14,145,734	27,837,664	(883,626)

Housing and Environment

Non-HRA Housing					
2570	Housing Modernisation Programme				
Environmental Services					
2764	Street Light Replacing	210,869	12,259	210,869	
2842	Flats recycling banks scheme				
2873	Environmental Improvements and Enhancements	151,879	(10,647)	151,879	
2894	Road Safety Impv Sch Year 2 (TFL)		0		
2964	Road Safety Improvement 2013-14 (TfL)	98,400	(25,493)	98,400	
2887	Frizlands Wkshp Major Wks		14,991		
2886	Parking Strategy Imp	158,000	(42,000)	158,000	
2908	Brown Wheeled Bins Recycling	(32,423)		(32,423)	
2930	Highways Improvement Programme	3,241,681	2,096,849	3,241,681	
(TBA)	Parkmap scheme (Traffic Management Orders)	170,000		170,000	
(TBA)	Contolled Parking Zones (CPZ's)	170,000		170,000	
PGSS					
2421	Staff Costs 12/14	38,216		38,216	
2567	Abbey Green Park Development	8,913	(4,379)	8,913	
2817	Mayesbrook Park Improvements (Phase 1)	67,459	8,167	67,459	
2911	Quaker Burial Ground	60,000	490	60,000	
2912	Barking Park Tennis Project	40,531	13,134	40,531	
2948	Abbey Green- Churchyard Wall	64,959	13,496	78,234	13,275
2925	Adizone Project 12-13	40,949		40,949	
Total For Housing & Environment		4,489,433	2,076,867	4,502,708	13,275

2013/2014 CAPITAL PROGRAMME - as at end of September 2013

Project No.	Project Name	Revised Budget 2013/14 (£)	Actual Expenditure as at 30th September 2013 (£)	Forecast Outturn (£)	Forecast Variance (£)
Chief Executive (CEO)					
Asset Strategy					
UAC8	Asset Management Plans (All Directorates)	1,000,000		1,000,000	
2577	Legionella Works Public Buildings				
2741	L8 Control of Legionella Remedial Works	60,000	30,592	60,000	
2578	Asbestos (Public Buildings)	10,000	1,275	10,000	
2771	Automatic Meter Reading Equipment	31,494	3,858	36,542	5,048
2587	Energy Efficiency Programme	86,173	59,872	86,173	0
2542	Backlog Capital Improvements	744,850	237,178	744,850	
2565	Implement Corporate Accommodation Strategy	663,542	207,197	538,001	(125,541)
ICT					
2623	Microsoft Enterprise Agreement	88,794		88,794	
2738	Modernisation & Improvement Capital Fund	1,698,698	163,375	1,529,055	(170,406)
2877	Oracle R12 Joint Services	2,632,284	603,522	2,632,284	
Regeneration					
2458	New Dagenham Library & One Stop Shop	73,666		73,666	
2596	Legi Business Centres	159,978	27,742	59,950	(100,028)
2717	Outer London Fund (formerly Retail Premises Improvements)				
2969	Economic Development Growth Fund	325,000		325,000	
2775	BTC Public Realm - Tsq & Abbey	24,771	9,754	24,771	
2625	Thames View Regen Initiative	21,499	7,685	21,499	
2819	London Road/North Street Site Acquisitions	257,359	16,916	26,994	(230,365)
2831	Barking Station Forecourt - Phase 2 Implementation (TFL & S106)		860		
2834	Merry Fiddlers Junction (TFL)				
2821	Shopping Parade Enhancements	365,341	(160,625)	365,341	
2854	Improvements to the rear of The Mall, Dagenham Heathway	170,009	59,377	170,009	
2901	Creekmouth Arts & Heritage Trail	50,000	30,750	50,000	
2902	Short Blue Place (New Market Square Barkin - Phase II)	158,469	160,558	158,469	
2926	Outer London Fund Round 2	119,834	50,867	119,834	
2927	Chequers/Abbey Road Public Realm improvements	391,677	218,447	391,677	
2928	Captain Cook Site Acquisition and Public Realm Works (Abbey Leisure Centre)	50,000	15,188	15,188	(34,812)
2840	Car Club Expansion (TFL)				
2841	Biking Borough Initiative (TFL)	91,200	56,391	91,200	
2890	Principal Road Resurfacing (TFL)				
2891	Merry Fiddlers Jnct Imp Year 2 (TFL)	384,000	(10,796)	384,000	
2892	Cycling Greenways Year 2 (TFL)	96,000	11,567	96,000	
2893	Thames Rd Corr Imp	315,000	172,059	315,000	
2897	Smarter Travel Plans (Tfl)				
2895	Chadwell Heath Station Impv (TFL)	288,000	(2,935)	288,000	
2898	Local Transport Plans (TFL)	96,000	55,291	96,000	
2899	River Roding Cycle Link / Goresbrook Park Cycle Links	192,000	279	192,000	
2962	Principal Road Resurfacing 2013-14 Tfl	530,137	40	530,137	
2963	Mayesbrook Neighbourhood Improvements (DIY Streets) 2013-14	288,000	5,460	288,000	
2965	Safer & Smarter Travel Plans 2013-14 (Tfl)	111,360	89,478	111,360	
2910	Barking Stn Parade Assessment	60,000		60,000	
2914	Barking Job Shop Relocation	73,003	(5,516)	73,003	
2971	Minden Gardens		2,290		
2973	Infill Sites 2013-15 (Margaret Bondfield, Stangate, Earls Walk & Lime		1,200		
Total For CEO		11,708,138	2,119,194	11,052,797	(656,105)
Grand Total General Fund		54,866,793	19,890,047	53,367,910	(1,499,646)

2013/2014 CAPITAL PROGRAMME - as at end of September 2013

Project No.	Project Name	Revised Budget 2013/14 (£)	Actual Expenditure as at 30th September 2013 (£)	Forecast Outturn (£)	Forecast Variance (£)
HRA					
104	Housing Futures				
2640	MAJOR WORKS (R&M) PROJ.	1,000,000	416,461	1,000,000	
2641	Heating works (Thaxted, Maxey & Humphries Houses)				
2645	Planning and Contingencies	523,180	511,953	1,000,000	476,820
2725	Extensions and deconve	12,917		12,917	(0)
2726	External Enveloping Work	251,244		251,244	
2727	CHP Programme				
2728	Electrical Switchgear Project	97,685	587	97,685	
2729	Lifts Replacement				
2730	Sheltered Alarms Upgrade		(137,874)		
2731	Colne & Mersea Blocks	187,500	(174,720)	187,500	
2734	SAMS formerly remote concierge		600	600	600
2757	Council Housing - New Builds	235,478			(235,478)
2772	King William St Qtr	97,879	97,878	97,879	
2773	New Build phase 2 & 3	225,365	176,283	225,365	
2811	Capitalised Improvement Works	360,000	32,058	360,000	
2813	Estate Improvement Project	600,000	72,930	600,000	
2822	Communal Lighting and Electrical Switchgear	87,930	3,374	87,930	
2823	New Council Housing Phase 3	1,000,000	244,457	1,000,000	
2824	Oldmead & Bartlett Remedial Works	5,000	(30,202)	5,000	
2844	Door Entry Project 11/12	300,000	131,466	300,000	
2845	External Enveloping & Fire proofing project (including walkways)	1,200,000	272,304	1,200,000	
2846	Defective Overflow Works	7,589			(7,589)
2847	Central Heating Installation inc. Communal Boiler Replacement	302,739	1,200	24,928	(277,811)
2848	Kitchen & Bathroom Replacement Project	64,000	45,576	64,000	
2849	High Rise Surveys	392,000		392,000	
2850	Capitalised Improvement Works (Estates)	158,000	18,016	158,000	
2852	Adaptations - Housing	120,220	20,468	120,220	
2853	Estate Improvements		77,882		
2880	Central Heating Installation Phase 2 (Enhanced)	14,239	44,365	14,239	
2881	Kitchen , Bathroom, Central Heating and Re-wiring (Enh)	73,839	450	73,839	
2882	Electrical Rewiring (Enhanced)	12,021	5,351	12,021	
2933	Voids 12-14	1,500,000	437,433	2,000,000	500,000
2934	Roof Replacement Project	2,000,000	68,143	2,000,000	
2935	Internal Works Multiple Elmnts	8,000,000	1,416,747	8,000,000	
2936	Rewiring (incl Smoke Alarms)	1,100,000	81,636	1,083,100	(16,900)
2937	CCTV/SAMS Phase 2	315,000	1,500	315,000	
2938	Fire Safety Works	488,060	50,090	488,060	
2939	Riverside House Refurb	2,300,000	41,335	2,300,000	
2940	Door Entry Project 12/13 Phase II	1,526,130	8,380	1,276,130	(250,000)
2941	Renewables (PVs) & CESPs additional External Enveloping Works	1,926,732	175,322	1,896,732	(30,000)
2942	Travellers Site Refurbishment	237,000	258,231	258,231	21,231
2943	Asbestos Removal (Communal Areas only)	500,000		150,000	(350,000)
2944	R& M Set up Costs	3,129,468	(295,361)	3,129,468	
2945	Street Properties Acquisition	2,566,939	113,597	1,986,367	(580,572)
2946	Older Persons Housing Strategy Phase 1	400,000	125,622	200,000	(200,000)
2947	External & Internal Lobby Refurb Programme PP				
2949	External Enveloping incl. Walkways Phase II	1,422,863	360,319	1,422,863	
2950	Central Heating Installation Inc. Communal Boiler Replacement Phase II	1,942,874	9,567	1,942,874	
2951	Electrical Switchgear inc. Communal & Emergency Lighting Phase II	483,158	15,326	483,158	
2820	Boroughwide Estate Renewal - Gascoigne Decants	968,259	289,096	968,259	
2828	Boroughwide Estate Renewal - Leys Decants	168,072	75,627	108,072	(60,000)
2829	Boroughwide Estate Renewal - Goresbrook Village Decants	50,000	87,074	90,000	40,000
2856	Boroughwide Est Renewal - Leaseholders Buybacks (all)	7,040,356	4,169,557	7,040,356	
2857	Boroughwide Est Renewal - Resources/Masterplanning	1,198,160	110,063	1,198,160	
2858	Boroughwide Est Renewal - Demolition	3,894,500	3,132,504	4,296,800	402,300
2915	Boroughwide Estate Renewal - Althorne Way	171,000	45,317	101,000	(70,000)
2916	Lawns & Wood Lane Dvlpmnt	7,003,182	1,661,776	7,003,182	
2917	Abbey Road CIQ	13,493,250	5,787,560	13,493,250	
2931	Leys New Build Dev (HRA)	2,654,788	718,203	2,654,788	
2961	Goresbrook Village Housing Development 13-15	3,270,000	528,598	3,270,000	
2970	Marks Gate Open Gateway Regen Scheme	2,600,000	116,029	2,600,000	
New7a	Decent Homes Backlog Programme	6,000,000		6,000,000	
New8a	Becontree Heath Enveloping Project	1,000,000		1,000,000	
New9a	West Gascoigne Upgrading	250,000		250,000	
New0	Gascoigne Estate 1				
New3	Stansgate New Build	225,000		225,000	
New4	Margaret Bondfield New Build	100,000		100,000	
New5	Ilchester Road New Built	100,000		100,000	
New6	Abbey Road Phase II New Build	500,000		500,000	
Grand Total HRA		87,853,616	21,420,154	87,216,217	(637,399)
TOTAL CAPITAL PROGRAMME		142,720,409	41,310,201	140,584,128	(2,137,045)

CABINET

19 November 2013

Title: Treasury Management Strategy Statement Mid-Year Review 2013/14	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: David Dickinson, Group Manager Pensions and Treasury	Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Jonathan Bunt, Chief Finance Officer	
<p>Summary:</p> <p>Regulation changes have now placed a greater onus on elected Members in respect of the review and scrutiny of treasury management policy and activities. This mid-year review report is important in that respect as it provides details of the mid-year position for treasury activities and highlights compliance with the Council's policies previously approved by the Assembly.</p> <p>The Assembly agreed the Treasury Management Strategy Statement for 2013/14 on 25 February 2013 which incorporated the Prudential Indicators. This report updates Members on treasury management activities in the current year.</p> <p>The report asks Members to agree to three changes to the investment strategy, including:</p> <ol style="list-style-type: none"> 1. Remove the variable counterparty limit for Lloyds Bank, which is currently the higher of £40m or 40% of total investable cash, to a fixed limit of £50m; 2. Allow the in-house treasury section to manage (hold and sell), but not purchase, UK government debt with maturities in excess of one year and up to a maximum maturity period of five years; and 3. Allow the in-house treasury section to invest in non-UK banks that meet the minimum credit rating colour band up to a maximum of £10m per counterparty and up to a total limit of £30m for all non-UK banks. <p>These recommendations are to allow the in-house treasury section to hold, but not deal in, UK issued government debt (GILTS) and to increase the limit on Lloyds Banking Group proportional to the increase in the amount of cash managed that will be recalled from the Council's external cash manager. A further recommendation is to allow the investment in credit worthy foreign banks to enable the in-house treasury section to diversify its investments to include non-UK credit-worthy banks.</p>	

Recommendation(s)

The Cabinet is asked to recommend the Assembly to approve the following changes to the Treasury Management Strategy Statement 2013/14:

- (i) Remove the variable counterparty limit for Lloyds Bank, which is currently the higher of £40m or 40% of total investable cash, to a fixed limit of £50m;
- (ii) Allow the in-house treasury section to manage (hold and sell), but not purchase, UK government GILTS with maturities in excess of one year and up to a maximum maturity period of five years; and
- (iii) Allow the in-house treasury section to invest in non-UK banks that meet the minimum credit rating colour band up to a maximum of £10m per counterparty and up to a total limit of £30m for all non-UK banks.

Reason(s)

This report is required to be presented in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services.

1. Background and Introduction

- 1.1 The Council operates a balanced budget whereby cash raised during the year meets the Council's cash expenditure needs. Part of the treasury management operations is to ensure this cash flow is adequately planned, with surplus monies invested with counterparties of an appropriate level of risk, providing adequate liquidity before considering maximising investment return.
- 1.2 The second main function of treasury management is the funding of the Council's capital programme. These capital plans provide a guide to the Council's borrowing need, which is essentially the use of longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging loans, using cash flow surpluses or restructuring previously drawn debt to meet Council risk or cost objectives.
- 1.3 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) the:
 - (i) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management.
 - (ii) Creation and maintenance of Treasury Management Practices which set out the how the Council will seek to achieve those policies and objectives.
 - (iii) Receipt by the full council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

- (iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- (v) Delegation by the Council to a specific named body, for this Council this is Cabinet, to scrutinise the treasury management strategy and policies.

1.4 This mid-year report has been prepared in compliance with CIPFA's Code of practice on Treasury Management, and covers the following:

1. Economic Summary and Outlook;
2. Treasury Position at 30 September 2013;
3. Debt Position as at 30 September 2013;
4. Investment Portfolio 2013/14, including:
 - Externally Managed Cash – Investec
 - In-house Cash Management;
5. Key Changes to the Treasury Strategy; and
6. The Council's Capital Position (Prudential Indicators), including:
 - Prudential Indicator for Capital Expenditure
 - Changes to the Financing of the Capital Programme
 - Prudential Indicator – Capital Financing Requirement
 - Limits to Borrowing Activity.

2. Economic Summary and Outlook

2.1 During 2013/14 a number economic indicators pointed to the UK economy recovering. In the second quarter the economy grew 0.7% with an increase in household spending and a year on year increase in retail sales, mortgages and house prices. The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and improved the incentives for banks to extend more business funding, particularly to small and medium size enterprises.

Effect on the Council's treasury strategy:

- 2.2 The FLS has had a negative effect on the yields available to the Council, which in-turn has a negative effect on the total interest income to the Council. Although there has been a decrease in return, the interest income budget set for 2013/14 included the reduction in yields as one of its assumptions and overall it is forecast to breakeven. It will however be difficult for the treasury section to provide any additional investment return above the budget.
- 2.3 The 2013 Spending Review covering 2015/16, made no changes to the headline Government spending plan, and monetary policy has remained unchanged. The Bank Rate remains at 0.5%, with quantitative easing at £375bn. In August, the Monetary Policy Committee (MPC) provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%.
- 2.4 The Consumer Price Index (CPI) inflation fell marginally from a peak of 2.9% in June to 2.7% in September. The Bank of England expects inflation to fall back to 2.0% in 2015.

- 2.5 In June 2013 the Federal Reserve (Fed) Chairman, Ben Bernanke, suggested the Fed may taper its asset purchases earlier than anticipated which resulted in the UK Treasury yields increasing significantly, making the cost of borrowing for the governments higher. As the market moves to realign its expectations, bond yields are likely to rise further in expectation of a continuing economic recovery.

Effect on the Council's treasury strategy:

- 2.6 The increase in the cost of UK government debt has in-turn pushed up the cost of borrowing for Council, especially over the 5 year to 25 year duration. As the Council is currently using internal borrowing to fund its capital program, the increase in costs to borrow has increased the Council's financing risk as, were the Council to borrow, the interest costs would now be higher than at the start of the year.
- 2.7 Internal Borrowing involves using the Council's cash reserves rather than taking on additional borrowing. Currently the Council is using approximately £97m of internal borrowing by using the cash it holds in its reserves, in earmarked reserves, in government grants not yet used and from delays in funding the capital program. These balances are being closely monitored but cash flow forecasts indicate that no new borrowing will be required in 2013/14 and 2014/15.
- 2.8 Economic survey data in the Eurozone improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of recession. However, although tensions in the Eurozone eased over the second quarter, there remain a number of risks and pressures that have not yet been resolved.

Effect on the Council's treasury strategy:

- 2.9 There are a number of strong banks within some AAA and AA rated countries, especially in Europe, including Germany and the Nordic Countries. Although returns within these banks are not as high as from some UK banks, as the macroeconomic environment improves the treasury section will continue to monitor these banks for investment opportunities where they arise.

Outlook for the next six months of 2013/14

- 2.10 Economic forecasting remains difficult with many external influences weighing on the UK. Volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.
- 2.11 The overall balance of risks to economic recovery in the UK is now weighted to the upside after six months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last, and it remains exposed to vulnerabilities in a number of key areas. The longer run trend is for gilt yields and in turn the PWLB (Public Works Loan Board) rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries.
- 2.12 Overall as economic conditions improve the returns available from banks and building societies will increase, but possibly only after the FLS ends, which is

only in 2015. At the same time the cost of borrowing is increasing which is resulting in a significant increase in the cost of carry, which is the cost of holding debt against the return that can be obtained from the cash borrowed.

Effect on the Council's treasury strategy:

- 2.13 Although there has been some improvement in the economic conditions of many countries, there remains a number of risks associated with investing. Therefore the Council will maintain a cautious approach to placing investments and will continue to invest the majority of its cash in UK banks and building societies and continue to use internal borrowing as a source of funding for its capital programme.
- 2.14 Amending the investment strategy, if agreed, will allow the Council to directly hold UK government debt (GILTS) and will allow the use of some credit worthy foreign banks as and when opportunities arise.

3. Treasury Position at 30 September 2013

- 3.1 Table 1 below details the Council's mid year treasury position.

Table 1: Council's treasury position at 30 September 2013

	Principal Outstanding 30/09/2013 £000s	Rate of Return 30/09/2013 %	Average Life 30/09/2013 (yrs)
Fixed Rate Funding:			
PWLB	(275,912)	3.52	37.96
Local Authority (Temporary Loan)	(10,000)	0.33	0.09
Market	(40,000)	4.02	55.08
Variable Rate Funding:			
PWLB / Market	0	0	0
Total Debt	(325,912)	3.61	41.04
Investments			
In-House	90,871	1.23	
External Managers: Investec*	39,071	0.59	
Total Investments	129,942	1.04	

* Interest is net of fees but gross of capital losses

4. Debt Position as at 30 September 2013

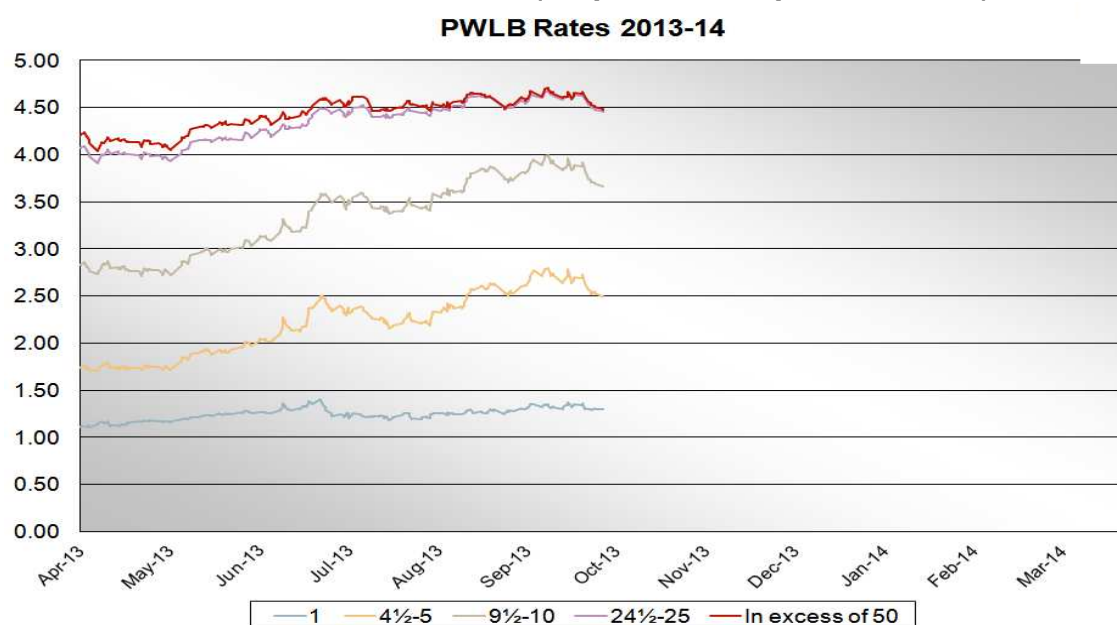
- 4.1 The Council's capital financing requirement (CFR) for 2013/14 is forecast to be £489.33m. The CFR denotes the Council's underlying need to borrow for capital purposes. This need to borrow can be met through a variety of means including the use of reserves, external borrowing, internal borrowing and careful management of the Council's cash flow.
- 4.2 **Debt Repayment** - On 27 April 2013 a £10m PWLB loan matured and as there was sufficient cash held by the Council to meet the 2013/14 CFR, the £10m borrowing was not replaced. By repaying the £10m, with an interest rate of 4.07%, reduced the interest payments for 2013/14 by £379k. If the interest

forgone is included, which would have been in the region of £89k, proper management of the Council's cash flow has made a net in year saving of £290k.

4.3 **Internal Borrowing** -Due to large cash balances held by the Council, internal borrowing is still preferred over external borrowing. While borrowing rates remain significantly higher than investment rates the Council will seek to delay new loans as long as possible. Where borrowing is considered, officers will base any decisions on the Council's cash flow requirements and at the most appropriate and cost effective interest rate available.

4.4 As outlined below, the recent trend has been for a significant increase in interest rates over 5 year to 20 year duration. Chart 1 below shows these movements in PWLB rates for the first six months of the financial year (to 30 September 2013). It is anticipated that further long term borrowing will not be undertaken during the remainder of this financial year, although some short-term borrowing may be required due to the nature of cash flows during the year.

Chart 1: Movement in PWLB rates (1 April to 30 September 2013)



4.5 Table 2 provides a breakdown of the General Fund debt as at 30 September 2013.

Table 2: General Fund Debt held as at 30 September 2013

Borrowing/Loan Held	Interest Rate	Fixed/ Variable	Principal £000s	2012/13 Interest £000s	Term End date
PWLB	4.25%	Fixed	10,000	425	28/04/2014
Barclays Bank	3.98%	Fixed	10,000	398	30/05/2078
Dexia Bank	3.97%	Fixed	10,000	397	30/06/2077
RBS Bank	4.05%	Fixed	10,000	405	27/02/2060
RBS Bank	4.07%	Fixed	10,000	407	26/03/2055
Total	4.06%		50,000	2,032	

4.6 Debt rescheduling opportunities are limited in the current economic climate. During the first six months of the year, no debt rescheduling was undertaken.

4.7 **Certainty Rate** - The Office for Budgetary Responsibility (OBR) is keen to have clearer sight of funding data as they currently receive outdated data. As an incentive for Councils to submit returns the ONS have allowed compliant Councils to borrow from the PWLB at 0.20% lower than currently available. The Council has submitted a return and can use the reduced rate were there a need to borrow.

5. Investment Portfolio 2013/14

5.1 It is the Council's priority to ensure security of capital and liquidity before obtaining an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate the Council's risk appetite remains low. Given the continued risk adverse environment as well as the artificial reduction in rates caused by the funding for lending scheme, investment returns are likely to remain low for the remainder of 2013/14.

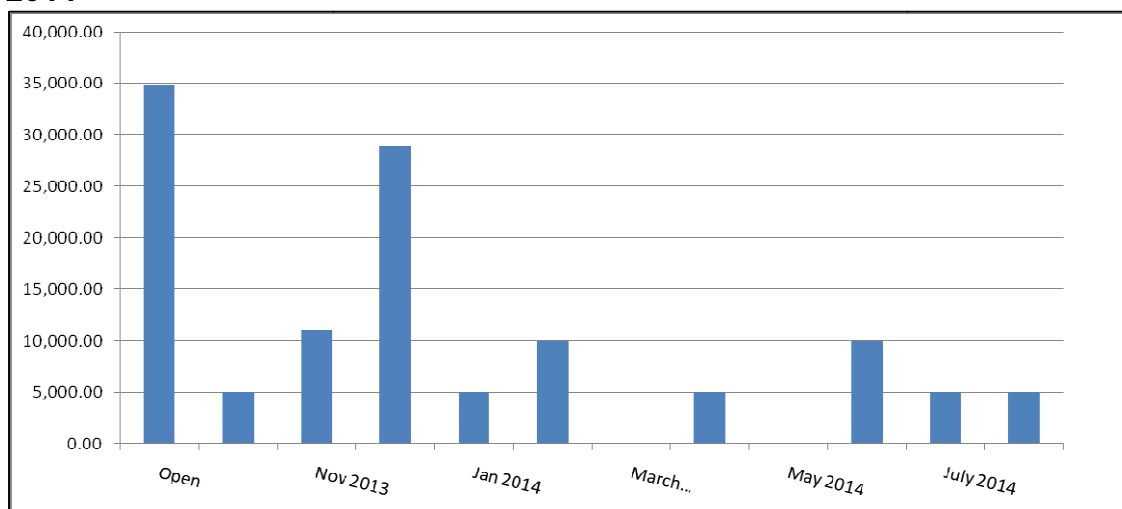
5.2 **Interest rate forecast** - Expectations for the first change in the UK Bank Rate are now dependent on when unemployment is likely to fall to 7%. Financial markets have factored in this rate change, with short term borrowing costs still low but the medium term cost of borrowing significantly higher. Table 3 contains the latest interest rate forecast and the resulting PWLB rates from the Council's advisor.

Table 3: PWLB Forecast

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
10yr PWLB rate	3.70%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
25yr PWLB rate	4.40%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
50yr PWLB rate	4.50%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%

5.3 **Investment Profile** - The maturity profile of the Council's investments in Chart 2 below shows that the Council holds 42.1% of investment that mature within 60 days or less. Spreading out the maturity of longer dated investments allows the Council to take advantage of improved rates of return while ensuring sufficient liquidity is available to cover its future borrowing requirement.

Chart 2: Investment Profile (£000s) between October 2013 to September 2014



5.4 Total Investment Portfolio

5.4.1 As at 30 September 2013 the Council held £130m of investments with £39m managed by Investec, the Council's external cash manager, and with the remaining £91m invested in-house by the Council's treasury section. The Chief Finance Officer confirms that the approved investment limits within the Annual Investment Strategy were not breached during the first six months of 2013/14. A summary of the performance of the treasury management is provided below, with a full list of investments as at 30th September 2013 in Appendix 1.

5.4.2 Externally Managed Cash – Investec

The Council uses Investec for its external cash management to allow the Council to diversify its investment portfolio into a number of different financial instruments, including GILTS, Certificates of Deposit, Floating Rate Notes and Deposits. Historically this strategy has worked well with Investec providing an average return of 6.27% over the past 25 years.

However, with returns at near historic lows, Investec's management fees, despite a reduction negotiated at the start of the year, have significantly reduced the investment return, with 17% of the gross interest being lost to manager fees. As a result the gross return of 0.71% Investec achieved for the first six months has reduced to a net return of 0.59%, which is lower than the 1.24% return achieved by the in-house treasury section.

In addition to reduced net returns, Investec investments in UK government debt have resulted in unrealised market value losses as yields have risen. While the market value loss can be reduced by holding the investments to maturity, the timing of the investments was poor and have resulted in the Council holding investments with a maturity date of July 2018, which is outside the Council's preferred duration for its cash investments.

As a result of the reduced returns and poor investment decisions, on 1 October 2013 the Council terminated its contract with Investec. The cash is in the process of being transferred back to the Council where it will be managed by the in-house treasury section. Table 4 below provides a summary of Investec's returns:

Table 4: Investec's Investment Returns (1 April to 30 September 2013)

Cash Manager - Investec	
	£000s
Opening Balance	39,088
GILTS Interest	52
Certificates of Deposit (CD) Interest	85
Deposit Interest	1
Management Fee	-23
Gross Interest Received	115
Capital Depreciation	-127
Closing Balance	39,076

5.4.3 In-house Cash Management

Summary

Investment returns continued to decline over the first six months of the financial year, with average return from in-house managed investments of 1.24%. Returns for the remainder of the year are likely to be lower at 0.9% to 1% as the full year effect of yield reductions is included. The reduction in the returns has been mitigated by higher than forecast cash balances, with overall returns being in-line with the 2013/14 interest income budget.

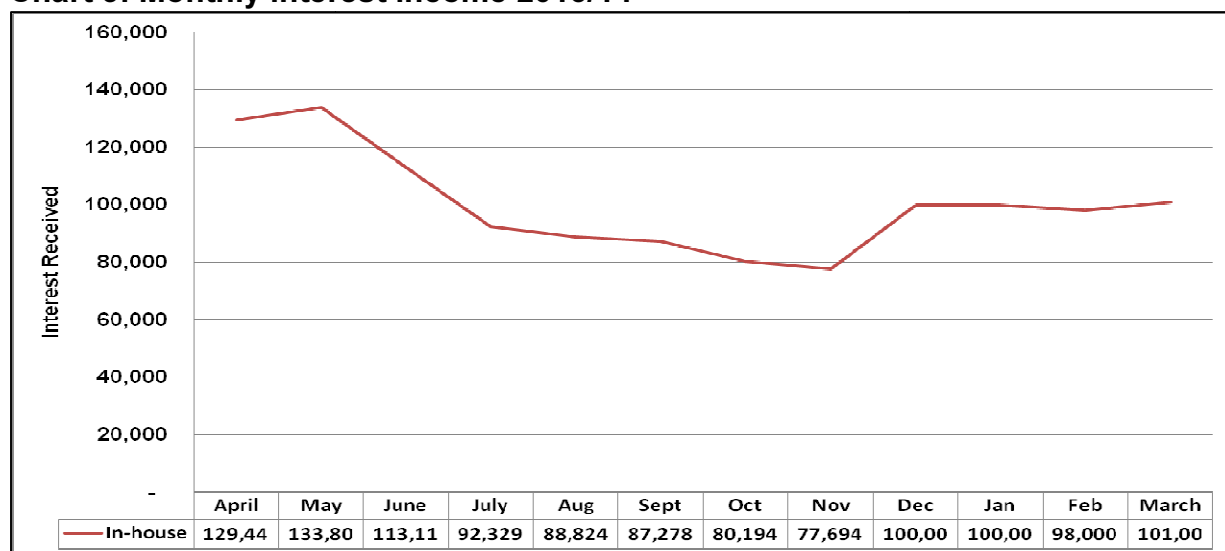
Investments

At the start of the financial year until September some value was obtained from investing with Lloyds Banking Group, RBS Bank and Nationwide Building Society over a three month to one year duration. The full £40m limits for Lloyds Bank and £30m for RBS Bank was used over this period. The remaining cash was invested short term in call accounts and Money Market Funds (MMFs), which provided a return of between 0.45 and 0.75%.

Subsequently, as rates available from Banks and Building Societies continue to reduce, some value is being obtained by investing with other Local Authorities over two years, where returns of between 1% and 1.1% can be achieved. By investing over two years the Council can lock in the rates thereby ensuring certainty of return but also potentially foregoing gains were rates to increase. As a result a limit of £25m will be used for investments with other Councils of over one year up to a limit of two years.

Chart 3 below provides a summary of the monthly interest income between April and September 2013 for the in-house treasury section and provides a forecast of the expected monthly interest income for the remaining six months of the year. The increase in return in October to December is as a result of the cash being held by Investec being transferred to the in-house treasury.

Chart 3: Monthly interest income 2013/14



6. Key Changes to the Treasury Strategy

6.1 As outlined in section 5.5.2, on 1 October 2013 the Council terminated its contract with Investec. To accommodate the additional cash that the in-house treasury section will manage, Members are asked to agree three changes to the Council's Annual Investment Strategy. The proposed changes and the reasons for the changes are provided below. Members are asked to discuss each recommendation and, if sufficiently assured, to agree the recommendations:

- **Recommendation 1:** Remove the variable counterparty limit for Lloyds Bank, which is currently the higher of £40m or 40% of total investable cash, to a fixed limit of £50m.

Reason: The current limit was based on an average in-house cash balance of £90 to £100m. As the in-house treasury section will now be managing balances between £130m to £150m, the increase to £50m is proportional with this increase. In addition Lloyds has recently seen a significant improvement in its financial health, which has led to the government selling 6% of its holding on 17 September 2013, reducing its overall holding from 38.7% to 32.7%.

- **Recommendation 2:** Allow the in-house treasury section to manage (hold and sell), but not purchase, UK government GILTS with maturities in excess of one year and up to a maximum maturity period of five years.

Reason: Investec currently holds £5.78m of UK government GILTS, with a maturity of five years. Although this investment provides a yield of 1.25%, the subsequent increase in yields has resulted in this investment being worth less than its initial purchase cost. As part of recalling the cash held by Investec these GILTS will be held in a custodian account until maturity, providing a return of 1.25% per year, or until such time as the yields decrease sufficient for the holding to be sold at a profit. To accommodate this transfer the investment strategy needs to be changed to allow the Council to hold GILTS directly.

- **Recommendation 3:** Allow the in-house treasury section to invest in non-UK banks that meet the minimum credit rating colour band up to a maximum of £10m per counterparty and up to a total limit of £30m for all non-UK banks.

Reason: Currently there are a number of good quality banks within AAA and AA rated countries that could provide the Council with diversification of its investments at a reasonable return. The current investment restrictions exclude non-UK banks. The proposed change would enable the in-house treasury section to diversify its investments to include sufficiently creditworthy counterparties from outside of the UK.

Members are asked to note that all investments would remain in sterling.

7. The Council's Capital Position (Prudential Indicators)

7.1 Prudential Indicator for Capital Expenditure

Table 5 below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Table 5: Revised Estimate to Capital Programme as at 30 September 2013

Capital Expenditure by Service	2013/14 Original Budget £000s	2013/14 Revised Budget (as at Sept 2013) £000s
Adult & Community Services	8,483	9,948
Children's Services	53,192	28,721
Housing and Environment	3,361	3,839
HRA	74,455	87,854
Finance & Resources	14,393	11,708
Total	153,884	142,070

7.2 Changes to the Financing of the Capital Programme

Table 6 draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 6: Revised Borrowing need as at 30 September 2013

Capital Expenditure	2013/14 Original Budget £000s	2013/14 Revised Budget (as at Sept 2013) £000s
Supported	0	0
Unsupported	153,884	142,070
Total spend	153,884	142,070
Financed by:		
Capital receipts	13,735	13,735
Capital grants	85,200	75,975
Capital reserves	963	933
MRA	4,590	4,590
Revenue (including HRA funding)	38,683	39,262
Total financing	143,171	134,495
Borrowing need	10,713	7,575

7.3 Prudential Indicator – Capital Financing Requirement

The Council is on target to achieve the original forecast Capital Financing Requirement (Prudential Indicator – External Debt / the Operational Boundary).

Table 7: Revised Capital Financing Requirement as at 30 September 2013

	2013/14 Outturn £000s	2013/14 Revised Estimate £000s
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	163,934	163,748
CFR – housing	267,722	267,722
Alternative Financing (PFI and leases)	59,922	57,858
Total CFR	491,578	489,328
Net movement in CFR	6,140	(2,250)
Prudential Indicator – External Debt / the Operational Boundary		
Long Term Borrowing	325,912	315,912
Short Term Borrowing	0	10,000
Other long term liabilities	59,922	57,858
Total debt 31 March	385,834	383,770

7.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 8: Revised Borrowing Limits as at 30 September 2013

	2013/14 Original Estimate £000s	2013/14 Revised Estimate £000s
Gross borrowing	325,912	325,912
Plus other long term liabilities	59,922	57,858
Less investments	(118,394)	(129,942)
Net borrowing	267,440	253,828
CFR (year end position)	491,578	489,328

- 7.5 The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.
- 7.6 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

**Table 9: Authorised External Debt Limit and Current Position
At 30 September 2013**

Authorised External Debt Limits	2013/14 Original Indicator £000s	Current Position £000s
Borrowing	469,000	325,912
Other long term liabilities	59,000	57,858
Total	528,000	383,770

8. Consultation

- 8.1 The Chief Finance Officer has been informed of the approach, data and commentary in this report.

9. Financial Implications

Implications completed by: Jonathan Bunt, Chief Finance Officer

- 9.1 This report sets out the mid-year position on the Council's treasury management position and is concerned with the returns on the Council's investments as well as its short and long term borrowing positions.

10. Legal Implications

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

- 10.1 The Local Government Act 2003 (the "Act") requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

10.2 The Council also has to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

10.3 A report setting out the Council's strategies in accordance with the Act was presented to Cabinet in February 2013. This report is a midyear review of the strategy's application and there are no further legal implications to highlight.

11. Options Appraisal

11.1 There is no legal requirement to prepare a Treasury Management Strategy Statement Mid-year Review; however, it is good governance to do so and meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

12. Other Implications

12.1 **Risk Management** - The whole report concerns itself with the management of risks relating to the Council's cash flow. The report mostly contains information on how the Treasury Management Strategy has been used to maximise income during the first 6 months of the year.

Background Papers Used in the Preparation of the Report:

- Local Government Act 2003
- CIPFA – Revised Prudential Code for Capital Finance in Local Authorities
- CIPFA – Revised Treasury Management in the Public Services
- HRA Business Plan v7 (16 Jan 2012)
- Treasury Management Strategy Statement - Assembly Report 25 February 2013

List of appendices:

- Appendix 1: Investments as at 30th September 2013

Appendix 1

Investments as at 30th September 2013

Investments Held	Fitch LT/ ST Rating	Interest Rate	Investment Type	Principle	Issue Date	Repayment Date
INVESTEC ASSET MANAGEMENT		variable	Variable	39,071,014	N/A	N/A
SANTANDER UK BANK	A/F1	0.50%	Call Account	59,149	N/A	N/A
BARCLAYS BANK	A/F1	0.75%	Call Account	10,781,391	N/A	N/A
LLOYDS BANKING GROUP	A/F1	0.40%	Call Account	60,162	N/A	N/A
FEDERATED PRIME RATE	AAA	0.42%	MMF	-	N/A	N/A
GOLDMAN SACHS	AAA	0.35%	MMF	50,000	N/A	N/A
RBS BANK	A/F1	0.80%	95 Day Account	23,920,178	N/A	N/A
LLOYDS BANKING GROUP	A/F1	2.70%	Fixed Deposit	5,000,000	03-Oct-12	03-Oct-13
RBS BANK	A/F1	1.50%	Fixed Deposit	6,000,000	16-Nov-12	15-Nov-13
NATIONWIDE BUILDING SOCIETY	A+/F1	0.50%	Fixed Deposit	5,000,000	22-May-13	22-Nov-13
LLOYDS BANKING GROUP	A/F1	1.50%	Fixed Deposit	5,000,000	07-Dec-12	09-Dec-13
LLOYDS BANKING GROUP	A/F1	1.10%	Fixed Deposit	5,000,000	08-Jan-13	08-Jan-14
NATIONWIDE BUILDING SOCIETY	A+/F1	0.51%	Fixed Deposit	5,000,000	07-Aug-13	07-Feb-14
LLOYDS BANKING GROUP	A/F1	1.10%	Fixed Deposit	5,000,000	26-Feb-13	26-Feb-14
LLOYDS BANKING GROUP	A/F1	1.10%	Fixed Deposit	5,000,000	11-Apr-13	11-Apr-14
LLOYDS BANKING GROUP	A/F1	1.10%	Fixed Deposit	5,000,000	04-Jun-13	04-Jun-14
LLOYDS BANKING GROUP	A/F1	1.10%	Fixed Deposit	5,000,000	05-Jun-13	05-Jun-14
LLOYDS BANKING GROUP	A/F1	1.01%	Fixed Deposit	5,000,000	04-Jul-13	04-Jul-14
			Total Investments	129,941,894		

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CABINET**19 November 2013**

Title: Proposal for Elevate East London to Apply to Join the Modification Order	
Report of the Cabinet Member for Customer Services	
Open Report	For Information
Wards Affected: All	Key Decision: Yes
Report Author: Jonathan Bunt, Chief Finance Officer	Contact Details: Tel: 0208 724 8427 E-mail: jonathan.bunt@lbbd.gov.uk
Accountable Director: Jonathan Bunt, Chief Finance Officer	
<p>Summary</p> <p>Elevate East London has proposed that it would make an application to the Department of Communities and Local Government under the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 to join the 'Modification Order', meaning that affected staff would secure continuity of employment in the event of redundancy. This would also mean that staff joining Elevate from elsewhere in local government would bring years of service with them into their Elevate employment. Joining the Modification Order is not a contractual requirement of Elevate or Agilisys, but is in response to requests from staff and union colleagues that such an application be made. It is not clear whether any such application would be successful.</p> <p>In the event of staff redundancy, membership of the Modification Order could mean that the cost of redundancy is increased. The Council funds redundancies within Elevate where those redundancies deliver savings to the Council and therefore there is a potential financial cost to the Council from additional redundancy costs if the application is successful.</p> <p>Agilisys, as the Managing Partner of Elevate, has agreed to make a submission in the name of Elevate, and the Elevate Board have also agreed to this, subject to Cabinet agreeing the position, taking into account the possible increased financial exposure to the Council if the submission is successful.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to support the making of an application by Elevate East London for membership of the Modification Order under the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999.</p>	
<p>Reason</p> <p>Assisting in the Council's Policy aim of ensuring a well run organisation delivering its statutory duties in the most practical and cost-effective way. It will ensure the principle established as part of the creation of the Elevate joint venture, of parity for staff within both Elevate and the Council, is maintained to the maximum extent possible.</p>	

1. Introduction and Background

- 1.1 The Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 modifies the Employment Rights Act 1996 by allowing employment with different local authorities and other 'Modification Order' employers to count for redundancy purposes as if it was service with one employer, as long as there is no break in service.
- 1.2 Appendix 1 to this report provides an explanation of the workings and applicability of the Modification Order, and is taken from the Local Government Employers website. Simplistically, the effect is to treat employees in a redundancy situation as if they were still employed by a local authority.
- 1.3 Upon the creation of Elevate East London (Elevate) in December 2010, Agilisys, as the managing partner, committed to the Council to enter Elevate into the Local Government Pension Scheme (LGPS), to honour through TUPE the terms and conditions of transferring staff. However admitted body status to the LGPS does not include admission to the Modification Order. Also, a successful application to join the Modification Order would not mean new employees would be eligible to join the Barking & Dagenham Pension Fund as Elevate would remain a closed employer within the fund.
- 1.4 Staff at the time of both service transfers raised concerns about this, and the Council's Corporate Management Team considered the matter on each occasion, and concluded that they would not ask Agilisys to seek admission, as evidence suggested such an application would have a low chance of success. This was consistent with the relationship with other service providers as the Council has never directly sought for organisations to join the Modification Order.
- 1.5 Agilisys had previously sought admission for the Hammersmith and Fulham Bridge Partnership and been rejected. This information has been shared with staff, and unions in the past. This matter however persists with staff, and Unions continue to champion the matter with Members, who in turn have raised it with the Council's Chief Executive. As a result, the issue has been considered within Agilisys and at the Elevate Board.

2. Agilisys View as Managing Partner and Elevate Board position

- 2.1 Agilisys have considered their position as Managing Partner, and have agreed to pursue an application, if the Council support it. As it is a Council request to apply, Agilisys are not willing to underwrite any additional future costs that could accrue as a result of a Council decision should an application be successful. Agilisys would, however, as noted in 5.6 below, fund any redundancy proposals which do not create savings for the Council.
- 2.2 The Board of Elevate agreed to pursue an application, also subject to approval by the Council. Elevate are not willing to underwrite any future additional costs that could accrue as a result of a successful application.

3. Proposal

- 3.1 The proposal is to make an application for membership of the Modification Order. Such an application would be compiled collaboratively with Union officers, and with full transparency, with the aim of maximising the chance of success. The decision of the Department of Communities and Local Government (CLG) as to admission would be final.

4. Options Appraisal

- 4.1 Given that neither Agilisys nor Elevate would be willing to meet the additional costs that could arise from an application, the only alternative is that no application is made. If such a decision is made then no financial risk arises for the Council. The requests of staff and Unions to make such an application would be denied.

5. Consequences of a Successful Application

- 5.1 Admission to the Modification Order is dependent on the approval of CLG, and requires evidence of a strong connection with Local Government. The reason given for the previous Agilisys application being refused was that the applying organisation was a 'for profit' organisation.
- 5.2 Elevate is also a 'for profit' organisation, but presently with only one client, no profits are generated, in strict accordance with the Elevate contract. If Elevate secures further clients then profits could be generated and as such, given the strict assessment criteria enforced by CLG, an application by Elevate has a low probability of success.
- 5.2 If an application was submitted and was successful it would apply retrospectively, i.e. it would apply to all staff who have been TUPE transferred to Elevate since 10 December 2010 along with all of those who have been employed by Elevate directly since that time, who have previous local government accumulated years of employment.
- 5.3 If the application was successful the implications would be:
- TUPE transferred staff would have continuity of service preserved in the event of redundancy, meaning that their number of years employment in local government would continue to accumulate if they went to a new local government employer, whereas presently the clock stops and they start from year one if they secure a new role. This would be advantageous to those staff affected.
 - This works in both directions, so new staff joining Elevate from local government could bring with them their years' service, which, if then made redundant, would result in them receiving a larger redundancy payment than if Elevate were not a member of the Modification Order.
 - Staff who choose to apply for roles back in local government would take their years service with them for redundancy purposes.
- 5.4 The risk therefore of a successful application to join the Modification Order, is of increased redundancy costs. Redundancy costs, where part of a scheme to deliver

savings to the Council are currently funded by the Council. Any such application would only apply to Elevate staff, and not staff employed by Agilisys.

- 5.5 Elevate currently has a mixed workforce of both TUPE and non-TUPE Elevate employed staff, and Agilisys employed staff. At the present time, 128 staff are on Elevate/Agilisys contracts, and 349 are under TUPE terms and conditions, though these numbers will change over time.
- 5.6 If there were a redundancy situation that did not relate to savings for the Council, then Agilisys would fund the cost of the redundancy, in accordance with the contract between the Council and Agilisys.

6. Financial Estimate of a Successful Application

- 6.1 It is important to emphasise that there would be no difference in redundancy costs for any staff TUPE transferred to Elevate with only staff who join Elevate from another local authority or who rejoin the Council from Elevate impacted.
- 6.2 The Council would continue to underwrite the costs of redundancy, where they help to deliver revenue savings to the Council, in accordance with the terms of the contract. It is difficult to estimate the potential cost of admission as it requires a number of assumptions to be made and the actual financial impact would be dependent on the individual circumstances of staff in a redundancy situation. To enable an illustration of the potential cost to the Council, it is assumed that:
- the average new employee would have 10 years additional continuous service to account for;
 - they would be under 50 years of age at the time of redundancy; and
 - they have a basic salary of £36,000.
- 6.3 This would mean on average each new employee would cost an additional £4,500 to make redundant over and above the current cost. Since December 2010, there have been 128 new starters, of which approximately 100 of are assumed to be Elevate rather than Agilisys employees. If 40 of these 100 are made redundant, based on the assumptions above, there is an estimated total potential additional cost to the Council of £180,000.
- 6.4 Given that redundancies will be funded when they contribute savings to the Council, there will be a cap on how many more require to be made as the savings expected from the Elevate contract are already known. Taking the assumption that approximately £1.5m of savings remain to be delivered from the target cost, and assume an average salary of £36,000 for each employee, then a maximum of 42 redundancies could be anticipated in total. In reality a realistic figure will be less than this, as savings will also be achieved from third party costs, and through the careful management of vacancies, as well as through redundancies. It is also the reality that a proportion of staff made redundant would be the transferred staff for which the modification order will not impact on their redundancy entitlement. The financial modelling below has assumed 40 redundancies to establish a worst case scenario in each case.
- 6.5 Given the many variables at play, various scenarios can be imagined. The following table provides some alternative financial outcomes to more fully explain

the potential risk, and includes the example given above for completeness. All scenarios assume an average salary of £36,000 and assume the staff members to be under 50 years of age:

No. of additional years service	Average additional cost of redundancy	Number of staff to be made redundant	Possible cost
5	2,700	40	108,000
10	4,500	40	180,000
15	6,750	40	270,000
20	9,900	40	396,000

As noted above this table reflects scenarios that are more worst case than probable scenarios and the likely additional cost to the Council could reasonably be expected to be much lower.

- 6.6 In addition to the contractually committed savings for Elevate, given the financial climate for local authorities, it is almost certain that the Council will request further savings against the target cost for the transferred services. Given the scale of the budget challenge between now and the end of the Elevate contract in 2017, the additional savings would be a significant sum and the number of potential redundancies would increase commensurately. This would increase both the probability and the scale of a potential impact of a successful application.

7. Consultation

- 7.1 The report is in response to representations from both staff and union colleagues. A paper has been considered by the Agilisys and Elevate Boards and also by the Council's Corporate Management Team. The Agilisys and Elevate Boards have approved an application, subject to Cabinet agreement.

8. Financial Implications

Implications completed by: Jonathan Bunt, Chief Finance Officer

- 8.1 The financial implications are largely outlined in section 6 above. This shows that, if the Modification Order is approved, there is a high likelihood that this will lead to extra costs being incurred by the Council in the form of higher redundancy payouts.
- 8.2 The Council budgets corporately for all redundancy costs included those for expected Elevate redundancies under the existing terms of employment, so any change brought about by the Modification Order would be an additional cost to the Council, which would have to be met within existing budgets.

9. Legal Implications

Implications completed by: Chris Pickering, Principal Solicitor

- 9.1 A successful application for joining the list of Modification Order bodies will have implications wider than redundancy calculations as noted in the risk management section. It would also have an impact on subsequent employers in the event of transfer or re-employment of current Elevate employees although this is not an

issue for the Council or Elevate. Applications to join the list of bodies are made frequently and in order for such a request to be successful there must be a strong connection with local government and LGE (Local Government Employers) will be consulted as part of that application process. There is no appeal as noted in the report. Agreement to make the application and consult fully with staff and Unions also shows a commitment to deal reasonably with employees, whether the application is subsequently successful or not.

10. Other Implications

- 10.1 **Risk Management** - If an application is made, and is successful, there is a subsequent risk of increased cost to the Council if one or more affected members of staff are then made redundant. This risk is hard to quantify as many variables, such as length of local government service, age, salary, come into play. This report provides some examples of the possible impact which have been modelled under various assumptions.

Background Papers used in the preparation of the report:

- Cabinet report and Minute 45, 28 September 2010 entitled “Business Case and Appointment of Preferred Bidder for Joint Venture Strategic Partnership”

List of appendices:

- **Appendix 1** – Explanation of Modification Order arrangements

Explanation of Modification Order arrangements

(Taken from the Local Government Employers website:
<http://www.lge.gov.uk/lge/core/page.do?pageld=119733>)

The effect of the Modification Order

Essentially, the primary significance of the Order is in relation to redundancy.

Under the Employment Rights Act 1996 (ERA), an employee can count service with an 'associated employer' towards the service requirement for a redundancy payment (i.e. two years) and, if appropriate, for calculating that payment.

Local authorities are not associated employers under the definition in the Act.

However, the effect of the Order is to make local authorities associated employers for the purposes of the redundancy provisions of the ERA.

Assessing eligibility for a redundancy payment and calculating its amount

Under s.155 ERA, an employee must have at least two years' continuous service with the employer in order to qualify for a redundancy payment. The effect of the Order is that continuous service with bodies on the Order will also count.

Section 162 ERA provides that a redundancy payment will be calculated on the basis of the period of continuous employment. The effect of the Order is that this will include continuous employment with bodies on the Order.

In both cases the usual rules of continuity apply so that if there is a break of more than a week (running from Sunday to Saturday) between two contracts continuity will be broken (except where there is a redundancy and a new job is taken up within 4 weeks - see below).

Where a new job offer is made by another Modification Order body

If an employee who is under notice of redundancy receives an offer of a job from another Modification Order body before the termination of his or her employment and takes it up within 4 weeks of the end of the old employment, there will be no dismissal for redundancy payment purposes.

This may lead to difficulties for an employer if they are unaware of a job offer that has been made to an employee under notice of redundancy. It is advisable, therefore, before

making the redundancy payment to ask the employee if he or she has been offered another job with a Modification Order body and, if so, whether he or she intends to take it up within 4 weeks of finishing his or her current job.

If an employee does take on a new job with a Modification Order body in these circumstances, the provisions relating to a trial period in the ERA will apply. Therefore, if the employee decides not to continue with the job during the first 4 weeks he or she will be able to terminate the contract (whether with or without notice) and receive a redundancy payment from the old employer.

Where an employee unreasonably refuses a suitable alternative offer of employment

The provisions of s.141 ERA also apply. If an employee unreasonably refuses an offer of suitable alternative employment from a Modification Order body, then he or she will not be entitled to a redundancy payment.

In practice this is unlikely to happen as it is likely that the employee would have actually applied for the job with another body and already made an assessment before interview as to whether the job was suitable for him or her. In any case, the employer may not be aware that the employee is applying for other jobs and that one which was potentially suitable was turned down.

Effect on unfair dismissal rights

It is important to note that, if an employee does take up a job with a Modification Order body, the dismissal 'disappears' only for the purposes of determining whether there is an entitlement to a redundancy payment.

Therefore, there is no effect for unfair dismissal rights, and:

- an employee can still claim unfair dismissal in relation to the redundancy
- an employee will need two years' continuous service in the new job before he or she has the right to claim unfair dismissal (or one year's service if employment commenced before 6 April 2012)

Continuity under the Modification Order and TUPE

One question we are frequently asked is whether somebody who transfers to an outside contractor under TUPE (which is not on the Order) and then voluntarily resigns and returns to a local authority (or other Modification Order body) within the statutory week will have continuity of service.

Unless the contractor is a body on the Order there will be no continuity of service for redundancy purposes (see below for the position regarding contractual rights).

Continuous service for contractual purposes

Under paragraph 14 of Part 2 of the Green Book, continuous service with any body on the Modification Order counts for the purposes of annual leave, the occupational sickness scheme and the occupational maternity scheme. Other schemes of conditions of service contain similar provisions.

Where an employee is transferred under TUPE and returns voluntarily to local government within five years, continuity of service for contractual purposes is preserved. For further information on this provision see [NJC Circular 1/03 for Local Government Services Staff](#).

Bodies on the Modification Order

Links to the relevant statutory instruments and to a consolidated list of bodies are set out at the bottom of this page.

The bodies on the Order are split into two lists as set out below:

- Part I (Schedule 1 of the Modification Order)
When a person employed by one of these bodies is made redundant from that body the provisions of the Modification Order apply as outlined above. The employer must count service with any body on the Order (i.e. from Part I or Part II).
- Part II (Schedule 2, Part II of the Modification Order)
These bodies are not bound by the provisions of the Modification Order i.e. continuous service with any other body on the Order does not count if an employee is made redundant from one of these bodies. In practice this has little relevance as these are almost exclusively bodies which no longer exist, for example, the Greater London Council.

For local authorities the split between the lists has no practical significance as they are on Part I and therefore must apply the provisions of the Modification Order to any body, whichever part of the list it is on. However, we have explained the difference as the split is something that can cause confusion.

Past service with a newly added body

A common question is whether, when a new body is added to the Order, only service accrued with that body from the date it was added counts towards continuous service. The answer is no. Once a body is added all service with it will count.

The important factor is whether the body was on the Order at the date of redundancy. If it is on there at that point, all service will count.

Which bodies are on the Order?

Many of the bodies are specifically named.

However, there are several generic categories which refer to statutes which can cause confusion. It is impossible to create a list of every body on the Order by individual name as this would cover several thousand organisations.

It is useful to remember that the idea of the Order is that those employers who are in the local government 'family' are included. Therefore, non-local authority bodies on the Order are generally those that at some point have been funded wholly or partly by the local authority or provide a service that used to be entirely provided by an authority.

Below we provide guidance on some of the areas which appear to cause most problems.

Police officers and support staff

Police officers are not covered by the Order because they are independent office holders and therefore not employees. Support staff are covered as they are employees.

It used to be the case that support staff in the Metropolitan police were not covered by the Order, as they were employed by the Secretary of State. However, the Metropolitan Police Authority was placed on the Order after it was established in July 2000.

Housing

Housing Associations are not on the Order but Housing Action Trusts are. Where authorities have transferred their housing stock to an Arms Length Management Organisation (ALMO) it is the DTI's advice that such an organisation is covered by the Modification Order (under paragraph 6 of Schedule 1).

Universities

The basic rule is that universities which used to be polytechnics are included whereas those that were always universities are not e.g. Leeds Metropolitan University (formerly Leeds Polytechnic) is covered but Leeds University is not.

Further education colleges

Colleges which were funded by the local authority before 1992 are included whereas those which have always been independent are not.

The Civil Service

Central government bodies are not included.

Audit Commission

The Audit Commission is not on the Order.

The NHS

NHS bodies are not included, except for Care Trusts set up under s.45 of the Health and Social Care Act 2001.

Care Trusts are different from Primary Care Trusts which are not included.

Water authorities

One of the generic categories of body included in the Modification Order covers bodies 'established by or under any enactment for the purpose of exercising the functions of' a local government authority.

In *West Midlands Residuary Body v Deebank* 1990 ICR 349 it was argued that this covered a regional water authority which had taken over functions previously exercised by Birmingham City Council. The Court of Appeal held that 'functions' meant 'current functions' and therefore it did not apply to a body established to completely take over the functions of a local authority. Therefore, service with a water authority does not count towards continuous service.

Town councils

The category of parish councils also covers town councils. This is because a town council is simply a parish council that has resolved to have the status of a town.

Geographical locations

Generally speaking, English, Scottish and Welsh councils (including the Council of the Isles of Scilly) are covered but Northern Ireland, the Channel Islands and the Isle of Man are not.

Training and Enterprise Councils (TECS)

TECS are not on the Order.

How are bodies added to the Order?

Sometimes a decision will be made at government level to add a body, or a category of bodies, to the Order, e.g. as a result of restructuring or reallocation of responsibilities for functions. However, additionally, a body can make a request to be included in the Order to Gary.Meyler@communities.gsi.gov.uk who will consider the request and make a decision

after having consulted LGE. In order for such a request to be successful there must be a strong connection with local government. Amendments are made frequently. Links to the various amendments are set out below along with a consolidated list of bodies on the Order.

What to do to find out whether a body is on the Order

If the body you are looking for is not specifically named on the Order and you are not sure whether it fits into one of the generic categories, the first thing to do is to ring the body itself (if it still exists).

Because they will also have to count continuous Modification Order body service themselves they should know if they are on the Order.

Gary.Meyler@communities.gsi.gov.uk at Communities and Local Government, can tell you whether the body is specifically listed on the order. If you are still unsure, local authority employers' queries can be addressed to their Regional Employers' office.

The Statutory Instruments

- [The Redundancy Payments \(Continuity of Employment in Local Government, etc.\) \(Modification\) Order 1999](#)

Amendments:

- [The London Government \(Continuity of Employment\) Order 2000 SI number 1042](#)
- [The Redundancy Payments \(Continuity of Employment in Local Government, etc.\) \(Modification\) \(Amendment\) Order 2001 SI number 866](#)
- [The Redundancy Payments \(Continuity of Employment in Local Government, etc.\) \(Modification\) \(Amendment\) Order 2002 SI 532](#)
- [The Secretaries of State for Education and Skills and for Work and Pensions Order 2002 SI 1397](#)
- [The Health and Social Care \(Community Health and Standards\) Act 2003 \(Commission for Healthcare Audit and Inspection and Commission for Social Care Inspection\) \(Transitional and Consequential Provisions\) Order 2004 SI 664](#)
- [The Redundancy Payments \(Continuity of Employment in Local Government, etc.\) \(Modification\) \(Amendment\) Order 2004 SI 1682](#)
- [The Fire and Rescue Services Act 2004 \(Consequential Amendments\) \(England\) Order 2004 SI 3168](#)
- [The Fire and Rescue Services Act 2004 \(Consequential Amendments\) \(Wales\) Order 2005 SI 2929](#)
- [The Welsh Development Agency \(Transfer of Functions to the National Assembly for Wales and Abolition\) Order 2005 SI 3226](#)

- [The Secretaries of State for Children, Schools and Families, for Innovation, Universities and Skills and for Business, Enterprise and Regulatory Reform Order 2007 SI 3224](#)
- [The Offender Management Act 2007 \(Consequential Amendments\) Order 2008 SI 912](#)
- [The Health and Social Care Act 2008 \(Consequential Amendments and Transitory Provisions\) Order 2008 SI 2250](#)
- [The Housing and Regeneration Act 2008 \(Consequential Provisions\) \(No.2\) Order 2008 SI 2831](#)
- [The Health and Social Care Act 2008 \(Commencement No.9, Consequential Amendments and Transitory, Transitional and Savings Provisions\) Order 2009 SI 462](#)
- [The Abolition of the Commission of the New Towns and the urban Regeneration Agency \(Appointed Day and Consequential Amendments\) Order 2009 SI 801](#)
- [The Redundancy Payments \(Continuity of Employment in Local Government, etc.\) \(Modification\) Order \(Amendment\) Order 2010 SI 903](#)

Consolidated list of bodies:

- [Consolidated list of bodies on the Modification Order \(PDF, 15 pages, 123KB\)](#)
- [Consolidated list of bodies on the Modification Order \(Word doc, 112KB\)](#)

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CABINET

19 November 2013

Title: Leasehold Property Major Works Payment Options	
Report of the Cabinet Member for Housing	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Danny Caine, Group Manager Housing and Environment Business Services	Contact Details: Tel: 020 8 227 3363 E-mail: danny.caine@llbd.gov.uk
Accountable Divisional Director: Maureen McEleney, Divisional Director, Housing and Neighbourhoods	
Accountable Corporate Director: Darren Henaghan, Corporate Director of Housing and Environment	
<p>Summary:</p> <p>The purpose of this report is to obtain Cabinet approval of payment options for leaseholders who have difficulty in paying large leasehold bills.</p> <p>In certain circumstances when attempting to recover money owed it is usual to have in place payment mechanisms which enable arrangements to be entered into with the debtor and by doing so assist in the recovery of the debt.</p> <p>Unlike the majority of local councils Barking and Dagenham does not have in place any recorded procedure for providing leaseholders with options for making payments of leasehold charges. Payment options are particularly relevant to those leaseholders with large bills where immediate payment could prove financially problematic.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to :</p> <ul style="list-style-type: none"> (i) Agree the introduction of payment options in respect of leasehold charges as detailed in paragraphs 3.2 to 3.6 of the report; and (ii) Agree that the payment options detailed in paragraphs 3.2 and 3.3 are limited to owner occupiers. 	
<p>Reason(s)</p> <p>The Council's vision and priorities are underpinned by the theme 'a well-run organisation' as set out in the corporate plan. This report ensures we support this theme and enables the Council to provide a range of payment options to its leaseholders.</p>	

1. Introduction and Background

- 1.1 The Council as a responsible landlord is committed to keeping its homes in a good state of repair. This means that from time to time it will need to carry out major works, such as repairing the structure of a building, refurbishing a lift or replacing windows. Under the terms of the lease the Council as the freeholder, is responsible for repairing and maintaining the structure and outside of the building including any shared parts or services and to take reasonable steps to make good any faults which affect the structure and fabric of the building. The leaseholder is required to contribute their proportion towards the cost of all such works.
- 1.2 Any applicants that apply to purchase a leasehold property through the Right to Buy scheme are offered an interview with council staff. The purpose of the interview is to explain the responsibilities and obligations that come with being a leaseholder. This includes the requirement to pay their share of the costs of major works
- 1.3 The Secretary of State for Communities and Local Government has recently issued a consultation paper (Consultation on Protecting Local Authority Leaseholders from Unreasonable Charges) on limiting the amount that can be charged for carrying out specifically funded works. The consultation is on a proposal to update the Mandatory Directions to councils to include, in the programmes described in the 1997 Directions, all Central Government funding for repair, maintenance or improvement, including Decent Homes Grant from the 2013 Spending Review. The proposal is to have a £10,000 cap on leaseholder works on homes outside London, and £15,000 on homes within London.
- 1.4 If the proposals in the consultation are adopted it will affect councils which may bid for future central government assistance for works of repair, maintenance or improvement, provided by the Secretary of State or the Homes and Communities Agency. This will include those councils eligible for the 2015/16 Decent Homes funding announced as part of the Spending Round 2013. Given the level of non decent homes that Barking and Dagenham has within its housing stock it is likely that this will have some effect on this Council as a freeholder. A response to this consultation paper has been issued. However in all circumstances leaseholders will be required to a pay a share of the costs of capital work.
- 1.5 In certain circumstances when attempting to recover money owed it is usual to have in place the ability to come to an arrangement with the debtor and by doing so assist in the recovery of the debt. There is no formal London Borough of Barking and Dagenham Council approved policy in relation to major works payment options. There has however been a practice within the general income team to offer payment options to customers in relation to Section 20¹ invoices.

¹ Under section 20 of the Landlord and Tenant Act 1985 (amended by section 151 of the Commonhold and Leasehold Reform Act 2002), we must consult about some of the work and services that leaseholders must pay for.

- 1.6 Barking and Dagenham does operate a reserve fund for leasehold properties. The purpose of such funds is to build up a sum of money to help cover the cost of irregular and expensive works such as structural repairs, or lift replacement. The reserve fund is held against a particular property and is built up through regular leaseholder contributions. The cost of the works is deducted from the leaseholders reserve fund account when work is carried out. Where the reserve fund balance is not sufficient to cover the cost of the works, the leaseholder is billed for the outstanding amount.
- 1.7 Currently contributions to the reserve fund are calculated using details specified in the Right to Buy offer notice (Section 125). As the landlord, the Council must tell the tenant how much the property will cost, and must also give an estimate of any service charge they will have to pay during the first five years of the lease.
- 1.8 Alongside the use of the Right to Buy offer notice (Section 125) the Home Ownership team now increase reserve fund contributions for properties where works are planned to take place. This will be based on any stock condition survey that is carried out. Currently the Council is undertaking an independent stock condition survey in tranches of 4,000 properties the result of which will be recorded on a property data base. The Home Ownership team will then use this survey data to set reserve fund contributions. This is a particularly appropriate time to look at this, as with Housing Revenue Account self financing we are now putting in place arrangements to tackle our backlog of decent homes expenditure, and will be investing significantly in our stock over the coming years, and leaseholders will be required to pay their proportion of this.
- 1.9 Given the nature of works required to some properties the costs can be very high, it would therefore be beneficial to consider introducing payment options for leaseholders to pay back the costs of major works.
- 1.10 It is acknowledged that the causes of financial difficulties vary and recovery methods should be focused accordingly. There are times when debtors can't pay and times when debtors won't pay. Any payment arrangements would sit alongside more formal recovery methods such as:
- Written reminders of the debt
 - Applications to the County Court
 - Bailiffs and Distraint
 - Charging Orders
 - Bankruptcy or Insolvency

2. Leasehold Profiles

- 2.1 The Council has 3,321 leasehold properties of which 259 currently have major work arrears.
- 2.2 The average leasehold deficit (debt) is £5,180.
- 2.3 Records show that 41% of leaseholders are subletting or not in residence – this figure reflects a similar pattern across London. The Council has also seen an increase in the number of leaseholders that own multiple properties – 288 properties are owned by multiple owners.

3. Proposal

3.1 Payment Options

- 3.1.1 By way of good practice local authorities should have arrangements in place for enabling leaseholders to make payments on any debt. Research shows that the majority of Councils have in place payment option schemes for leaseholders that have a service charge debt. Options vary from providing advice, interest free payment schemes and prompt payment discounts.
- 3.1.2 Whilst the leaseholder should be encouraged to settle the debt in a timely manner it is accepted that the leaseholder's personal circumstances could prevent them from being able to pay the amount on time and in full. It is with this in mind that Cabinet is asked to consider introducing a set of payment options for leaseholders.
- 3.1.3 When drafting this report reference was made to the Council's Debt Management Policy (Agreed at Cabinet, 18 October 2011). All the proposals detailed in this report are aligned to the Debt Management Policy.
- 3.1.4 Detailed below are the payment options that it is proposed that the Council make available to leaseholders. With regards to options 3.2 and 3.3 it is proposed that these particular options should be made available only to those leaseholders who are owner occupiers. Criteria will be drawn up to define owner occupiers for this purpose but the general principle is that a leaseholder would need to live in the property to qualify.

3.2. Prompt payment discount

- 3.2.1 For debts over £5,000 if they pay the cost in full within twelve weeks of receiving the estimated invoice they will receive a 2.5% discount. This means that they only have to pay 97.5% of the estimate up front. The potential loss of revenue in offering a 2.5% discount would be offset with improved cashflow, as leaseholders will not only be more inclined to pay, but also be inclined to pay earlier.

3.3 Payments

- 3.3.1 For debts up to £1,500 arrangements may be made for the debt to be paid in equal instalments. The length of the instalment period is decided according to the individuals circumstances and is payable over a maximum of 12 months. Interest is not charged on this arrangement.
- 3.3.2 For debts over £1,500, a deferred payment option may be offered over a 5 year term. Interest is charged in accordance with the current Council interest rate. Qualifying leaseholders should be given a period of between 3-5 years to pay off the leasehold charges depending on individual circumstances. The payment would be in equal instalments.

3.4 Statutory Service Charge Loans

- 3.4.1 Under the Housing (Service Charge Loans) Regulations 1992, leaseholders have a right to a loan under certain criteria:

- The lease is still held by the person who exercised their right to buy
- The lease is not more than 10 years old
- The loan must be for more than £500
- The maximum amount of the loan is £20,000
- The loan is secured against the property
- The council may charge a maximum amount of £100 for administration and the land registry fee
- Interest is payable on the loan.

3.5 Discretionary Voluntary Charge

3.5.1 A voluntary charge is recognition of the debt due, secured against the value of the property and redeemable when the property is sold. The charge is noted at the Land Registry and therefore the property cannot be sold without the debt being cleared. The leaseholder may be eligible for a voluntary charge if they can demonstrate that they are unable to sustain loan repayments or obtain alternative finance. This scheme involves the leaseholder paying the Council's legal costs and land registry fees.

3.5.2 A Voluntary Charge is available if:

- a) The property is the leaseholder's only or principal home and they must be living there full-time.
- b) There is sufficient equity in the home to cover the loan.
- c) The leaseholder needs to supply details of the current mortgage and any other mortgage or charge on the property.

3.6 Pre-payment option

3.6.1 This is available to all leaseholders who have received a Notice of Estimate since April 2012. It's a way to spread the payment for the cost of major work to the property. If the leaseholder received a Notice of Estimate showing the likely costs of the work to the block they would be able to start making payments towards these costs. If the work will cost less than £1,500, they could spread the payment over a maximum of 12 months. For any work costing more than £1,500, they could spread the payment over 36 months. Paying in advance is optional: the lease says we can only demand payment after we have incurred costs and we will only send the final invoice (bill) after the work is complete.

3.7 Loan from the Mortgage Lender / Bank or Building Society

3.7.1 For loans of £5,000 or above - to help to pay for large bills for major works, leaseholders would be advised to ask their mortgage lender (where present) to increase or extend any existing loan.

3.8 Other Organisations Leaseholders can contact

3.8.1 Department of Works and Pensions

If a person is in receipt of Income Support or Job Seekers Allowance, they may be eligible for extra benefit towards their service charge bill, building insurance and

ground rent. Leaseholders who qualify for extra benefit with their service charge bills will need to provide a copy of the service charge statement and invoice to the Department of Works and Pensions when they submit their application.

They may also be able to get help with the interest on a loan secured against the property for repairs or improvements. The regulations are complicated and they would need contact the Benefits Agency for more information.

3.8.2 Houseproud

Houseproud is run by a group of 'not for profit' organisations. Their sole aim is to help homeowners aged 55 and over, or households with a disabled person of any age to pay for repairs, improvements or adaptations to their home.

There are 3 main loan options:

- Capital Release loan (No repayment payments required. When the property is sold, the lender gets back the original sum plus all accumulated interest.)
- Interest only loan (Only the payment of the interest each month is required.)
- Capital and Interest Repayment loan (This works like a normal mortgage with monthly repayments covering interest and the original sum.)

3.8.3 DABD

DADB (uk) is a charity working with and supporting socially excluded people across London and the UK. One of their areas of expertise is helping leaseholders with major works bills through DWP payments to leaseholders (on means tested benefits).

4. Options Appraisal

- 4.1 The main option outside of the report's immediate proposals is not to provide any payment options and leave it to the leaseholder to identify ways of repaying the debt. This would present difficulties as it could hinder the collection of monies owed also, good practice requires local authorities to have payment options schemes in place.

5. Consultation

- 5.1 The Cabinet Member for Housing has been involved in the development of the proposals detailed in this report. Consultation has also taken place with Barking and Dagenham Leaseholders' Association through which the Council engages on leasehold related matters who welcome mechanisms for paying capital works debts. The general comment back from leaseholders related to their support for increasing the reserve fund to mitigate the impact of large capital works bills.

6. Financial Implications

Implications completed by: Carl Tomlinson, Group Finance Manager

- 6.1 Leaseholder's are required to contribute their proportion towards the cost of major works undertaken by the Council. Considering the size of some of these

payments, it is appropriate for the Council to have a formal policy in relation to major works payment options for leaseholders.

- 6.2 Payment options allow leaseholders to pay their debt in a way that is manageable, and reduces the risk of bad debt to the council. The risk of bad debt is managed initially through pre-payment arrangements such as the reserve fund for leaseholders which accumulates prior to payments being required. The subsequent payment options outlined within the report provide further mitigation of bad debt through spreading payment over a number of years.
- 6.3 Deferred payment options over 1 year attract interest. This compensates for the cost of council borrowing which the debt relates or investment interest forgone. The prompt payment discount incentivises leaseholders to settle debt sooner, therefore, reducing the councils borrowing need and associated cost of borrowing.
- 6.4 The introduction of formal payment arrangements should result in improved collection and less bad debt. The phasing and timing of payments is likely to be extended, however, the payment options include provision to offset the cost of financing these arrangements.

7. Legal Implications

Implications completed by: Jason Ofosu, Property Solicitor

- 7.1 The Deferred Payment option requires the leaseholder to pay off the leasehold charges between a period of three years and five years. The limitation period to commence a claim for recovery of money in the courts is 6 years. If a claim is commenced after the 6 year period then the leaseholder has a complete defence against such claim because the council's claim would be time barred. Therefore, it would be prudent if the leaseholder has not paid off the debts by the end of the five year period to commence court proceedings to recover the monies.
- 7.2 The Council could also decide to fund a leaseholder using a Discretionary Voluntary Charge as mentioned in paragraph 3.5 above. One drawback of doing this is that the monies are not repayable until the property is sold. Another drawback is that if the leaseholder's property is repossessed and there is insufficient equity in the property then the Council may not recover the full amount loaned to the leaseholder. The Council will have to assess the financial circumstances of the leaseholder on a case by case basis to see which option is preferable.

8. Other Implications

- 8.1 **Customer Impact** – The impact on leaseholders should be positive in relation to the proposals detailed in this paper in that they provide additional options for leaseholders to pay any debt associated with capital works.

Background Papers Used in the Preparation of the Report:

- Council's Debt Management Policy 18 October 2011

List of appendices: None

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CABINET

19 November 2013

Title: Procurement of Castle Green, Arden House and Halbutt Street Day Nursery Services	
Report of the Cabinet Member for Children's Services	
Open Report	For Decision
Wards Affected: Goresbrook, Heath and Longbridge	Key Decision: Yes
Report Author: Christine Pryor, Divisional Director, Targeted Support	Contact Details: Tel: 0208 227 5552 E-mail: christine.pryor@lbbd.gov.uk
Accountable Divisional Director: Christine Pryor, Divisional Director of Targeted Support	
Accountable Director: Helen Jenner, Corporate Director of Children's Services	
<p>Summary:</p> <p>The Childcare Act 2006, places a duty on local authorities to secure sufficient childcare for parents who are in education, training or work. The requirement to manage the market implies co-ordination of services and partnership working rather than direct delivery by a local authority. The Council also has a duty to provide free early education to 2,300 disadvantaged 2 year olds by September 2014, which places pressure on the existing childcare market and requires new developments to meet potential demand for childcare.</p> <p>This report seeks authority to commence a competitive tender exercise to appoint providers of day care nursery services at:</p> <ol style="list-style-type: none"> a) Arden House and 202a Halbutt Street – Arden House, formerly the borough registry office, is currently being re-developed by Children's Services to serve as a 57 full time equivalent (FTE) place nursery. It is envisaged that capital works will be completed by May 2014 and that services will commence from June 2014. Halbutt Street, formerly an adult social care building, is also being re-developed by Children's Services to serve as a nursery with capacity for approximately 70 FTE children. It is envisaged that Halbutt Street nursery will open in September 2014. b) Castle Green Day Care Nursery - This will be a re-tender of the service. The current provider of these services is Lifeline Community Projects Limited. The nursery provides approximately 75 FTE places for children between the ages of 0-5 years. The current contract is due to expire on 31st August 2014. <p>Castle Green Nursery will be tendered as one lot and Arden House and Halbutt Street will be tendered together as a second lot. Providers will have the opportunity to apply for either lot. There will, therefore, be one appointed provider for Castle Green and another for Arden House and Halbutt Street day care nurseries. The new contracts and leases to be awarded will each be for a period of seven years, with an option for a further three year extension.</p>	

There will be no direct costs arising from the contracts for the Council. The operational running costs of the nursery will be met by the contractor through fees paid by parents/carers on a total cost recovery basis.

Recommendations

The Cabinet is recommended to:

- (i) Agree the procurement of seven-year contracts, with extension options up to three years, for the provision of day-care nursery services at Castle Green Nursery (Lot 1) and Arden House and Halbutt Street Nurseries (Lot 2) as detailed in the report; and
- (ii) Delegate authority to the Corporate Director of Children's Services, in consultation with the Chief Finance Officer, to award and enter into the contracts and coterminous leases with the successful tenderers upon conclusion of the procurement process.

Reasons

Securing sufficient childcare to enable parents to access work and training supports the Council's vision of "Encourage growth and unlock the potential of all Barking and Dagenham residents".

1. Introduction and Background

- 1.1 In September 2010 all three- and four-year-olds became entitled to 15 hours a week of free early education, an increase from 12.5 hours a week. Currently approximately 99 per cent of three and four-year-olds access their free entitlement.
- 1.2 All 152 local authorities in England have been delivering a targeted offer of between 10 and 15 hours free early education to some of the most disadvantaged two-year-olds since September 2009.
- 1.3 The Government has now committed to extending this to around 20 per cent of the least advantaged two-year-olds, around 150,000 children from September 2013. In May 2012 the Government confirmed that two-year-olds who live in households which meet the eligibility criteria for free school meals will be entitled to a free early education place, along with children who are looked after by the state.
- 1.4 In October 2012 regulations - cited as the Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2012 - were laid which set out the eligibility criteria for the first phase of the two-year-old entitlement to free early education from September 2013.
- 1.5 Additional funding is being provided to local authorities rising to £760 million in 2014-15. The Government is also investing over £5 million in 2012-13 to help build capacity, fund places and trial new approaches, including a series of local authority trials and a national contractor to support local authorities and providers to prepare for the expansion.

- 1.6 From September 2014 the number of two-year-olds who will be entitled to a place will rise to around 40 per cent of two-year-olds. The Government proposes to build on the eligibility criteria for the first phase – so children who meet the free school meals criteria or who are looked after would continue to be eligible - and to extend free places to more low-income families, two-year-olds with special educational needs or disabilities, and those who have left care but are unable to return home.
- 1.7 Barking and Dagenham are required to deliver places to 1200 eligible 2 year olds from September 2013 and to 2300 eligible 2 year olds from September 2014. Capital funding has been awarded to meet delivery targets and this funding is being used to deliver Arden House nursery and Halbutt Street nursery. Castle Green Day Nursery was part of an ambitious £30 million Private Finance Initiative (PFI) project that comprised of a secondary school, public library, sport facilities and community services, it opened in September 2005. The current provider of these services is Lifeline Community Projects. The current contract is due to expire on 31 August 2014.
- 1.8 There are currently 11 Council commissioned nurseries in the borough, provided by a variety of providers in the voluntary and private sector and 2 Council run nurseries as follows:

Council Nurseries	Provider
Abbey	Council
Becontree	Playaway Ltd
Castle Green	Lifeline Community Projects
Eastbury	London Early Years Foundation
Ford Road	London Early Years Foundation
Furze	London Early Years Foundation
Gascoigne	Chestnut Nursery School Ltd
John Perry	Council
Leys	London Early Years Foundation
Sue Bramley	Chestnut Nursery School Ltd
Sydney Russell	Playaway Ltd
Wellgate	London Early Years Foundation
William Bellamy	Chestnut Nursery School Ltd

2. Proposal and Issues

- 2.1 The current Castle Green Nursery contract with the provider (Lifeline Community Projects Limited) is due to expire on 31 August 2014.
- 2.2 Arden House is being re-developed to serve as a 57 full time equivalent (FTE) place nursery. Children's Services are investing capital in refurbishing, re-modelling and equipping the building. It is envisaged that capital works will be complete by May 2014 and that services will commence from June 2014.
- 2.3 Halbutt Street is also being re-developed to serve as a nursery with capacity for approximately 70 FTE children. The building is being refurbished, remodelled and equipped using Children's Services capital funding. It is envisaged that Halbutt Street nursery will open in September 2014.

- 2.4 The proposal is to conduct a competitive tender exercise for the provision of nursery services and to award contracts and leases to providers in the Private, Voluntary or Independent Sector. The new contracts and leases to be awarded will be for a period of seven years, with an option for a further three year extension, at the sole discretion of the Council and depending on performance. The period of ten years is a slightly longer period than previous nursery contracts/leases have been issued for. A number of other Local Authorities, Newham and Lewisham, for example, are putting nursery contracts and leases in place for over ten years. The reasoning behind this is that it takes a while for a provider to settle in at a nursery and to start building up their occupancy levels and reputation whilst providing a quality service. A longer contract/lease period also means more consistency for parents, who tend to get very anxious when informed of a tender process. The longer contract/lease period will also, hopefully, attract more competition for the lots, in particular for the Castle Green Nursery.
- 2.5 The proposal is to tender the nurseries as two lots. Castle Green Nursery will be a re-tender of the current service and will be tendered as one lot and Arden House and Halbutt Street will be tendered together as a second lot. Providers will have the opportunity to apply for either lot.
- 2.6 There will be a competitive tender exercise for the appointment of providers for the nursery services in accordance with the Council's Contract Rules. The contracts and coterminous leases will be awarded to the preferred bidders upon successful completion of the procurement process. The contracts will specify clearly the need for the childcare to be of the highest quality and will be closely monitored by Children's Services.

3. Options Appraisal

The following three options have been considered.

3.1 Option 1 - The Council takes on the running of all three nurseries

- 3.1.1 It is not a viable option for the Council to take on the running of these childcare services. This is due to the high cost of running nurseries in-house and the volatility of the childcare market, particularly during such a prolonged challenging economic environment. For Castle Green Nursery a key risk to the Council is that of employing staff who might have to be made redundant at a later date if the nursery proves to be unsustainable, due to high in-house running costs.

3.2 Option 2 - The current services are not tendered and work for the two new nurseries is stopped

- 3.2.1 Castle Green Nursery - Our Childcare Sufficiency Assessment shows that there is a continued demand for full day-care in Goresbrook ward. Not re-tendering the contract will result in a loss of approximately 75 childcare places for 0-5 year olds. This will mean that the Council will not be able to fulfil its statutory duty to secure sufficient childcare places to meet the demand of parents.
- 3.2.2 Arden House and Halbutt Street - The Council is required to deliver free early education places to 1,200 eligible two year olds from September 2013 and 2,300 two year olds from September 2014. It is the duty of the local authority to manage

its market, to ensure that sufficient capacity is available to deliver this. If works stop for the nurseries the Council would not be in a position to meet its statutory duty.

3.3 Option 3 - The services are tendered

3.3.1 By tendering the services and awarding the contracts and coterminous leases to provider/s in the Private, Voluntary or Independent Sector, the Council will ensure that it secures sufficient childcare places in the wards affected, to meet the needs of parents in line with its statutory duty. Demand for the free 15 hour entitlement for 3 and 4 year olds is particularly high due to the ongoing rise in the 0-5 population. There is also the additional pressure to provide 15 hours of free education to the most disadvantaged 2 year olds.

3.4 Option 3 is the recommended option.

4. Consultation

4.1 A detailed consultation with parents, local employers, local providers, schools and employment agencies was undertaken as part of the Childcare Sufficiency Assessment in March 2011. Details can be found at <http://www.lbbd.gov.uk/ChildrenAndYoungPeople/ChildChoices/Pages/SufficiencyAssessment.aspx>

5. Financial Implications

Implications verified by: Gaspare Nicolini, Group Accountant, Children's Services

5.1 There will be no direct costs arising from the contracts and ancillary leases to run the nurseries for the Council. The operational running cost of the nurseries will be met by the providers, through fees paid by parents/carers on a total cost recovery basis. The costs of the provision will be borne solely by the providers.

5.2 The indirect cost of the tender process and the managing of the contract and lease throughout the contract term will be met through existing resources within Children's Services. The tender exercise will assist in assessing the financial stability of any prospective providers. One of the tender evaluation criteria will be based on the financial viability of the providers to ensure the sustainability of the provision.

5.3 All prospective providers will be required to submit a business plan based on a specified template. This will be used to assess their financial viability. Credit checks will be requested for those providers who progress through to the second stage of the tender.

5.4 The chosen providers will be able to determine their own level of fees in line with their business plans. Therefore they will be able to recover the operational running costs of the nurseries through the income generated. Providers will have to advise the Council three months in advance of any future fee increases.

5.5 The successful providers will receive full use of the nurseries and their equipment, in return for full market rent at Arden House and Halbutt Street and an annuity payment at Castle Green which is a (Private Finance Initiative) PFI build. For Castle Green the service charges will be calculated in line with the PFI agreement. Arden

House and Halbutt Street are stand alone nurseries and the provider will be solely responsible for paying all service charges associated with the nurseries.

- 5.6 The full market rent and annuity payment will be used to cover the cost of repairs and maintenance of the buildings and equipment.

6. Legal Implications

Completed by Eldred Taylor-Camara; Legal Group Manager

- 6.1 This report is seeking Cabinet's permission to tender the contract for the appointment of a provider of day-care nursery services at the Castle Green Nursery and the appointment of a provider at Arden House and Halbutt Street Nurseries.
- 6.2 Under Section 6 of the Childcare Act 2006 the Council is required to ensure the provision of sufficient childcare within the area for parents in education, work or training.
- 6.3 Recent government policy also requires Councils to make available free childcare places for eligible two year olds.
- 6.4 In order to fulfil the requirements of the above legislation and policy, the Council is seeking to retender the provision of the day nursery service at Castle Green Nursery and provide new childcare places at the Arden House and Halbutt Street Nurseries.
- 6.5 As the services being procured will be provided and charged for directly by the provider, with no element of the income being paid to the Council, these contracts will constitute concession contracts. Concession contracts for services are exempt from the Public Contracts Regulations 2006 (the "Regulations"), and thus not subject to the normal tendering requirements. However in conducting the procurement, the Council still has a legal obligation to comply with the relevant provisions of the Council's Contract Rules and with the EU Treaty principles of equal treatment of bidders, non-discrimination and transparency in conducting the procurement exercise.
- 6.6 The EU Treaty principles noted above encourage the advertisement of contracts in a manner that would allow any providers likely to be interested in bidding for the contracts to identify the opportunity and bid for the contracts, should they wish to do so. This report states that the Council's website and the Contracts Finder website will be utilised for advertising to potential bidders. Paragraph 7.2.2 states the tender procedure that will be adopted in the procurement exercise. This would allow all parties interested to have the opportunity to be considered at the pre-qualification stage.
- 6.7 The report sets out in paragraph 7.2.5 the anticipated tender timetable for the procurement of this service. The contract is to be advertised in November 2013 while tender responses are expected to be returned in January 2014. Evaluation of tenders will be undertaken between January and February, with a view to appointing the successful bidders and awarding the contract in between February and March 2014.

- 6.8 One of the recommendations of this report is that Cabinet delegate authority to the Corporate Director of Children's Services, in consultation with the Chief Finance Officer (Section 151 Officer), to award the contracts and coterminous leases upon conclusion of the procurement process. Contract Rule 13.3 provides delegated authority to the commissioning Corporate Director, in consultation with the Section 151 Officer, to approve the award of a contract upon conclusion of a duly conducted procurement exercise, in the absence of direction to the contrary from Cabinet.
- 6.9 At Castle Green, as the services are to be provided from PFI premises, due consideration will need to be given to the property elements of the proposed re-tender and the appropriate documentation put in place to protect the private investor's and the Council's interest in the properties. As with Arden House and Halbutt Street nurseries, this will be in the form of a coterminous lease and such other legal agreements as may be required.
- 6.10 The leases will fully detail, by way of appended inventories, any equipment that the Council will be supplying to the providers. The leases will clearly set out the repair and maintenance obligations of both the premises and any equipment. The providers will not be able to remain at the premises on the expiry or earlier termination of the contracts.
- 6.11 Arden House and Halbutt Street day care nurseries will be let at market value rents, together with service charges which will cover the cost of the Council carrying out routine repairs at the respective properties. Castle Green will be let in accordance with the PFI Contract and the tenant shall pay a unitary payment per annum. This will cover the cost of repair and maintenance of the building. The Legal Practice should be consulted on the preparation and completion of the leases.

7. Other Implications

7.1 Risk Management

- 7.1.1 The tender exercise will assist in assessing the financial stability of any prospective providers. Credit checks will be conducted and providers will be requested to supply two years of audited accounts that will be reviewed by the Council's Finance Department. Providers will also be asked to submit a proposed financial plan for the first three years of running the nurseries.
- 7.1.2 Once financial stability has been established the main risk involved will be the quality of the service delivered. Technical ability will be assessed during the tender stage across a range of areas including: experience and management and staffing.
- 7.1.3 Once providers have been chosen, written contractual arrangements will contribute to ensuring a quality service. The contracts and leases will be monitored and managed by the dedicated contract manager. The contract manager will liaise with the Private Finance Initiative Team and the Council's Legal and Property Services Teams, as and when required in order to resolve any issues which arise specifically in relation to the leases. Quarterly monitoring reviews will be conducted and the preferred providers will be requested to complete a monitoring form on a quarterly basis before these reviews. The monitoring form will collect information about the service and will be based on the contract terms and conditions and service specification.

7.1.4 Council officers will conduct unannounced visits to the nurseries to monitor the quality of the provision. Quality surveys will be conducted by the provider and the Council and will be aimed at parents / carers and children attending the nurseries. The providers will have to report any complaints made to the Council and Ofsted. The nurseries will also be subject to external inspection from Ofsted.

7.2 Contractual Issues

7.2.1 The tender process will be conducted in compliance with any European Union rules and principles and the Council's Contract Rules. The tendering of these nurseries will be advertised on the Council's website and on Contracts Finder. Contracts Finder is a free service for businesses, government buyers and the public. The service comes from the government under its commitment to transparency and allows suppliers to find contract opportunities.

7.2.2 There is no requirement for this tender to be advertised in the OJEU as this is a service concession and this tender is therefore, not subject to the Regulations. The Council's own Contract Rules require a formal tender process to be followed and the EU Treaty principles of transparency, non-discrimination and equality of treatment do apply. The route of a tender process has previously worked well: providers engaged with and had no issues with the way in which the procurement process was run. Interested parties will be invited to tender on the basis of a compliant tender process.

7.2.3 All providers who express an interest in the tender will be issued with a tender pack which will give clear detail on the price/quality criteria and weightings. The weighting will be 98% quality / 2% cost and award will be based on the most economically advantageous tender.

7.2.4 The weightings are expected to be as follows (this is an overview; tenderers will be made aware of any sub criteria in the tender documents):

Stage One of the tender (Evaluation of Method Statements)

- 15% on service delivery ;
- 20% on management, staffing and business planning;
- 10% on communication and partnership working;

Stage Two of the tender (Unannounced visit)

- 8% based on an unannounced visit to a nursery operated by the selected provider/s;

Stage Three of the tender (Interview session)

- 45% on a presentation and interview session. Again, tenderers will be made aware of all sub criteria in advance but the interview session is likely to cover quality and staff training, safeguarding and working together).

If there are any revisions to the weightings during the tender exercise all providers who have requested a tender pack would be informed immediately.

7.2.5 Expected Tender Outline

Cabinet approval	19 November 2013
Advertise and send out tender application packs	Late November 2013
Tender submissions to be returned	Early January 2014
Tender evaluations, unannounced nursery visits and interview	Mid January to mid February 2014
Approval and award of contracts	Late February to Early March 2014
Start of contract delivery	Contract start dates will range from 01/04 to 01/09/2014

7.2.6 Providers will also be issued with an Application Questionnaire as part of the tender pack. Providers will be informed that they have to reach a pass mark of 75 or above. Of those providers that score 75 or above the top four providers for each lot will then have their tender application reviewed and scored.

7.2.7 Following the scoring of the tender application the top two providers for each lot will then be invited to a presentation and interview session. Before the interview sessions take place Council Officers will make unannounced visits to one of the provider's nurseries. The contracts and leases will be awarded to the successful provider for each lot, for a period of seven years with an option to extend for a further three years depending on performance. The contract period has been agreed upon to ensure consistency of service provision.

7.3 Staffing Issues

7.3.1 There are no staffing issues in respect of the Council's workforce. However there could be possible Transfer of Undertakings (Protection of Employment) TUPE implications for staff currently employed at Castle Green nursery by the incumbent provider. Because of this the process that will be followed as part of this procurement exercise is as described below:

- a) the incumbent provider will be advised that, in line with their current contractual terms, they will be requested to supply certain employee information to the Council before the tender exercise commences. The information supplied by the provider will be included in the Council's tender pack ;
- b) it will be made clear in the advert and tender application pack that TUPE may apply for Castle Green Nursery. Prospective tenderers' are then aware of this matter before they submit a tender;
- c) at the tender and interview stage the Council will make it very clear to providers that TUPE will be an issue that will need to be dealt with between the incumbent provider and any new provider.

7.3.2 At all stages of the procurement process providers will be made aware that they should obtain their own independent legal advice around TUPE.

7.4 Customer Impact

- 7.4.1 Children's Services will be responsible for supporting the providers to deliver high quality, inclusive childcare which is financially sustainable. The contracts will specify expectations in this respect. Regular equality impact assessments will be made. Parents will be eligible for all current childcare support, including access to free early education places and access to the childcare element of the Working Tax Credit.
- 7.4.2 At Castle Green, parents and carers will be kept fully informed of all events and processes. Prior to and during the procurement of the contract, parents and carers will be kept informed of any events/processes by the incumbent provider. Where relevant or necessary, Council officers will attend any meetings and respond to any individual concerns raised by parents/carers on the procurement process and possible effects on the nursery services.
- 7.4.3 At Castle Green, once the preferred provider has been awarded the contract and lease all parents / carers of children attending the nursery will be informed by the incumbent provider in writing. The format of any letters will be agreed in advance with the Council. Parents/carers will be advised of any proposed changes in the service provider or service delivery. Where new providers are awarded the contract/lease the Council will ensure that meetings are arranged at the nursery, which will include relevant representatives from the incumbent provider, the new provider and a dedicated Council officer. All parents/carers whose children are attending the nursery will be invited to these open meetings to enable them to raise any concerns they may have. Parents/carers will also be issued with contact details of a dedicated Council Officer so that queries/concerns can be raised on an individual basis in writing, or over the telephone.

7.5 Safeguarding Children

- 7.5.1 This tendering exercise will ensure that the childcare needs of working parents continue to be met. The chosen provider will be required to conform to all the Council's local safeguarding procedures. This will be explicitly dealt with in the contract.

7.6 Property / Asset Issues

- 7.6.1 Children's Services will work closely with the Council's Legal and Property Services to ensure that leases are put in place and run concurrently with the contracts and are capable of being terminated, for whatever reason and justification, in accordance with the service contract awarded. Arden House and Halbutt Street day care nurseries will be let with market value rents, together with service charges which will cover the cost of the Council carrying out routine repairs at the respective properties. Castle Green will be let in accordance with the PFI Contract and the tenant shall pay a unitary payment per annum. This will cover the cost of repair and maintenance of the building.

Background Papers Used in the Preparation of the Report: None

List of appendices: None

CABINET

19 November 2013

Title: Proposed Amalgamation of Northbury Infant and Junior Schools	
Report of the Cabinet Member for Children's Services	
Open Report	For Decision
Wards Affected: Abbey Ward	Key Decision: Yes
Report Author: Mike Freeman, Group Manager, Schools Estate and Admissions	Contact Details: Tel: 020 8227 3492 E-mail: mike.freeman@lbbd.gov.uk
Accountable Divisional Director: Jane Hargreaves, Divisional Director Education	
Accountable Director: Helen Jenner, Corporate Director of Children's Services	
<p>Summary:</p> <p>This report presents a proposal for the amalgamation of Northbury Infant School with Northbury Junior Schools to form an all through Primary school with effect from 1 January 2014.</p> <p>This proposal has been initiated for the following main reasons:</p> <ul style="list-style-type: none"> • educationally, a single school is able to ensure a more consistent approach to teaching and learning for the children than two separate schools; • a single school can look at its management structure with a view to ensuring the best use of staff across the whole school. The combined expertise of the staff would be greater than in the two separate schools; • a single school would have a combined budget and would benefit from greater flexibility; • a single school would be able to rationalise the use of all resources and gain efficiencies including the benefits from the combination of funding from the individual school budgets. <p>The consultation process regarding this proposed amalgamation concluded on Tuesday, 29 October and any changes to the proposals following this will be presented at the meeting.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to agree the amalgamation of Northbury Infant and Junior Schools to create an all-through Primary School from 1 January 2014 via the closure of the existing infant school and expanding the premises and age range of the existing junior school.</p>	

Reason(s)

To assist the Council achieve its aim to provide a Better Future and a Well Run Organisation. Council policy is to consider the amalgamation of linked infant and junior schools where possible, for example, when a headship is vacant and over time to amalgamate linked infant and junior schools. For this infant and junior school, there are clear benefits of amalgamation.

1. Introduction and Background

1.1 Management arrangements at Northbury Infant School are going through a process of change and the Head teacher of the school has recently retired. This has therefore created an opportunity to examine the existing arrangements of organisation at the Schools. Further, Northbury Infant School and Northbury Junior Schools are suitable for amalgamation owing to their size and their location on a shared site.

1.2 Northbury Infant School

The school was last inspected in December 2011 and was judged to be a good school. The two areas for improvement that Ofsted Inspectors highlighted were:

- To raise pupil's attainment in reading, writing, and mathematics, by increasing the consistency in teaching.
- To ensure that all parents and carers fully understand the impact of absence from school on their children's learning and progress.

1.3 Northbury Junior School

The school's last Ofsted inspection was in July 2013 and it was judged to be a good school. Ofsted gave the following advice in order for the school to improve further:

- Increase the amount of outstanding teaching by ensuring that:
 - all teachers match classroom activities more effectively to the different needs of all pupils.
 - teachers' written feedback of pupils' work is consistent and guides pupils onto their next steps.
- Refine the systems for measuring and analysing pupils' level so that the process for checking progress and target setting is clearer to all staff.

2. Proposal and Issues

2.1 Technically, the proposal to amalgamate involves five steps:

- Closing, or discontinuing, the infant school with effect from 31 December 2013,
- Enlarging the premises of the existing junior school by including the buildings previously used by the infant school,

- Making an alteration to the current junior school by lowering the age range of the pupils there, from 7 to 11 years to age 3 to 11 years,
 - Adding nursery provision, with effect from 1 January 2014, and
 - Establishing an Admission number of 120.
- 2.2 Closure of one school and expansion of another is the most straightforward way in which to achieve an amalgamation. All pupils on the school roll of the infant and junior schools as at the end of the Autumn Term 2013 will transfer onto the roll of the primary school. The alternative to this technical process is to close both schools and create a new school. This is a longer and more complex process.
- 2.3 There are different types of school within the local authority maintained sector and most are community schools. Northbury Infant School and Junior Schools are community schools. In these schools the Local Authority is responsible for employees, land, funding and admissions. It employs all staff at the schools directly.
- 2.4 This proposal will set a uniform standard number of 120 pupils per year group and will give a consistent provision across all the age ranges.
- 2.5 This proposal is in line with the Barking and Dagenham Vision for the borough to encourage growth and unlock the potential of Barking and Dagenham and its residents. The Barking and Dagenham vision is drawn from both the Council's Community Strategy 2013/2016 and Corporate Plan 2013/14 that together set out the vision and priorities for the borough.
- 2.6 Included as one of the five priorities of the vision is "To ensure every child is valued so that they can succeed". Further, there is the potential to improve value for money across the proposed amalgamated schools.
- 2.7 The benefits seen in this proposal include:
- the present technical barrier which exists at age 7, when pupils are admitted to the junior school would be lifted. Pupils would automatically move from Year 2 to Year 3, if this was their parents' wish;
 - an amalgamated school will ensure approaches to teaching, learning and planning the curriculum are consistent and coherent;
 - the primary school will be able to rationalise the management structure to ensure the best use of staff across the school. The combined expertise of the staff would be greater than in the two separate schools.
 - the primary school will have a combined budget and would benefit from greater flexibility;
- 2.8 On amalgamation of the schools, any current extended school services offered by the infant and junior schools will continue in the same way, unless the primary school decides otherwise.

- 2.9 This proposal meets with the key principles of the Education Strategy:
- for raising of the expected standards and shared ambition for all the children who live in the Borough;
 - for a commitment to sustain and refresh the partnership between schools and the Council which has been a critical factor in the improved outcomes for children and young people.
- 2.10 In particular, the Education Strategy sets out the agreement for a programme for developing school places; subject to the proviso that it may need revision in the light of changed demand for places and resources available. Appendix 1 sets out the schools that have been amalgamated or federated since 2009.
- 2.11 All staff, those currently working at the Infants and the Junior School, are employed by the London Borough of Barking and Dagenham. Those who currently work at Northbury Infant School will mostly continue in the same positions as previously, but within years Reception, One and Two of the newly formed primary school. They will remain employed by the Borough and their terms and conditions will remain as before. If there are structural changes to the management of the school involved in the amalgamation, these will include staff from both current schools, and these will be the subject of consultation with the relevant parties.
- 2.12 If the amalgamation is approved a commitment is sought to bring certain aspects of the school physically together. There was a similar commitment in recent amalgamations and this may involve a modest capital investment to be met from existing grants.
- 2.13 The two schools have previously discussed the amalgamation proposals at a meeting on 11 June 2013, having considered the issue at informal meetings.
- 2.14 The current head teacher of the junior school is now also the Acting Head teacher of the infant school. The Governing Body will decide who will be appointed head teacher of the newly formed primary school.

3. Governance

- 3.1 The Governing Body of a school is dissolved when the school is discontinued. A temporary Governing Body will be formed before this happens, that will include Governors from both the Infants and the Junior Schools. This will determine a new Instrument of Government to take effect from 1 January 2014, in accordance with the School Governance (Constitution) (England) Regulations 2012. In the case of Northbury Infant and Junior Schools, the Governors of both existing schools are engaged in establishing a temporary governing body to start the process and facilitate discussion.

4. Options Appraisal

- 4.1 Realistically there are three options to be considered in respect of the future arrangements for Northbury Infant School and Northbury Junior schools. First would be to amalgamate the two schools forming a single school under one governing body. Secondly, to make no change and leave the schools separate.

The third option would be to develop two primary schools. These options are explored further below.

- 4.2 **Option 1** - The Council has a policy which requires a review of linked or adjoining infant and junior schools to consider the possibilities of amalgamation when there is an appropriate opportunity. The head teacher at Northbury Infant School will be retiring and so this presents an opportunity for the schools to amalgamate. This option delivers value within our schools.
- 4.3 **Option 2** - An alternative is to make no change at this time and allow the schools to continue separately. This would be contrary to the Council's intended policy and would mean the opportunity for amalgamating the schools whilst there is no head teacher for Northbury Infant School will pass.
- 4.4 **Option 3** - The possibility of developing both schools into primary schools. This would mean an additional nursery being provided. Both schools currently admit up to four forms of entry. It would not be possible on the current site to allow each school to become a four form of entry primary school. It would mean that some of the benefits, particularly of organisation of the school and budget management, would not be achieved.
- 4.5 The current recommendation would, on balance, be to proceed with the amalgamation proposal, although this is subject to the consultation which ended on 29 October 2013.

5. Consultation

- 5.1 Governing Bodies of all infant and junior schools in the Borough were presented with a report in the Spring Term of 2011 that included information on the Local Authority's policy to amalgamate all separate infant and junior schools over time, where governors were invited to discuss and comment. This was repeated to all governing bodies in the following (summer) term.
- 5.2 A series of meetings have been held to consult with Head Teachers and Governors, including a special meeting held on 11 June 2013 with the Chair of the Infant and Junior Schools and the respective Vice Chairs.
- 5.3 A consultation letter regarding the proposed amalgamation was sent to parents, carers, guardians of pupils, staff and governors of both Northbury Infant School and Northbury Junior School on 17 June 2013. This letter was also sent to Trades Unions of both teaching staff and support staff.
- 5.4 A notice was published in the Barking and Dagenham Post on 18 September 2013 to begin a formal consultation process which ended on 29 October 2013. The Notice has been displayed at the main public libraries in Barking and Dagenham and on both the infant and junior school notice boards.
- 5.5 Any issues raised after this report was written will be brought to the attention of Members of Cabinet.

6. Financial Implications

Implications completed by: Dawn Calvert, former Finance Group Manager

- 6.1 From 2013/14, revenue costs for maintained schools are calculated using the new Schools Funding Formula as proposed by the Department for Education (DfE) as part of their School Funding Reforms. The funding formula for 2013/14 was agreed by Cabinet on 19 December 2012.
- 6.2 Although the amalgamation is proposed for 1 January 2014, the funding for the new all through primary school until the end of the 2013/14 financial year will be the balance of the current budgets allocated to Northbury Infant School and Northbury Junior School.
- 6.3 In June 2013 the DfE published their arrangements and changes for the 2014/15 schools funding formula. This publication will result in a number of changes to the current funding formula and hence an individual schools budget for 2014/15. At present these changes, on an individual school basis, are not quantified. In accordance with the timetable published by the DfE, the local authority must submit its provisional Schools Budget pro forma for 2014/15 to the Education Funding Agency by 31 October 2013 with the final one being submitted by 21 January 2014. Local authorities must confirm the budget for their maintained schools by 28 February 2014.
- 6.4 Under the current arrangements each individual school receives a lump sum factor of £150,000. The new arrangements for 2014/15 enable two merging schools to keep 85% of the two lump sums for the next full financial year following the year in which they merge. Currently Northbury Infant School and Northbury Junior School receive a lump sum of £150,000 each. Under the new arrangements the lump sum for the new all through primary school will be protected at £255,000 for 2014/15 rather than reducing to £150,000 (at the 2013/14 lump sum factor). The DfE guidance for 2014/15 continues to say that for some school mergers there may be a requirement to continue to provide tapered lump sum protection beyond the first year. Depending on when a national funding formula is introduced, the DfE will consider whether further tapered protection should be provided for merged schools for up to two years.
- 6.5 The Minimum Funding Guarantee (MFG) remains in 2014/15. This means that losses are protected by the MFG as each school is guaranteed 98.5% of their prior year funding on a per pupil basis.

7. Legal Implications

Implications to be completed by Lucinda Bell, Education Lawyer

- 7.1 The steps to be taken to bring about the amalgamation of these two schools are described in paragraph 2.1 above. The process for discontinuing a school is prescribed in the School Organisation (Establishment and Discontinuance of Schools)(England) Regulations 2007, as amended. The processes for the remaining steps are prescribed by the School Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2007, as amended. Under these Regulations it is for the Local Authority to make each of the proposals.

7.2 The Regulations require consultation prior to the publication of proposals, in a manner that is not specified, but that should last for at least six weeks, not including school holidays, and that in consulting proposers have regard to the Secretary of State's Guidance. The publication of proposals must be in accordance with the relevant Regulations.

8. Other Implications

8.1 **Risk Management** - These proposals effectively close the infant school and expand the junior school to a primary school covering the age range 3-11 years. Both schools were judged 'Good' in their last Ofsted inspections as detailed in Section 1 above. The amalgamation of the infant and junior schools will bring additional leadership capacity to the schools.

There is a risk about appointment of staff, however, to mitigate this risk all staff will transfer to the new school. The current head teacher of the junior school is now also the Acting Head teacher of the infant school as the former Head of the Infant school has retired. The Governing Body will decide who will be appointed head teacher of the newly formed primary school.

There is a further risk that the community including parents could object to these proposals. To mitigate this risk an informal consultation has already been started and a letter sent to all parents outlining the proposals. A closing date was set for representations to be made and this has passed without any comments having been received. A formal notice has been published in the local press inviting other interested parties to make comment and these will be reported at the meeting together with the mitigating action proposed to respond on any matters raised.

8.2 **Staffing Issues** - Staff at both infant and junior schools will be informed that their employment will be at the primary school with effect from 1 January 2014. The employer for all staff at the newly formed primary school will remain the London Borough of Barking and Dagenham. TUPE does not apply. The post of Head Teacher at Northbury Infants School will be deleted when that school is discontinued. The temporary governing body will decide on whom to appoint as head teacher for the new primary school. There may be changes in line management for some staff, but the general terms and conditions for all staff will remain the same.

8.3 **Property / Asset Issues** - The amalgamation of the schools will allow for a pooling of asset related revenue budgets, and the ability to manage property costs over both buildings, which will support a better maintenance regime.

Background Papers Used in the Preparation of the Report:

- Children and Young People Plan
- Consultation letter dated 17 June 2013
- Notice published 18 September 2013

List of appendices:

Appendix 1 - School Amalgamations and Federations

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School Amalgamations and Federations

As set out below, five of our paired infant & junior Schools have amalgamated since 2009 to become primary schools and six schools have federated.

The Local Authority has taken action to amalgamate in line with Council policy to consider amalgamation of linked infant and junior schools where possible. For all of the amalgamations, management arrangements at the infant or junior schools were changing following the departure of a head teacher. This change therefore provided an opportunity to examine the existing arrangements of organisation at the schools. Further, these schools were suitable for amalgamation due to their size and their shared site.

The benefits seen in the proposal to amalgamate include:

- the present technical barrier which exists at age 7, when pupils are admitted to the junior school would be lifted. Pupils would automatically move from Year 2 to Year 3, if this was their parents' wish;
- an amalgamated school will ensure approaches to teaching, learning and planning the curriculum are consistent and coherent;
- the primary school will be able to rationalise the management structure to ensure the best use of staff across the school. The combined expertise of the staff would be greater than in the two separate schools.
- the primary school will have a combined budget and would benefit from greater flexibility;

School Amalgamations

1. Ripple Infant & Junior Schools - Now Ripple Primary School

Effective Date of Amalgamation - 1 September 2009

2. Cambell Infant & Junior Schools - Now James Cambell Primary School

Effective Date of Amalgamation - 1 January 2012

3. William Bellamy Infant & Junior Schools - Now William Bellamy Primary School

Effective Date of Amalgamation - 1 April 2012

4. Grafton Infant & Junior Schools - Now Grafton Primary School

Effective Date of Amalgamation - 1 April 2012

5. Rush Green Infant & Junior Schools - Now Rush Green Primary School

Effective Date of Amalgamation - 1 April 2013

School Federations

1. Furze Infant School and Warren Junior School (Hard Federation)

Effective Date of Federation – 1 October 2010

2. Leys Primary School and Beam Primary School (Soft Federation)

Effective Date of Federation – March 2012

3. Marks Gate Infant School and Marks Gate Junior School (Hard Federation)

Effective Date of Federation – 17 January 2013

Infant & Junior Schools (not amalgamated/federated)

Dorothy Barley Infant School
Dorothy Barley Junior School

Manor (Infant) School (Sandringham Rd)
Manor School (Longbridge Rd)
Manor Junior School (Sandringham Rd)

Northbury Infant School } Amalgamation proposed for 1 January 2014
Northbury Junior School } Decision to be made at Cabinet on 19 November 2013

Thames View Infant Academy *
Thames View Junior School

Village Infant School

William Ford Church of England Junior School

CABINET

19 November 2013

Title: School Funding Formula 2014/15	
Report of the Cabinet Member for Children's Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Patricia Harvey, Interim Group Manager (Children's Finance)	Contact Details: Tel: 020 8227 5086 E-mail: patricia.harvey@lbbd.gov.uk
Accountable Divisional Director: Jane Hargreaves, Divisional Director of Education	
Accountable Director: Helen Jenner, Corporate Director of Children's Services	
<p>Summary:</p> <p>The purpose of this report is to update Cabinet on the progress the Local Authority is making in implementing the Department for Education (DfE) changes to schools' funding arrangements as proposed in their document 'School Funding Reform: Next steps towards a fairer system'. The report focuses on the direction of travel from 2013-14 and the minor changes to the school funding formula for 2014/15.</p> <p>In accordance with the regulations, the Local Authority has consulted with its Schools Forum on items relating to schools funding. Their views are detailed in this report.</p> <p>Cabinet are asked to approve the Barking and Dagenham Schools proposed model for allocating school funding in 2014/15.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) note the result of the Schools Funding Formula briefing sessions, as referred to in paragraphs 2.5 to 2.7 of the report; (ii) consider the comments received from the Schools Forum following the presentation of the funding models and responses on the proposed funding model for 2014/15, as referred to in paragraphs 2.10 to 2.11 of the report; and (iii) agree to adopt Model 1 as the method for allocating school funding in 2014/15, as set out in paragraphs 2.8 to 2.9 of the report. 	
<p>Reason(s)</p> <p>To implement DfE required changes to the arrangements for the allocation of funding to schools and to approve the school funding formula for 2014/15.</p>	

1. Introduction and Background

- 1.1 In March 2012 the Department for Education (DfE) started the process to reform the school funding system towards a fairer, more consistent and transparent approach with regards to the document 'School Funding Reform: Next steps towards a fairer system'. The DfE is proposing to move towards a national funding formula for schools in the next spending review i.e. 2015. In order to support movement towards a national funding formula, from 2013/14 the DfE started the process of a simpler and more consistent arrangement for distributing funding to schools and other providers.
- 1.2 The Local Authority (LA) worked with the Schools' Forum and developed a new local formula for 2013-14, using the simplified and consistent factors that were allowed and the small number of exceptional factors which were in place for 2013-14.
- 1.3 In February 2013 the DfE undertook a review of the 2013-14 across the country to understand and to move further towards a national funding formula for 2014/15.
- 1.4 This report provides an update on the Local Authority's progress in moving towards a national funding formula and its proposed funding model for 2014-15.

2. Proposal and Issues

School Funding Formula – Update

- 2.1 Since the publication of 'School Funding Reform: Next Steps towards a fairer system' and formal submissions there has been regular consultation with key stakeholders locally and there has been further consultation nationally.
- 2.2 During the period May to September 2013 a number of funding formulae were modelled for 2014/15 for Barking and Dagenham schools based upon the following requirements:
 - To move further in the 'direction of travel' to narrow the gap between primary and secondary funding towards the national average ratio of funding.
 - To ensure the new model is affordable and cost neutral within the comparative funding envelope for 2013/14 which will minimise the cost of the Minimum Funding Guarantee (MFG) as directed by Government. The cost of the MFG must be top sliced from the Schools Block which reduces the funding available for distribution to Schools.
- 2.3 The modelling work was carried out in accordance with DfE guidance using their modelling tools and data sets. The result of this work was the development of four proposed funding models which the Council took to consultation with key stakeholders. A summary of the key points from these models are shown in **Table 1** below. Further details on the four funding models and the indicative impact on schools can be viewed at <http://www.lbbd.gov.uk/EDUCATION/Pages/Home.aspx>. The numbers used in that document are indicative and based on January 2013 census data (pupil numbers and data sets). The actual funding for 2014/15 will be based on the October 2013 pupil census data. The numbers exclude funding for

pupil premium, early years and sixth form pupils which are allocated under a different methodology.

2.4 Briefing sessions were held at headteacher meetings and their views and comments were sought on the four models (Model 1, 2, 3 and 4) presented.

2.5 The results of the briefing sessions are summarised below:

2.6 The Primary Head teachers' group were in support of Model 1, which moves funding further towards the national primary: secondary funding ratio of 1:1.3 in preparation for the national funding formula from 2015-16. Key points made by primary heads are;

- Funding should be targeted at the children at the early stage of development for intervention and the best impact upon outcomes;
- Model 1 allows funding to be targeted to the areas of huge demographic growth and need within the borough that will eventually feed through to the secondary sector;
- School balances need to be taken into account with regards to the 'secondary losses'.

2.7 The Secondary Head teachers' group were in support of model 3. They stated that most primary schools would still gain from model 3 and they felt that this is still representing a slower move towards the national average. Key points made by secondary heads are:

- The principle of the need to move from the current overall LBB primary / secondary funding ratio (1:1.4) to much nearer to the national ratio (approx. 1:1.3) should be at a slower pace which allows schools time to plan. They emphasised their own accountability pressure.
- Model 3 was presented by the Secondary Heads at their meeting on 3 October as a reasonable compromise.
- For secondary schools, the one year stepping stone towards Model 3 would give them the time and resource to plan any re-structuring needed to cope with the new funding regime, thus minimising unnecessary turbulence.
- Model 3 would leave four secondary schools and three primary schools significantly worse off immediately, but 43 primary schools would gain and 6 secondary schools would also gain.

2.8 The Schools' Forum were consulted on the funding model options at its meeting held on 8 October 2013. Model 1 is proposed as the funding formula for 2014/15 for the allocation of schools' funding, for the following reasons:

- Model 1 is the only model which makes a significant shift towards the national funding ratio at a time when the primary sector is more vulnerable and is facing greater challenges of growth and demographic turbulence ;
- It moves the LBB local formula in the direction of the pupil led national formula;

- The pre-16 Minimum Funding Guarantee (MFG) for mainstream schools will continue at -1.5% per pupil protection for 2014-15;
- It moves funding towards a more equitable basis for all sectors;
- The planned increase in pupil premium for 2014/15 indicative allocations to schools will provide an additional resource;;
- A £1m provision for schools facing financial difficulty is available;
- A growth fund of £3m is available for support towards growth in pupil numbers within schools.

2.9 The key factors of Model 1 are shown in table 1 below, in comparison to the same key factors in Models 2, 3 and 4.

Table 1: Key Factors – Model 1, 2, 3 and 4

	Model 1	Model 2	Model 3	Model 4
AWPU KS 1 & 2	£3,868	£3,793	£3,758	£3,748
AWPU KS3	£4,609	£4,769	£4,799	£4,829
AWPU KS4	£5,746	£5,906	£5,936	£5,966
Cap	4%	5.2%	5%	5%
MFG / (CAP)	£108,973	£57,675	£375,330	£475,262
Lump sum	£150,000	£150,000	£150,000	£150,000
Primary split site	£100,000	£100,000	£100,000	£100,000
Secondary split site	£216,000	£216,000	£216,000	£216,000
Pre MFG primary: secondary ratio	1:1.32	1:1.38	1:1.39	1:1.40
Post MFG primary: secondary ratio	1:1.36	1:1.38	1:1.39	1:1.40
Net primary gain / (loss)	£7,057,195	£6,558,510	£6,108,980	£5,994,602
Net secondary gain / (loss)	(£217,364)	£337,638	£661,968	£986,298
Primary 'winners'	43	43	43	43
Primary 'losers'	2	2	2	2
Secondary 'winners'	2	4	6	7
Secondary 'losers'	8	6	4	3
Provision for schools facing financial difficulty	£1.0m	£1.0m	£1.0m	£1.0m

Key:

MFG = Minimum Funding Guarantee

AWPU KS1 & 2 = Average Weight per Pupil Unit at Key Stage 1 and 2

AWPU KS3 = Average Weight per Pupil Unit at Key Stage 3

AWPU KS4 = Average Weight per Pupil Unit at Key Stage 4

Cap = Percentage 'cap' used on the modelling of any additional funding

2.10 The Council asked the Barking and Dagenham Schools' Forum on 8 October 2013 for its views on the LA models and to endorse the Local Authority proposals. The final two models discussed by the Forum were model 1 and model 3 for the allocation of schools funding for 2014/15. A vote was taken and the outcomes are set out below in Tables 2a and 2b.

Question – The Schools Forum is requested to consider and recommend a funding model, votes for Model 1:

Table 2a – Votes for Model 1

School Group / Representatives	For	Against	Abstained	Not present
Primary	6			
Secondary		5		
Special		1		
Academy				1
PRU			1	
Early Years	1			
TOTAL	7	6	1	1

There were **7 members** of the Schools Forum endorsed **model 1**, 1 member of the Forum abstained and 1 member was not present.

Table 2b – votes for Model 3

Question – The Schools Forum is requested to consider and recommend a funding model, votes for Model 3:

School Group / Representatives	For	Against	Abstained	Not present
Primary		6		
Secondary	5			
Special	1			
Academy				1
PRU			1	
Early Years		1		
TOTAL	6	7	1	1

There were **6 members** of the Schools Forum endorsed **model 3**, 1 member of the Forum abstained and 1 member was not present.

Result: Model 1 was carried as a recommended funding model for 2014/15 by Schools Forum.

2.11 Members of the School Forum made the following specific comments in relation to Models 1 and 3 and their views are detailed below:

Primary and PVI Representatives

- “In favour of Model 1 due to more equality to national levels. 1:1.35 maximum movement, strongly urge the movement to continue from 1.1:35”
- “Primary had appointed intervention teachers or staff to address the turbulence in primary numbers, LA has a low number of primary schools which are good or better and is appointing staff to address this. Get it right in primary and this will help secondary schools”.

- "There are huge pressures within the EYFS curriculum and this has upped the expectation of children by 5 years. All KS2 results affected at Level 4 and expected to be Level 4B".
- "A small shift on the journey, not a massive leap moving to go towards the average. 22,000 pupils in Primary and speaking up for that majority of pupils. Secondary has 10,000 pupils excluding 6th form".
- "The primary sector is three times larger than years ago and secondary will be getting the extra children eventually".
- "The funding received will be able to bring in experienced staff to improve and increase standards. Questioned by Ofsted and feel want to be funded across the country 'Equality and Balance'. Numbers have increased in Primary, some 1000 children".
- "Increase in primary numbers will face additional staffing costs in support".

Secondary

- "Secondary Head teachers met recently and are in favour of model 3, but agree to the principle to move to a national ratio of primary funding. It was ok last year from the injection of money with no losers. Pressure cost of 1% pay rise and other costs £100,000 for secondary schools. 6th form funding cuts faced (circa £100k) and average secondary school facing £200k cost pressure".
- "Accountability measures, end of vocational equivalences and only first take of the exam count, turbulence in exams and potentially a vulnerable sector".
- "There is a difference in real monies, most would gain more in Model 1 and most gain in Model 3 and can understand the move to national levels, but to go to Model 1 will affect drastically the secondary schools. Model 3 would hold the line in secondary, but not affect primary in Model 3".
- "Secondary budgets are not cut until there is a need to, and Model 3 all gain £200,000 or more. For secondary schools to face cuts in real terms of £200,000 will be significant and will make a real impact on the secondary's".
- "The hurt of primary colleagues was understood and could be taken out of their hands, but will lead to making staff redundant. Secondary's have a chance to stand still with Model 3".
- "There is agreement with the movement for primary, but with the drop in funding it may affect results gained over years and don't jeopardise the outcomes of our 16 and 18 year olds".

2.12 In terms of timelines the Council must submit its proposal for the funding formula (Model 1) for 2014/15 to the EFA by the end of October. Any final changes must be submitted by mid January 2014 (current EFA timescale).

3. Options Appraisal

3.1 A range of funding formulae were modelled in order to identify Models 1 to 4.

4. Consultation

4.1 School head teachers, School Governors, Members, Trade Union representatives and a representative from the early years' private, voluntary and independent sector have been consulted on the development of school funding formula applicable for 2014/15.

5. Financial Implications

Implications completed by: Patricia Harvey, Interim Group Manager, Children's Finance

- 5.1 The School Funding Formula is contained within the Dedicated Schools Grant.

6. Legal Implications

Implications completed by: Lucinda Bell, Education Solicitor.

- 6.1 The Forum is a decision making and consultative body in relation to matters concerning schools' budgets as defined in the School Finance (England) Regulations 2012 and the Schools Forums (England) Regulations 2012 (the Regulations).
- 6.2 In accordance with the Regulations, the Local Authority must submit to Schools Forum **for consultation** the Budget formula, for comments on any proposed changes to the funding formula for maintained schools (before the funding period starts) (Regulations 8 & 9).
- 6.3 This report requires that Cabinet decides which Funding Model will be adopted.

7. Other Implications

- 7.1 **Risk Management** – There are two major risks. The first is that if the funding shift is not put in place Primary Schools will continue to be under-funded which could lead to continued under-performance, and further scrutiny and challenge by Ofsted and DfE. The second is that any reduction in funding to secondary schools could lead to a reduction in their performance.
Given that 81% of secondary schools are good or better, and only 64% of primary schools, the greater risk is in the Primary Sector. The performance risks in the secondary sector should be closely monitored by the School Improvement Team.
- 7.2 **Staffing Issues** – There should be no need for any staff redundancies because the reductions in finance are low, and schools should be able to manage these through the usual staff turnover processes.
- 7.3 **Customer Impact** – Secondary age children should not see a reduction in the quality of their provision because the overall reduction is very low. Schools Forum has noted that should there be particular financial pressure on a school there are sufficient funds in the Schools in Challenging Circumstances Fund to address this.
- 7.4 **Safeguarding Children** – High quality education has an important impact on children's well being. Looked After Children will be protected from any funding reductions in schools because there has been a significant increase in Pupil Premium.
- 7.5 **Health Issues** – The health and well being board and Joint Strategic Needs Assessment (JSNA) highlight the importance of investing in early intervention to support children's long term well being. The evidence and analysis set out in Fair

Society, Healthy Lives (Marmot Review) has been developed and strengthened by the report of the Independent Review on Poverty and Life Chances. The reports draw attention to the impact of family background, parental education, good parenting, primary education and the opportunities for learning and development in the crucial first five years of life, and identified what matters most in preventing poor children becoming poor adults.

Background Papers Used in the Preparation of the Report:

- Summary of Models 1, 2, 3 and 4, 2013/14 Funding Model and school by school analysis by Model (<http://www.lbbd.gov.uk/EDUCATION/Pages/Home.aspx>)

List of appendices: None

CABINET

19 November 2013

Title: Localism Act 2011: Community Rights	
Report of the Cabinet Member for Crime, Justice and Communities	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Karen Wheeler, Head of Strategy	Contact Details: Tel: 020 8227 2317 E-mail: karen.wheeler@lbbd.gov.uk
Accountable Director: Graham Farrant, Chief Executive	
<p>Summary</p> <p>The Localism Act 2011 confirmed new rights and powers for communities and individuals. The Act states that there is a statutory obligation for authorities to provide clear and transparent processes to implement these rights.</p> <p>The Community Right to Challenge provides the right to 'relevant bodies' to challenge how councils deliver their services through a submission of an Expression of Interest to take over the provision of a service. If successful the body will be able to enter the procurement process to compete to win the contract to deliver that service, they are not guaranteed the opportunity to run the service.</p> <p>The Community Right to Bid gives local communities the opportunity to identify land and buildings which they believe to be of social value, interest or wellbeing and place them on a list of Assets of Community Value. When the property comes onto the market the group will be given the chance to organise themselves to bid to buy the item in a competitive market through a moratorium period.</p> <p>This paper presents draft proposals for the processes and governance arrangements.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Approve the policies, procedures and timescales for implementation of the Community Rights to Challenge and Bid as set out in this report and its appendices; (ii) Delegate authority to the Chief Executive, in consultation with the Cabinet Member for Crime, Justice and Communities and the Head of Legal and Democratic Services, to make any necessary amendments to the Council's policy, procedures and timescales in relation to the Community Rights to Challenge and Bid; (iii) Delegate authority to the Chief Executive to make arrangements for decision making (including the appointment of relevant officers to undertake statutory 	

functions) in relation to the Community Rights to Challenge and Bid; and

- (iv) Delegate authority to Corporate Directors, in consultation with the respective Portfolio Holders, to make and implement arrangements within their respective departments in relation to the Community Rights to Challenge and Bid.

Reason(s)

To ensure that the Council's statutory obligations are met in line with the Localism Act 2011.

1. Introduction

- 1.1 The Localism Act (the "Act") was enacted in November 2011 with many of its provisions coming into force in April 2012.
- 1.2 The Government grouped key parts of the Act under four headings:
- new freedoms and flexibilities for local government
 - new rights and powers for communities and individuals
 - reform to make the planning system more democratic
 - reform to ensure that decisions about housing are taken locally
- 1.3 Much of the Act is open to local interpretation and therefore provides an opportunity for the Council to consider the desire and ability to respond to the community on the opportunities and powers the Act gives to them. However within the "new rights and powers for communities and individuals" there is a statutory obligation to have in place the correct processes for the Community Right to Challenge and the Community Right to Bid.
- 1.4 This paper presents draft proposals for the processes and governance arrangements, to ensure that the Council's statutory obligations are met. These processes have been created through collaborative working between Thurrock Council and London Borough of Barking and Dagenham to ensure a consistency of process and by referring to good practice of other Councils nationally.

2. Community Right to Challenge

- 2.1 The Localism Act states that community and voluntary bodies, parish councils, charitable trusts and two or more local authority employees have a right to challenge how the Council delivers their services. The Act permits them to submit an Expression of Interest (EoI) to take over the provision of a service which will be assessed by the 'relevant authority' i.e. the Council. It is recommended that initial decision making by CMT in consultation with the relevant portfolio holder and any further decisions in line with the existing Scheme of Delegation and Procurement Rules, in order to meet the statutory obligations in the Localism Act 2011.
- 2.2 If successful the group will be able to enter the procurement process to compete to win the contract to deliver that service, they are not guaranteed the opportunity to run the service.

2.3 To ensure that the Council meets the legal requirements of the Act a procedure needs to be put in place that meets the statutory requirements, and provides a transparent process for the applicants to follow. A draft procedure is diagrammatically outlined in Appendix 1.

2.4 As the process map highlights there are several phases for the Community Right to Challenge.

2.5 **Phase 1 – Validating Eols**

Council collects in the Eols during the appropriate period and identifies whether the proposal meets the basic validity requirements of an application. The legislation sets out clear grounds for refusal of Eols including the service being exempt, the application being received outside of the timescales, inappropriate qualifications / experience to deliver the service or negotiations are already underway.

A briefing will be provided to the Portfolio Holder of the relevant service and if the service is delivered in a specific area, the Ward Councillors will also be informed of the application.

The applicant will be informed whether the Eol is valid and complies with the requirements within 30 days of the closing application window of their success.

Lead Service: Strategy Team

2.6 **Phase 2– Evaluation of Eols**

Within this phase a nominated lead officer from the appropriate service area will convene a group of officers to discuss and evaluate the application in greater detail. This will be known as the Evaluation Team. The representatives and /or advisors should include officers from legal, procurement, commissioning, strategic partners, finance services and community development depending on the proposal in the Expression of Interest.

The lead officer will be responsible for presenting and discussing updates at the Portfolio Holder meetings and where relevant with Ward Councillors.

Lead Service: The service specific to the application, lead officer nominated by their Department Management Team. For example an application to manage a green space within an estate would be led by an officer nominated by the Housing and Environment Management Team.

2.7 **Phase 3 – Decision on Eol**

Potential barriers, areas of concern or opportunities for improved service delivery will be captured in the Evaluation Form to ensure transparency. A final proposal will be put to senior managers for consideration.

Lead Service: Corporate Management Team agree the final decision either “accept”, “accept with modification” or “reject”, in discussion with lead Members.

NB: Once the Council decides to accept an Eol it must proceed to run a procurement exercise for the relevant service. It also means that the applicant can enter the procurement process to run the service. It does not however give them any advantage over other bidders to run the service.

2.8 Outcome Phase

Contact will be made to the organisation submitting their interest to confirm the result as follows:

- **Rejection** - A response letter will be written to the applicant with a clear explanation of why the application has been unsuccessful citing the grounds for rejection that it meets.
- **Approval without Modifications** - The letter approving the Expression of Interest should include an agreed procurement timetable (developed by the Evaluation Team) to inform the applicant of how they can progress to the next stage in the process.
- **Approval with Modifications** - Before this decision can be finalised the Evaluation Team must have, in writing, the applicants signed agreement to the proposed modifications. If the applicant does not accept these modifications then it is an automatic rejection.

In addition the letter should contain a procurement timeline for the next phase. It is likely the modifications will impact the original timetable and so the letter should reflect this change.

- 2.9 Approval will mean that the applicant is able to enter the procurement process to bid to run a service. They will be required to meet the same standards and deadlines as their competitors. The guidance states that if required the Council may offer support or guidance in how to enter the procurement process but the group are not to be given any preferential treatment.

3. Community Right to Bid

- 3.1 The purpose of the Community Right to Bid is to give local communities the opportunity to identify land and buildings which they believe to be of social value, interest or wellbeing and place them on a list of Assets of Community Value. When the item comes onto the market, the group will be given the chance to organise themselves to bid to buy the item in a competitive market during a moratorium period.
- 3.2 Similar to the Community Right to Challenge there is a legal requirement to produce a transparent process and the 'relevant authority' i.e. the Council is responsible for assessing whether the proposal meets the criteria outline in the statutory guidance.

Nomination Process

- 3.3 The Nomination Process decides whether the land or building satisfies the Act's requirements to be put on the asset register. The process is set out in diagrammatic form in Appendix 2.
- 3.4 **Phase 1 – Nomination Received**
Nominations will be received in writing by the Strategy Team. The role of this phase is to acknowledge the nomination within three working days and assess the basic accuracy of the submission to progress to Phase 2.

If the application form is not completed accurately or does not contain all of the required documents to be considered for the Community Assets Register, the Strategy Team will inform the nominee of the inaccuracies.

If the forms are admissible the senior manager responsible for assets will be responsible for the delivery of Phases 2-3b detailed below and in line with statutory requirements.

3.5 **Phase 2 – Nomination Reviewed**

The key tasks for the lead officer to complete in this phase are:

- Issue notices to inform the landowner and legal occupier
- Brief Councillors of the nomination
- Deal with any appeals from the landowner or legal occupier
- Organising the Right to Bid Review Team (including appropriate services)
- Chair the team meetings to review nominations in conjunction with Evaluation Guidance
- Complete the Evaluation Form template.

Right to Bid Review Team members will reach a decision that will be recorded by the asset lead officer. The asset lead officer will refer the recommendation to CMT for final decision.

3.6 **Phase 3a – Negative Outcome of Nomination**

If the nomination was unsuccessful, the Council will issue notice of the outcome to the nominating Community Group, asset owner and occupier and update the unsuccessful nominations Asset List. A briefing note will be supplied to Ward Councillors detailing the reasons for rejection and potential implications.

3.7 **Phase 3b – Positive Outcome of Nomination**

If the nomination was successful, the Council will issue notice of the outcome to the nominating Community Group, asset owner and occupier and update the Assets of Community Value List. A briefing note will be supplied to Ward Councillors.

A memo will be issued to the Land Charges Team to update the Local Land Charges Register. An application will also be referred to Land Registry to impose a restriction in the case of registered land as per the Evaluation Guidance.

Within the Nomination Process it is important to note that the lists of assets, both successful and unsuccessful should be accessible online. There have been no nominations received at this time.

Bidding Process

3.8 Appendix 3 sets out the Bidding Process that the Council, landowner and nominating group are required to do within set timescales when the asset comes on to the market.

3.9 **Phase 1**

Intentions to dispose or sell an asset will be received from the landowner by the Strategy Team in writing. The intention to dispose will be acknowledged within three working days with confirmation of the dates upon which the interim moratorium took

effect and when this period will end. The list of assets of community value will also be updated to reflect these dates.

The senior manager responsible for assets will be responsible for Phases 2 and 3 detailed below and in line with statutory requirements.

3.10 **Phase 2**

The asset lead officer will be responsible for:

- Publicising the proposed sale
- Informing the original nominating group that an intention to dispose has been received, confirming the deadlines and the asset lead officer contact details to submit an Intention to Bid application
- Briefing Councillors of the proposed sale

If the group has failed to make an Expression of Interest within six weeks of the date that the notification of disposal was received by the Council from the landowner then they have missed the opportunity of the Community Right to Bid. The landowner will be notified by the asset lead officer and they are free to dispose of their land in the usual way.

The asset will be exempt from a second moratorium period for 18 months, regardless of future nominations.

3.11 **Phase 3**

If an Intention to Bid application is received by the asset lead officer within the six week interim moratorium period, the Council's administrative lead will notify the landowner and the full 6-month moratorium will apply (unless the landowner disposes to a community group within this period).

After the moratorium period, the owner may sell to whoever they choose and at the highest price.

- 3.12 The Community Right to Bid does not ensure that the nominating group will buy the asset, it simply delays the sale to allow the group to organise themselves to effectively bid for the asset in a competitive market. There is no obligation on the land owner to sell to the nominating group.

Compensation

- 3.13 During the moratorium periods there is a risk that the asset loses value. The Localism Act allows for private property owners, who believe that they have incurred losses as a result of complying with these procedures, to apply for compensation from the local planning authority.
- 3.14 The costs to the Council associated with implementation of the Right to Bid will be covered by Central Government (via New Burdens) during the Spending Review period. After this period, the Council will be required to cover their additional costs from within its own budgets. The risk of compensation is one incurred by all Local Authorities in line with the Community Rights outlined within the Localism Act.

4. Options Appraisal

- 4.1 In developing the processes a number of options were considered including the processes developed by other councils. The proposed processes are based on best practice and statutory requirements.

5. Consultation

- 5.1 The Corporate Management Team (CMT), Legal Team, Finance Team and the Asset Team have all be involved in the development of the proposals within this report.

6. Financial Implications

Prepared and verified by Carl Tomlinson, Finance Group Manager

- 6.1 The report outlines the statutory requirements that the Council has to ensure that it complies with the Localism Act 2011. These requirements will result in additional work for the Council and it is presumed that this work will be managed by existing establishments and that no additional officers will be needed to facilitate these requirements. If additional officers are needed due to more work to the Council than first expected, this will put a financial pressure on the existing budgets.
- 6.2 The report refers to the possible compensation that private property owners can claim if they have incurred a loss as a result of complying with the requirements of the Act. It is presumed to be a minor risk to the Council, but no risk assessment has been carried out to what the potential risks might be and how they should be mitigated.
- 6.3 The report also states that the costs associated with the implementation of the Right to Bid is covered by Central Government during the spending review period concluding 2013/14, but the Council will be responsible after this period. Once a robust risk assessment is carried out as suggested in 6.2 above, the Council will be able to estimate how much budget provision it needs to make in the medium term financial strategy for these costs to the Council post the spending review period.

7. Legal Implications

Prepared and verified by Eldred Taylor-Camara, Legal Group Manager

- 7.1 Legal Services have been consulted and have assisted in the formulation of the proposed policies, procedures and documentation referred to in this report and are satisfied that the procedures proposed do, and once implemented, will, satisfy the provisions of the Localism Act 2011 and other implementing legislation.

8. Other Implications

- 8.1 **Risk Management** – The key risks that have been identified within the Community Right to Challenge and the Community Right to Bid are financial. These risks have been identified and discussed in 6.1, 6.2 and 6.3 of this report.

- 8.2 **Contractual Issues** - The process for the Community Right to Challenge has been developed in line with the procurement forward plan. Rejection will occur if negotiations about a third party are already occurring about a service, the service is already part of the procurement exercise or the service is in the process of being stopped.
- 8.3 **Staffing Issues** - If applications are received then there may be pressures on the Strategy Team and Assets Team within the Council who will be required to administer the applications received. In addition the services impacted by the expressions of interest in the Community Right to Challenge will be required to provide support to the process within short timescales.
- 8.4 **Customer Impact** - Within the statutory guidance provided to review the expressions of interest for both Community Rights the impact to the customer is included. An expression of interest will only progress through the phases outlined if they can clearly demonstrate an increase in meeting customer need and satisfaction or maintaining the current standards at a reduced cost. A perceived negative impact could be a reason for refusal.
- 8.5 **Safeguarding Children** - An expression of interest will only progress through the phases outlined if they can clearly demonstrate that there is not a risk to safeguarding children. In cases where delivery of Children's Services are included evidence of experience, qualifications and meeting statutory standards will be required for progression.
- 8.6 **Health Issues** - Within the Community Rights rejection will occur if the continued integration of a service is critical to the wellbeing of the persons in receipt of the service for example an integrated service with the NHS.
- 8.7 **Crime and Disorder Issues** - Within the Community Rights rejection will occur if the expression is considered frivolous or vexatious for example causing distress without justification. In addition all applicants must evidence that they are a 'relevant body' meeting statutory standards of legitimacy.

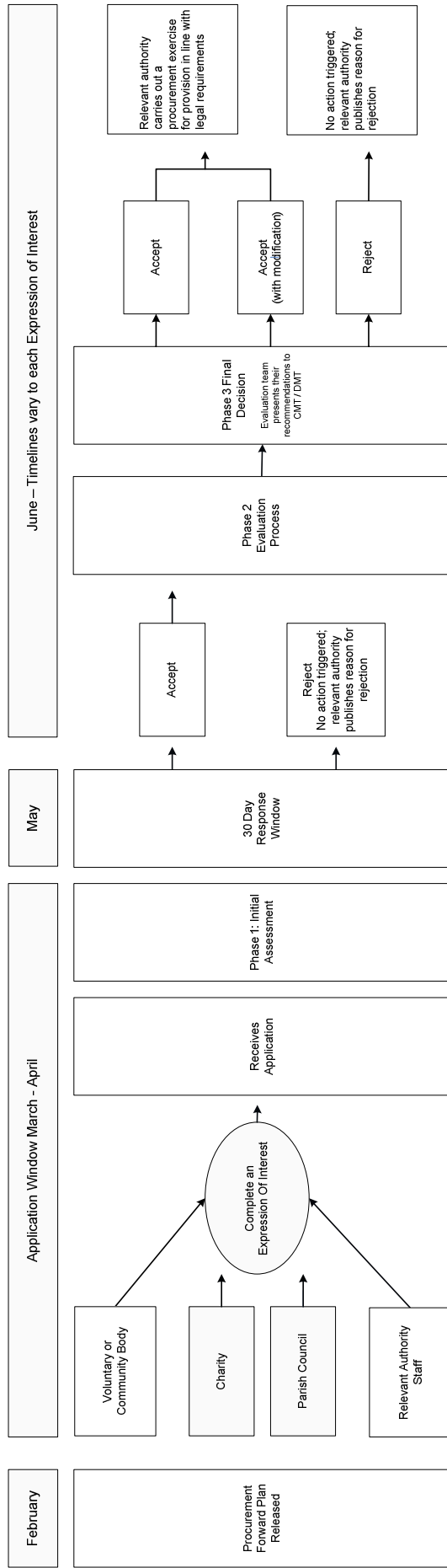
Background Papers Used in the Preparation of the Report:

- Localism Act 2011
- A plain English guide to the Localism Act, DCLG November 2011
- Community Right to Challenge: Statutory Guidance, DCLG June 2012
- Assets of Community Value, DCLG September 2011
- Community Right to Bid: Non-statutory advice note for local authorities, DCLG October 2012
- Understanding the Community Right to Bid, Local Government Regulation, Locality, The Social Investment Business, October 2012

List of appendices:

- **Appendix 1** - Community Right to Challenge Process
- **Appendix 2** - Community Right to Bid - Nomination Process
- **Appendix 3** - Community Right to Bid - Bidding Process

Community Right to Challenge Process

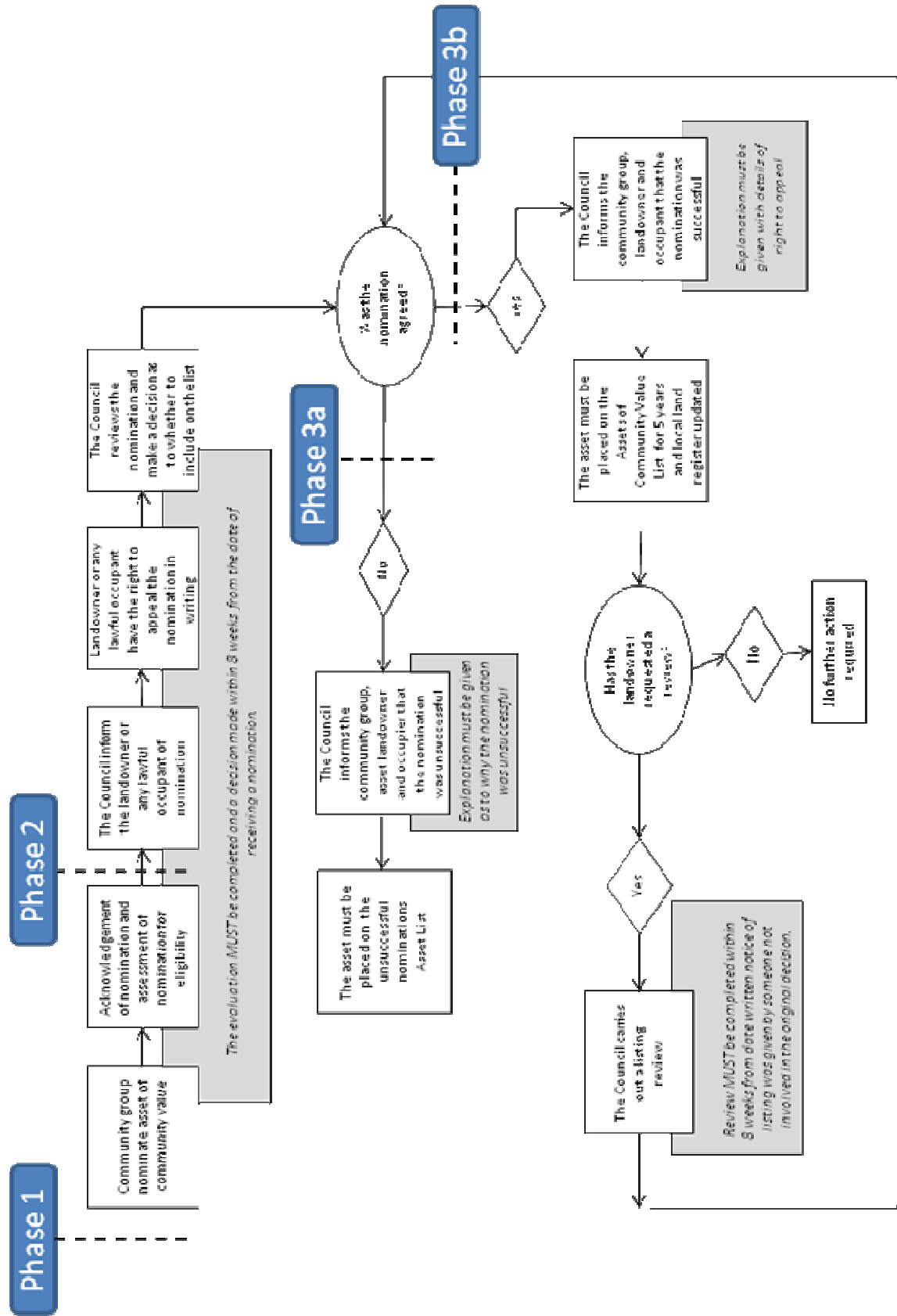


Governance Process

<p>Phase 1</p> <p>Applications will be received by the Strategy Team (Barking and Dagenham) to assess (with the support of member of the impacted service are where relevant) the basic accuracy of the application to progress to Phase 2.</p> <p>A briefing will be provided to the Portfolio Holder of that service and if the service is delivered in a specific area the Ward Councillors will also be informed of the application.</p> <p>All responses will be provided containing accurate next steps information as outlined in the Officers Evaluation notes and provided to applicants in a timely manner.</p>	<p>Phase 2</p> <p>Lead Officer - from the service that the EOI impacts nominated by the Department Management Team</p> <p>'Evaluation Team' is created which is relevant to the application, this may include officers (nominated by the appropriate Department Management Teams) from:</p> <ul style="list-style-type: none"> • Legal • Procurement • Commissioners • Strategic Partners • Finance • Strategy Team 	<p>Phase 3</p> <p>Lead Officer presents information to Corporate Management Team for final Decision.</p> <p>Lead Officer is responsible for responding to the applicant in a timely manner, where 'Accept' the EOI occurs this response should include information on the procurement timetable.</p>
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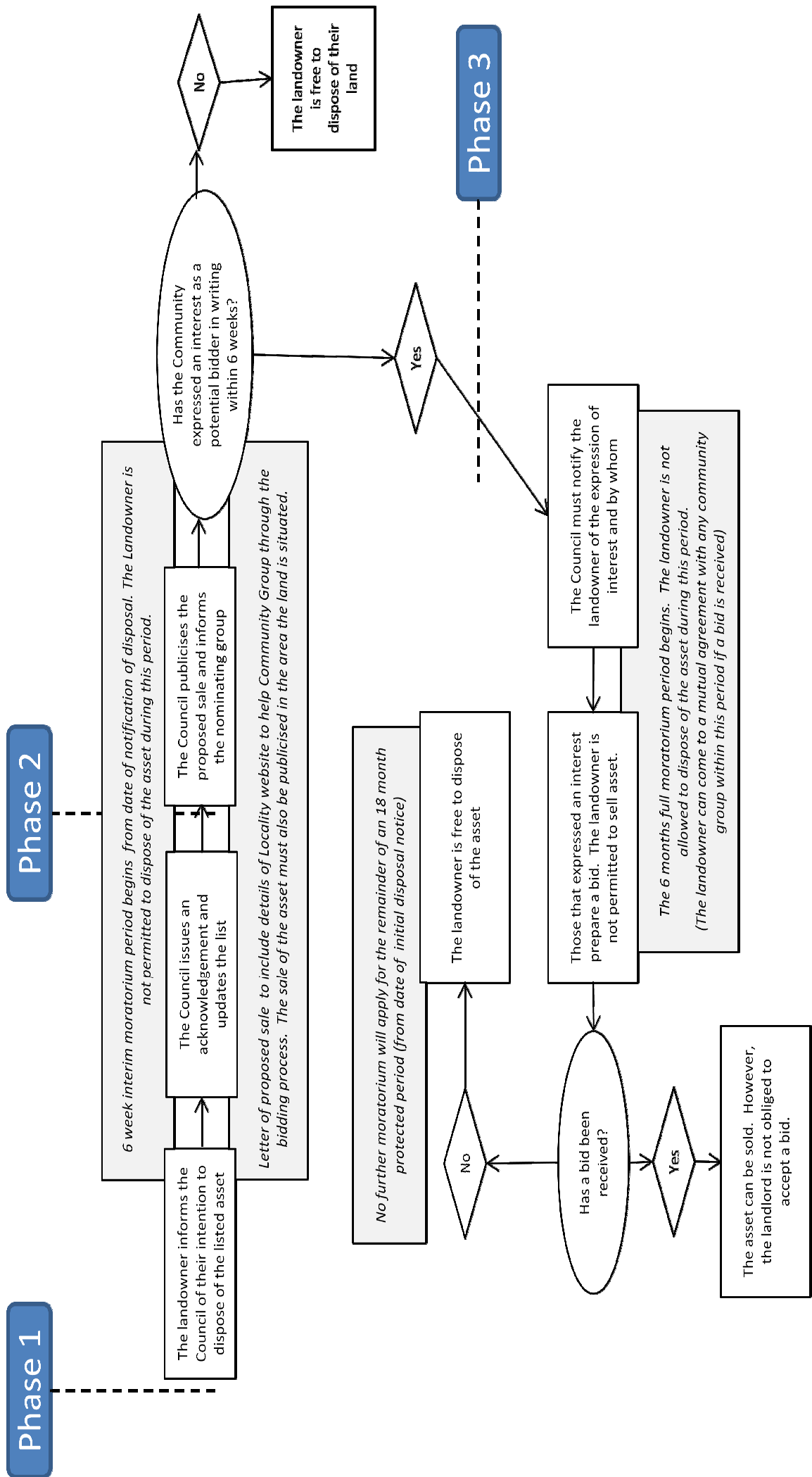
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Community Right to Bid: Nomination Process



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Community Right to Bid: Bidding Process



CABINET**19 November 2013**

Title: 2012/13 Annual Report on the Financial and Service Performance of the Elevate Joint Venture	
Report of the Cabinet Member for Customer Services	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Jonathan Bunt, Chief Finance Officer	Contact Details: Tel: 020 227 8427 E-mail: jonathan.bunt@lbbd.gov.uk
Accountable Director: Jonathan Bunt, Chief Finance Officer	
<p>Summary:</p> <p>This report gives a summary of the second full year (2012-13) of the Elevate Joint Venture (JV). The JV is a partnership between the Council and Agilisys. There were three main objectives in creating the partnership: improved performance in the delivery of services; financial benefit to the Council through lower costs for delivery; and the creation of jobs. By the end of the second full year of the contract, the Elevate JV had delivered better services for lower cost and created 123 new jobs in the Borough, 13 more than the target.</p>	
<p>Recommendations</p> <p>The Cabinet is recommended to note the summary of performance of Elevate East London LLP for its second full year (2012/13) as detailed in the report.</p>	
<p>Reasons</p> <p>The performance summary in the report draws upon data reviewed and agreed monthly by Elevate and the Council's client team, and reported monthly to the Elevate LLP Board.</p>	

1. Introduction and Background

- 1.1 The Council entered into a joint venture contract with Agilisys on 10 December 2010, thereby forming Elevate East London LLP. The initial transferring services were IT, B&D Direct, Revenues and Benefits, and Accounts Payable and Procurement. The performance of these services during 2012-13 is covered in this report.
- 1.2 This Elevate arrangement was procured using the OJEU competitive dialogue procedure, and allowed within the scope of the OJEU for the transfer of further services as the partnership developed. On 1 March 2012, two further services were transferred: Transactional HR and Payroll, and on 1 April 2012 parts of Assets and Commercial Services were also moved into the Elevate arrangement.

1.3 A report to Cabinet on 13 November 2012 gave a summary of the performance of the initial transferring services (phase one) for the first year of the contract. This report gives a summary of the performance of those services, and the further added services (phase two) for the second full year of the contract.

2. Service Performance

- 2.1 A table summarising the performance of Elevate in delivering the phase one and phase two services is included as Appendix 1, which gives the details for both the Key Performance Indicators or KPIs (where deductions apply if they are not met) and the Performance Indicators or PIs. KPIs measure those aspects of service delivery that the Council has decided are most critical to achieving the goals of the contract, whereas PIs provide a measure of underlying service performance and highlight areas for improvement. The targets are reviewed each year and are benchmarked against previous service levels and services of other Councils.
- 2.2 What the Council pays for each of the services gets less each year, as described below, and so this, alongside an expectation of improvement in performance on an annual basis, has the effect of making the targets increasingly more challenging year on year. Any deductions as a result of missed targets come from the 10% performance fee which is paid to Elevate on top of the cost of the services. 40% of this fee is dependent upon performance against the KPIs.
- 2.3 B&D Direct, comprising the contact centre and the two one stop shops, missed just one of the Key Performance Indicator (KPI) targets set each month during the year, resulting in a deduction of £1,711 from the performance fee. The service missed just two of the monthly Performance Indicators (PIs) (two out of a total of 72 across the six PIs).
- 2.4 The Revenues and Benefits service performed well and missed 4 monthly KPI targets (out of a total of 100 across nine KPIs) over the course of the year, leading to £3,439 deductions being applied from the performance fee. The service recorded 27 monthly PI failures across 84 monthly PI targets, 5 failures across the 8 quarterly PIs and one failed target out of the four annual PIs.
- 2.5 In 2012-13 the total amount of money collected by the Revenues and Benefits Service for Council Tax, Housing Rent and Leaseholder income rose by £4.737m compared to the previous year.
- 2.6 The ICT service performed well, but missed 6 monthly KPI targets over the year (out of a total of 144 across 12 KPIs). These led to deductions of £1,372 from the performance fee. The service met all of its PIs.
- 2.7 The Accounts Payable service missed 1 of the monthly targets for invoices paid within 30 days, but the deduction of £827 was waived as it is recognised that responsibility for this indicator is shared between Elevate and the Council and in this case it was Council activity that led to the target being missed. The service met all its PIs.
- 2.8 The majority of monthly targets across all the services were either met or exceeded. A relatively small number of monthly targets were missed as described above, but in

each case a review of the underlying causes was undertaken together with the Council, and Service Improvement Plans put in place to address all of those areas.

- 2.9 For 2012-13, the Council agreed a new key performance indicator (KPI) and a new performance indicator (PI) to measure the performance of transformation project activity delivered to the Council by Elevate. These indicators measured: (a) the cost, quality and schedule of transformation projects (KPI); and (b) the quality of reporting information (PI). Service performance levels were above the target levels for both indicators during the year.
- 2.10 A number of key projects were successfully completed by Elevate on behalf of the Council during the year, this included: (a) MyAccount Phase 2 - additional functionality added to the self-service portal of the Council's website to allow housing rents accounts to be managed online by residents; (b) Income management - replacement of the system for taking card payments for services to ensure Council compliance with industry regulations; and (c) ICT service management - replacement of the system for managing ICT service requests to allow employee self-service and reduction in licensing costs. A number of other key projects were also delivered with Elevate support, but were scheduled to continue into 2013/14. These included the ICT project to support the transfer of the Housing Repairs service back to the Council and a contribution towards the implementation of the One Oracle programme (finance and HR system replacement).
- 2.11 In terms of benefits realisation for project investments made by the Council in the previous financial year (2011-12), Elevate have been successful in delivering its target cost reductions and procurement savings for 2012/13 through the operation of the investments made by the Council (e.g. MyAccount, IVR system, ICT Service Management Tool) and by Agilisys (e.g. implementation of the iProcurement electronic purchasing system). It is too early to report the benefits achieved from the investments made in 2012/13.
- 2.12 Of the phase two services, HR and Payroll missed four out of a total of 48 monthly PIs leading to a deduction of £3,172 from the performance fee. HR and Payroll also missed five of their 85 monthly PIs. All other phase two services met all of the KPIs and PIs.

3. Financial Performance: Target Cost

- 3.1 The Target Cost is the amount of money to be paid to Elevate each year for running the services. The target cost for 2012/13 was £23.839m and this comprised £17.668m for the initial three services that transferred at the start of the contract (B&D Direct, Revenues & Benefits and ICT), £1.767m management fee and £625k contribution to Elevate's overheads, plus £407k adjustment for new pressures, £3.172m for the additional services added this year (Property Services, Technical Support, PFI, HR Transactional & Payroll) and £200k contribution to Accounts Payable.

Elevate Target Operating Cost

Description	2012/13 Amount £'000's	2016/17 Amount £'000's
Initial Services TOC - B&D Direct, Revenues & Benefits and ICT (per 7 year Financial Model)	17,668	15,422
Management Fee (10% of Initial Services TOC)	1,767	1,542
Contribution towards Elevate's Overheads	625	625
Initial Elevate Target Operating Cost	20,060	17,589
Changes to Initial Services	407	407
Additional Services added 2012/13 - Property Services, Technical Support, PFI, HR Transactional & Payroll	3,172	2,797
Contribution towards Accounts Payable	200	200
Revised Elevate Target Operating Cost	23,839	20,993

- 3.2 Over the ensuing seven-year life of the contract, Elevate is required to deliver significant savings on the initial transferred services on the target cost year-on-year which started with an 8% reduction in Yr 2. These savings will eventually lead to a target cost of £17.589m for the last full year of the contract for the initial transferred services (which includes £1.542m management fee and £625k overheads), plus a further £3.404m totalling £20.993m. Attached at Appendix 2 is a schedule showing the target cost for the initial transferred services for each year of the seven-year contract life.
- 3.3 As is the case with many large, complex contracts a number of the contract clauses were drafted at a high level with the detail to be agreed and worked through by both parties post implementation. The contract allowed for this to occur and during 2012/13 both parties have worked together to resolve a number of embedding issues which included the allocation of costs and proposed target cost adjustments. As a result of this activity, during 2012/13 there was a net transfer of budgets from the Council to Elevate of £635k, a schedule is attached detailing these. Both partners worked to review and contain cost pressures throughout the year as expected under the contract.
- 3.4 At the end of 2012/13 Elevate have reported a balanced position, i.e. no surplus or deficit, after accounting for all potential costs and liabilities. This includes making provision for certain costs and risks yet to occur in line with standard accounting practice and these will be monitored by the Elevate Board throughout the year.
- 3.5 For 2013/14 the target cost for the initial transferred services will decrease by £1.126m, and this represents a saving to the Council over the year in the cost of delivering those services.

4. Financial Performance: Procurement Gainshare

- 4.1 Under the original terms of the contract, delivery of the Accounts Payable and Procurement services was free of charge to the Council, with costs being re-couped via Procurement Savings Gainshare at a 60:40 (Council:Agilisys) split of any realised procurement savings.
- 4.2 This arrangement was amended for 2012/13 onwards so that the Council now pays a contribution of £200k per year towards the cost of Accounts Payable and there is a reduced Agilisys gainshare in any Procurement savings achieved. The new gainshare split for savings on purchases and contracts finalised post 1 April 2012 is now at 80:20 (Council:Agilisys) up to a cap of £5m of savings. After the cap, any gains are split 90:10 (Council:Agilisys). For any procurement completed prior to April 2012 where a saving was achieved, a 60:40 split will continue for the life of the contract.
- 4.3 Procurement savings delivered by Elevate over the full 12 months period in 2012/13 are £3.36m. This includes savings to which the gainshare arrangement doesn't apply (e.g. capital spend, DSG). Gainshare is applicable to £2.3m giving rise to a payment of £594K to Agilisys through a combination of savings at 60:40 and 80:20.
- 4.4 During 2012/13, assisted by the Elevate Corporate Procurement Team, the Council procured a new corporate agency workers' contract through an innovative e-auction process and this alone has been the source of £1m in savings. This translated into £800k savings for the Council with £200k gainshare payable to Agilisys.

5. Financial Performance: Revenue Gainshare

- 5.1 The Elevate contract provided an incentive to Agilisys as the managing partner to improve the collection of specified income streams. This incentive was to split all of the monies collected above the agreed target 70:30 (Council:Agilisys).
- 5.2 For 2012/13, Council Tax, Benefits Overpayments & Council Tax Arrears were all agreed to be included for the incentivisation for monies collected above agreed targets. Final collection for all three areas was £1.241m above the target set. Under the contract this has given rise to a gainshare of £372k payable to Agilisys. The Council and Agilisys are still considering revenue gainshare as incentivisation for further income streams for 2013/14.

2012/13 Gainshare

Income Stream	Surplus £'000's	LBBG Gainshare (70%) £'000's	Agilisys Gainshare (30%) £'000's
Council Tax Collection	513	359	154
Council Tax Arrears Collection	204	143	61
Housing Benefits Overpayments Collection	524	367	157
Total	1,241	869	372

6. Job Creation

- 6.1 As a result of Elevate's commitment to job creation, 56 local residents were placed into work by the end of the first full contract year. New employer engagement strategies and the creation of strategic relationships with key employers helped to exceed by 13 the target of 110 new jobs created by 31 March 2013.

7. Financial Implications

Implications completed by: Jonathan Bunt, Chief Finance Officer.

- 7.1 The report provides an update on performance during the 2012/13 financial year, including specific financial performance. There are no direct financial implications as a result of this report.

8. Legal Implications

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

- 8.1 This report provides an account of how the Incremental Partnership Services Agreement between the Council and Elevate East London LLP and Agilisys Ltd has fared over the past year. There are no legal implications that flow from the report.

Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix 1:** Summary of Performance 2012-13
- **Appendix 2:** Agreed Target Cost Reductions during the life of the contract
- **Appendix 3:** Jobs created up to March 2013

Appendix 1 Summary of Performance 2012-13

No	Key Performance Indicator	Target Type	Target	Year End Actual	Number of Failures	Deductions (£)	Comments
Barking & Dagenham Direct							
1	Customer Enquiries resolved at first point of contact	Monthly	90.00%	97.16%	0	£0.00	Average Monthly Performance
2	Online Transactions - % take up of transactional online services	Annual	5.00%	5.38%	N/A	£0.00	
3	Average waiting time of customers in OSS (<30 mins)	Monthly	80.00%	89.65%	1	£223.22	Average Monthly Performance
4	Contact Centre: % of calls answered	Monthly	80.00%	86.64%	0	£0.00	Average Monthly Performance
5	Contact Centre: % of calls answered in 30 seconds	Monthly	50.00%	54.37%	1	£1,488.14	Average Monthly Performance
Revenues and Benefits							
6	Council Tax "In Year" collection (BVPi9)	Year End with Profile	92.89%	94.60%	0	£0.00	£49.4m Collected vs. £48.4m in 11/12
7	General Income Collection Rate	Year End with Profile	99.62%	99.13%	0	£0.00	£77.5m collected
8	Rents: "In Year" collection (L166a)	Year End with Profile	96.80%	96.95%	0	£0.00	March 2013 £99.4m collectable vs. £96.4m collected
9	Leaseholder Income Collection	Year End with Profile	76.26%	90.80%	0	£0.00	£3.40m collected
10	Overpayments Recovery Collection	Year End with Profile	\$2,648,000	\$3,172,000	0	£0.00	£524k collected over target
11	Council Tax Arrears Collection	Year End with Profile	\$1,200,000	\$1,465,000	0	£0.00	£265k collected over target
12	Benefits: LA Error	Year End with Profile	0.38%	0.38%	3	£793.68	100% Subsidy claimable
13	Benefits Assessment Quality (Financial)	Quarterly	85.00%	95.00%	0	£0.00	500 Randomly selected Claims Assessed
14	NI181: Processing new claims/change of circumstances (days)	Monthly	11.39	18.01	1	£2,645.59	23.10 Days New Claims & 12.10 Days Change in Circumstances
ICT							
15a	Telephony (Monthly Availability)	Monthly	99.00%	100.00%	0	£0.00	Average Monthly Performance
15b	Telephony (Cumulative monthly incidents)	Monthly	10	2	0	£0.00	Average Monthly Performance
16a	Applications Availability (Combined Outage in mins)	Monthly	240 Mins	93 Mins	1	£496.05	Average Monthly Performance

16b	Applications Availability - MS Exchange E-Mail (outage in mins)	Monthly	120 Mins	5 Mins	0	£0.00	Average Monthly Performance
16c	Applications Availability - Internet Access (outage in mins)	Monthly	120 Mins	7 Mins	0	£0.00	Average Monthly Performance
16d	Applications Availability - Website (outage in mins)	Monthly	120 Mins	13 Mins	1	£82.67	Average Monthly Performance
16e	Applications Availability - Finance/Payroll (outage in mins)	Monthly	120 Mins	11 Mins	0	£0.00	Average Monthly Performance
16f	Applications Availability - Housing System (outage in mins)	Monthly	120 Mins	34 Mins	1	£82.67	Average Monthly Performance
16g	Applications Availability - Social Services(outage in mins)	Monthly	120 Mins	25 Mins	1	£82.67	Average Monthly Performance
16h	Applications Availability - CRM (outage in mins)	Monthly	120 Mins	2 Mins	0	£0.00	Average Monthly Performance
17	Incident fix time (% Fixed within SLAs)	Monthly	86.00%	90.12%	2	£628.33	Average Monthly Performance
18	% Projects Rated Green	Monthly	75.00%	91.98%	0	£0.00	Average Monthly Performance
Procurement							
19	AP Payments <30 Days	Monthly	94.00%	95.07%	1	826.75 (waived)	Average Monthly Performance
					TOTAL	£6,523.02	
No	Performance Indicator	Target Type	Target	Year End Actual	Number of Failures	Comments	
B&D Direct							
1	% of emails received by B&D Direct and responded to within corporate guidelines	Monthly	99.00%	99.99%	0		Average Monthly Performance
2	% of Careline faults repaired within 48 hours	Monthly	98.50%	99.05%	1		Average Monthly Performance
3	% of Careline calls answered within 60 seconds	Monthly	90.00%	99.89%	0		Average Monthly Performance
4	Number of Stage 1 Complaint	Monthly	32	34	0		Average Monthly Performance

5	Number of FOIs Complaints closed Monthly				32	34	1	Average Monthly Performance
6	Number of complaints closed Monthly				32	35	0	Average Monthly Performance
Revenues and Benefits								
7	NNDR in Year Collection (LBBD)	Year End with Profile			97.10%	95.10%	4	£53.2m Collected vs. £51.4m Collected in 11/12
8	NNDR in Year Collection (LBH)	Year End with Profile			97.40%	96.14%	5	
9	Increase to DD Collection Ctax Numbers	Annual			5.00%	5.29%	0	27,820 Live Direct Debit Instructions
10	Increase to DD Collection Rent Numbers	Annual			5.00%	1.44%	1	4,508 Live Direct Debit Instructions
11	Council Tax Reviews	Annual			100.00%	100.00%	0	Student Exemption Review
12	General Income Collection (Former Tenant Arrears)	Year End with Profile	Not Agreed with Housing - Baseline 11/12			6.09%	0	160k collected
13	Calls Answered	Monthly			80.00%	82.36%	3	Average Monthly Performance
14	Benefits Assessment Non Financial Errors	Quarterly			85.00%	85.22%	2	Average Quarterly Performance
15	Parking Income Collection (from Dec 12)	Year End with Profile			18.00%	15.21%	4	£184k collected
16	% Fairer Contribution Invoices paid within 90 days	Monthly			87.00%	89.55%	2	Average Monthly Performance £936k collected
17	Reconsiderations actioned within 1 month	Monthly			80.00%	64.30%	9	Average Monthly Performance
18	Finish Financial Year within 15% of DHP Budget (Annual)	Annual			15.00%	4.49%	0	Lower % achieved the better
19	Fraud Sanctions per FTE per Quarter	Quarterly			5	3.73	3	Total of 57 Sanctions
ICT								
20	Incident Resolution Satisfaction	Monthly			4.0	6.17	0	Average Monthly Performance

21	Reopened Incidents (Number of service desk incidents which were re-opened on one or more occasion)	Monthly	15.00%	1.91%	0	Average Monthly Performance
22	Setup new users (% of all requests to set up a new member of staff which were resolved within the target SLA)	Monthly	80.00%	89.43%	0	Average Monthly Performance
23	First Time Fix Rate	Monthly	30.00%	53.25%	0	Average Monthly Performance
24	Calls at Service Desk answered within SLA	Monthly	60.00%	87.92%	0	Average Monthly Performance
25	% of Priority 1 (P1) incidents fixed within timescale	Monthly	86.00%	100.00%	0	Average Monthly Performance
26	Time taken to supply standard items within SLA	Monthly	70.00%	83.67%	0	Average Monthly Performance
27	Annual Customer Satisfaction	Annual	4.94	4.94	0	SOCJTM Median Target
28	% of project highlight reports agreed with project sponsor within 10 working days of month end	Monthly	95.00%	99.48%	0	Average Monthly Performance
Procurement						
29	Total LBBB Spend under new contract	Annual	60.00%	87.00%	0	
30	Local SME Spend	Annual	21.00%	71.00%	0	
31	AP Payments via BACS	Monthly	83.00%	92.50%	0	Average Monthly Performance

7	Number of additional payroll runs due to service error	Monthly	2	0	0	Average Monthly Performance
8	School pre employment checks	Monthly	5 Working Days	98.46%	1	Average Monthly Performance
9	Ensure all schools staff who require it have an up-to-date CRB Clearance	Monthly	94.00%	94.18%	2	Average Monthly Performance
10	Inform Payroll of Leaver within 5 Working days of notification	Monthly	5 Working days	98.14%	2	Average Monthly Performance
11	HCPC update reports	Monthly	100.00%	100.00%	0	Average Monthly Performance
12	Accuracy of data within management information	Monthly	97.00%	100.00%	0	Average Monthly Performance
PFI Contracts						
13	PFI Managing all deduction payment arrangements, escalating appropriate rectification notices	Monthly	2 working days	100.00%	0	Average Monthly Performance - Measured Sept 2012 to Dec 2012
14	Annual DfE and PFS data returns completed within 4 weeks of a request (A)	Annually	Submission of data within 4 weeks of central request	Replaced	Replaced	Replaced with a more meaningful Annual Measure in consultation with the client & Headteachers
13a	Approval timescale for all the contractual variations. <ul style="list-style-type: none"> Estimate is provided within fifteen (15) business days; Authority approves the work and estimate within ten (10) working days 	Monthly	90.00%	N/A	N/A	Agreed with Client more meaningful measure - Baselineing Jan 2013 to Mar 2013
14a	Annual customer satisfaction survey	Annually	75.00% with a minimum target of 25.00% of satisfied responses per client	88.60%	0	
15	Contractual variations completion within thirty (30) business days.	Monthly	75.00%	N/A	N/A	Agreed with Client more meaningful measure - Baselineing Jan 2013 to Mar 2013

	April	May	June	July	August	September	October	November	December	January	February	March	Average Performance
Customer Enquiries resolved at first point of contact	99.09%	97.91%	97.70%	98.44%	97.98%	98.87%	97.40%	97.35%	95.41%	96.30%	94.54%	94.95%	97.16%
Online Transactions - % take up of transactional online services	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.38%	
Average waiting time of customers in OSS (<30 mins)	94.04%	94.23%	90.44%	82.95%	81.31%	79.81%	86.93%	96.50%	96.41%	95.40%	93.00%	84.82%	89.65%
Contact Centre: % of calls answered	88.42%	87.09%	86.63%	85.00%	85.31%	80.96%	84.79%	89.58%	90.58%	85.24%	87.78%	88.24%	86.64%
Contact Centre: % of calls answered in 30 seconds	58.82%	55.89%	52.76%	50.48%	51.50%	44.61%	51.74%	60.64%	63.07%	53.29%	55.52%	54.11%	54.37%
Telephony (Monthly Availability)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Telephony (Cumulative monthly incidents)	0	0	0	0	0	0	0	0	0	0	1	1	0.17
Applications Availability (Combined Outage in mins)	41	0	91	165	0	0	0	30	110	527	150	0	93
Applications Availability - MS Exchange E-Mail (outage in mins)	0	0	0	0	0	0	0	0	35	30	0	0	5
Applications Availability - Internet Access (outage in mins)	0	0	0	0	0	0	0	0	0	80	0	0	7
Applications Availability - Website (outage in mins)	0	0	0	0	0	0	0	0	0	0	150	0	13
Applications Availability - Finance/Payroll (outage in mins)	0	0	36	0	0	0	0	0	0	95	0	0	11
Applications Availability - Housing System (outage in mins)	0	0	0	165	40	0	0	30	75	97	0	0	34
Applications Availability - Social Services(outage in mins)	41	0	30	0	0	0	0	0	0	225	0	0	25
Applications Availability - CRM (outage in mins)	0	0	25	0	0	0	0	0	0	0	0	0	2
Incident fix time (% Fixed within SLAs)	84.47%	86.00%	93.00%	92.00%	86.00%	93.00%	90.00%	93.00%	92.00%	91.00%	91.00%	90.00%	90.12%
% Projects Rated Green	85.00%	89.00%	95.83%	92.31%	100.00%	82.14%	94.12%	96.67%	100.00%	93.33%	89.66%	85.71%	91.98%
AP Payments <30 Days	95.28%	95.16%	94.80%	95.17%	95.03%	95.05%	95.09%	95.04%	95.18%	92.17%	96.45%	96.42%	95.07%
% of properties marketed within 1 month of instruction	B	B	B	B	B	B	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Pre-payroll error rate	B	B	B	B	B	0.0024%	0.0076%	0.58%	0.28%	0.32%	0.34%	0.06%	0.23%
Pre-payroll admin completed on time and accurately	B	B	B	B	B	0.00%	0.00%	0.77%	0.00%	0.00%	0.00%	0.00%	0.11%
Schools - contracts issued within agreed timescales	B	B	B	B	B	100.00%	100.00%	78.38%	91.30%	60.00%	39.00%	100.00%	81.24%
Offer letters to successful applicants	B	B	B	B	B	100.00%	100.00%	98.00%	100.00%	100.00%	100.00%	100.00%	99.71%

	April	May	June	July	August	September	October	November	December	January	February	March	Average Performance
% of emails received by B&D Direct and responded to within corporate guidelines	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	99.82%	99.99%
% of Careline faults repaired within 48 hours	98.70%	98.55%	99.02%	100.00%	99.56%	99.17%	98.18%	99.15%	99.25%	99.10%	98.71%	99.15%	99.05%
% of Careline calls answered within 60 seconds	100.00%	100.00%	100.00%	98.73%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	99.89%
Number of Stage 1 Complaints logged and allocated to													
Number of FOIs Complaints logged and allocated to the	34	33	33	33	34	35	34	34	34	33	34	35	34
Numer of complaints closed on day of receipt of notifica	26	33	33	35	35	35	35	34	34	34	35	35	34
Calls Answered	35	35	34	35	35	35	35	35	35	35	35	35	35
Benefits Assessment Non Financial Errors	83.50%	83.99%	81.59%	83.33%	74.73%	73.97%	87.63%	89.32%	87.79%	86.88%	81.13%	74.48%	82.36%
% Fairer Contribution Invoices paid within 90 days													0.00%
Reconsiderations actioned within 1 month			87.26%	81.46%	89.03%	89.57%	89.90%	90.79%	94.14%	94.86%	92.98%	85.48%	89.55%
Fraud Sanctions per FTE per Quarter			67.00%	73.00%	62.00%	59.00%	71.00%	80.00%	58.00%	63.00%	56.00%	54.00%	64.30%
Incident Resolution Satisfaction			6.20	6.20	6.20	6.30	6.00	6.00	5.80	6.20	6.40	6.40	6.17
Reopened Incidents (Number of service desk incidents which were re-opened on one or more occasion)													
Setup new users (% of all requests to set up a new member of staff which were resolved within the target SLA)	2.00%	3.00%	2.00%	2.00%	2.40%	1.50%	2.30%	1.60%	1.90%	1.90%	1.30%	1.00%	1.91%
First Time Fix Rate	50.00%	53.00%	43.00%	60.00%	55.00%	58.00%	60.00%	52.00%	53.00%	84.00%	89.00%	92.00%	89.43%
Calls at Service Desk answered within SLA	88.00%	86.00%	88.00%	90.00%	92.00%	90.00%	90.00%	87.00%	88.00%	86.00%	88.00%	82.00%	87.92%
% of Priority 1 (P1) incidents fixed within timescale	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Time taken to supply standard items within SLA							75.00%	88.00%	85.00%	92.00%	80.00%	82.00%	83.67%
% of project highlight reports agreed with project sponsor within 10 working days of month end	100.00%	96.55%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	97.22%	100.00%	100.00%	99.48%
AP Payments via BACS	89.44%	90.95%	94.49%	93.06%	89.43%	88.51%	93.00%	94.49%	94.31%	92.81%	96.00%	93.53%	92.50%
Lease Renewals	B	B	B	B	B	B	B	B	B	B	B	B	100.00%
Rent Reviews	B	B	B	B	B	B	B	B	B	B	B	B	100.00%
Reception - Number of complaints received per annum	B	B	B	B	B	B	0	0	0	0	0	0	0
% of K2 System requests completed accurately within 1 working day	B	B	B	B	B	B	97.00%	94.00%	98.00%	98.00%	99.50%	100.00%	97.75%
Number of notices of error in PAYE and NI calculation received from HMRC	B	B	B	B	0	0	0	0	0	0	0	0	0
Number of additional payroll runs due to service error	B	B	B	B	0	0	0	0	0	0	0	0	0
School pre employment checks	B	B	B	B	100.00%	100.00%	100.00%	89.19%	100.00%	100.00%	100.00%	100.00%	98.46%
Ensure all schools staff who require it have an up-to-date CRB Clearance	B	B	B	B	95.64%	94.34%	93.71%	93.71%	92.58%	94.16%	94.02%	94.84%	94.18%
Inform Payroll of Leaver within 5 Working days of notification	B	B	B	B	100.00%	100.00%	100.00%	92.00%	95.00%	100.00%	100.00%	100.00%	98.14%
HGPC update reports	B	B	B	B	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Accuracy of data within management information	B	B	B	B	B	B	B	B	B	B	B	B	100.00%
PFI Managing all deduction payment arrangements, escalating appropriate rectification notices	B	B	B	B	B	B	B	B	B	B	B	B	100.00%

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Elevate 7 year Financial Model

	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	Total 7 Years	Comments
B&D Direct	1,496	4,488	4,101	4,087	3,739	3,726	3,713	2,266	27,616	As per Financial Model
Revs&Bens	2,118	6,055	5,878	5,683	5,473	5,270	5,076	3,259	38,811	As per Financial Model
ICT	2,818	8,455	7,918	7,261	7,018	6,764	6,633	4,340	51,207	As per Financial Model
Transferring Services Costs *	6,433	18,998	17,897	17,031	16,229	15,760	15,421	9,865	117,634	As per Financial Model
First Risk Savings Band **			-229	-387	-390				-1,006	To assist LBDD in meeting MTFS
Revised Transferring Services Cost	6,433	18,998	17,668	16,644	15,839	15,760	15,421	9,865	116,628	
Management Fee	643	1,900	1,767	1,664	1,584	1,576	1,542	987	11,663	Calculated at 10%
Overheads Support Only	208	625	625	625	625	625	625	417	4,376	Excluding Overhead Infrastructure and/or any other indirect costs
Target Cost	7,284	21,523	20,060	18,934	18,048	17,961	17,589	11,268	132,667	
First risk savings band										
- LBDD (%)	80	80	80	80	80	80	80	80	80	
- Agilisys (%)	20	20	20	20	20	20	20	20	20	
Residual risk										
- LBDD (%)	80	80	50	20	20	20	20	20	20	
- Agilisys (%)	20	20	50	80	80	80	80	80	80	

* This is the modelled expectation of the members based on the initial due diligence, before all any trading of the LLP has occurred

** This element of Savings is governed by the "First Risk Savings Band" and if not achieved, assuming the Transferring Services Costs target is; then the members of the LLP will be governed by the schedules above.

Appendix 3: Jobs created to 31st March 2013

Jobs Tracker Summary 31st March 2013				
Category	New Jobs created this month	New Jobs created to date (from 15-11-11)	Gap to Target	
Elevate	0	12		
<2> New Business / Shared Services	0	0		
<3> Eastminster / Job Relocation	0	0		
<4> Elevate Business Services Centre	0	26		
<5> Barking Enterprise Centre	4	71		
<6> Elevate Jobs Brokerage (countable)	0	14		
<7> Apprentices Recruited (not counted to Jobs Target)	0	7		
<8> All Other Adult Recruitment Activity (not counted to Jobs Target)	0	44		
Contracted Jobs Target to 31st March 2013			110	
<9> Total	4	123	13	
		Claimable Jobs		
		174		
Total All Jobs inc Non-Claimable & Apprentices				

Notes

<1>	<i>This tracks all recruitment activity carried out across all Agilisys and Elevate contracts in support of contractual "Fostering Opportunities" commitments</i>
<2>	<i>This category tracks new jobs created as a result of selling Elevate services to other Local Authorities</i>
<3>	<i>This category tracks new jobs created as a result of relocating jobs to the Borough, including relocations resulting from the Eastminster initiative and relocation of Agilisys group jobs</i>
<4>	<i>This category is used to track jobs created in the Business Services Centre</i>
<5>	<i>This category is used to track jobs created by the Barking Enterprise Centre business start-ups</i>
<6>	<i>This category is used to track other jobs created as a result of Elevate activity that can be counted towards the jobs target</i>
<7>	<i>This category is used to track Apprenticeship jobs created as a result of Elevate activity that cannot be counted towards the jobs target</i>
<8>	<i>This category is used to track all other adult recruitment activity across Elevate, as a result of Elevate activity, that cannot be counted towards the jobs target</i>
<9>	<i>The contractual target is to create 400 new jobs, with the first milestone being to have created 110 new jobs by March 2013. As shown above, 123 jobs were created by the end of March 2013, exceeding the jobs target by 13.</i>

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