

Notice of Meeting

CABINET

Monday, 16 February 2015 - 7:00 pm
Council Chamber, Town Hall, Barking

Members: Cllr Darren Rodwell (Chair); Cllr Saima Ashraf (Deputy Chair) and Cllr Dominic Twomey (Deputy Chair); Cllr Laila Butt, Cllr Evelyn Carpenter, Cllr Cameron Geddes, Cllr James Ogungbose, Cllr Lynda Rice, Cllr Bill Turner and Cllr Maureen Worby

Date of publication: 6 February 2015

Chris Naylor
Chief Executive

Contact Officer: Alan Dawson
Tel. 020 8227 2348
E-mail: alan.dawson@lbbd.gov.uk

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. Members are reminded that the provisions of paragraphs 9.3 and 9.4 of Chapter 1, Part 5 in relation to Council Tax and Council house rent arrears apply to agenda items 5 and 6.

3. Minutes - To confirm as correct the minutes of the meeting held on 27 January 2015 (Pages 3 - 11)

4. Budget Monitoring 2014/15 - April to December 2014 (Month 9) (Pages 13 - 39)

5. Housing Revenue Account Estimates and Review of Rents and other Charges 2015/16 (Pages 41 - 64)

6. Budget Framework 2015/16 (Pages 65 - 91)

- 7. Treasury Management Strategy Statement 2015/16 (Pages 93 - 129)**
- 8. Future Management Arrangements for the Council's Culture and Sport Service (Pages 131 - 150)**

Appendix 2 to this report is contained in the exempt section of the agenda due to the commercially sensitive nature of the information.
- 9. Pay Policy Statement 2015/16 (Pages 151 - 162)**
- 10. Implementing the Equality and Diversity in Employment Policy (Pages 163 - 185)**
- 11. Procurement of an Alternative Education Provision Service for Year 11 Children (Pages 187 - 196)**
- 12. Options for Providing Support to Vulnerable Residents (Pages 197 - 217)**
- 13. The Care Act 2014 (Pages 219 - 238)**
- 14. Care and Support Deferred Payments Scheme (Pages 239 - 259)**
- 15. Care and Support Charging Policy (Pages 261 - 282)**
- 16. Inspection of Arrangements for Supporting School Improvement (Pages 283 - 286)**
- 17. Debt Management Performance and Write-Offs 2014/15 (Quarter 3) (Pages 287 - 304)**
- 18. Any other public items which the Chair decides are urgent**
- 19. 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).

20. Appendix 2 - Future Management Arrangements for the Council's Culture and Sport Service (Pages 305 - 378)

Contains commercially sensitive information (paragraph 3)

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

This page is intentionally left blank



Our Vision for Barking and Dagenham

One borough; one community; London's growth opportunity

Encouraging civic pride

- Build pride, respect and cohesion across our borough
- Promote a welcoming, safe, and resilient community
- Build civic responsibility and help residents shape their quality of life
- Promote and protect our green and public open spaces
- Narrow the gap in attainment and realise high aspirations for every child

Enabling social responsibility

- Support residents to take responsibility for themselves, their homes and their community
- Protect the most vulnerable, keeping adults and children healthy and safe
- Ensure everyone can access good quality healthcare when they need it
- Ensure children and young people are well-educated and realise their potential
- Fully integrate services for vulnerable children, young people and families

Growing the borough

- Build high quality homes and a sustainable community
- Develop a local, skilled workforce and improve employment opportunities
- Support investment in housing, leisure, the creative industries and public spaces to enhance our environment
- Work with London partners to deliver homes and jobs across our growth hubs
- Enhance the borough's image to attract investment and business growth

This page is intentionally left blank

MINUTES OF CABINET

Tuesday, 27 January 2015
(6:00 - 7:12 pm)

Present: Cllr Darren Rodwell (Chair), Cllr Saima Ashraf (Deputy Chair), Cllr Dominic Twomey (Deputy Chair), Cllr Laila Butt, Cllr Evelyn Carpenter, Cllr Cameron Geddes, Cllr James Ogungbose, Cllr Lynda Rice, Cllr Bill Turner and Cllr Maureen Worby

Also Present: Cllr Josephine Channer, Cllr Irma Freeborn and Cllr Syed Ghani

81. Declaration of Members' Interests

There were no declarations of interest.

82. Minutes (16 December 2014)

The minutes of the meeting held on 16 December 2014 were confirmed as correct.

83. Budget Monitoring 2014/15 - April to November 2014 (Month 8)

The Cabinet Member for Finance introduced the report on the Council's capital and revenue position for the 2014/15 financial year, as at 30 November 2014.

The General Fund showed a projected end of year spend of £166.8m against the total approved budget of £165.3m, which would mean a reduced General Fund balance of £24.6m at the year end. The Cabinet Member advised that he was hopeful that the overall budget would be balanced by the year end but stressed that the pressures within the Children's Services division would continue to be challenging. He also referred to the proposal to realign budgets within the Environmental Services division, in order to better reflect current service requirements, and clarified the reasons for a proposed loan to Valence Primary School to support the upgrade of ICT facilities.

It was also noted that the Housing Revenue Account (HRA) continued to show a projected break-even position for the year while the Capital Programme showed a projected spend of £135.96m against the revised budget of £143.15m.

Cabinet **resolved** to:

- (i) Note the projected outturn position for 2014/15 of the Council's General Fund revenue budget at 30 November 2014, as detailed in paragraphs 2.4 to 2.10 and Appendix A of the report;
- (ii) Agree the service budget reallocation within Environmental Services as shown in paragraph 2.7 of the report;
- (iii) Note the progress against the agreed 2014/15 savings at 30 November 2014, as detailed in paragraph 2.11 and Appendix B of the report;

- (iv) Note progress against the agreed 2014/15 Housing Revenue Account (HRA) savings as detailed in paragraph 2.12 and Appendix B of the report;
- (v) Note the overall position for the HRA at 30 November 2014, as detailed in paragraph 2.12 and Appendix C of the report;
- (vi) Agree to a loan of £300,000 to Valence Primary School, to be repaid over three years, to fund an upgrade of the school's ICT facilities as detailed in paragraph 2.13 of the report;
- (vii) Note the projected outturn position for 2014/15 of the Council's capital budget as at 30 November 2014, as detailed in paragraph 2.13 and Appendix D of the report;
- (viii) Note the revised capital budget of £143.2m following inclusion of the scheme to extend Barking Riverside Primary School in the Capital Programme for 2014/15; and
- (ix) Note the Corporate Director of Children's Services update report on the budget pressures within the Children's Services department at Appendix E to the report and support the 'next steps' set out in section 5 of Appendix E.

84. Estate Renewal Programme 2015 - 2021 and Delivery of Existing Estate Renewal and Infill Site Projects

The Cabinet Member for Regeneration presented a report on the latest proposals in respect of the Council's Estate Renewal Programme.

The Cabinet Member explained that a long list of potential sites had been assessed against a range of criteria including need, deliverability, affordability and the benefit to the local community. Stemming from that exercise, a number of sites across the Borough had been identified for immediate inclusion in the programme for 2015 – 2021 while a further seven sites in the Gascoigne West area had been selected subject to the receipt of London Housing Zone funding from the Greater London Authority.

The Cabinet Member referred to the funding and decanting arrangements for the latest proposals and also provided an update on the delivery of projects already included in the Estate Renewal Programme. Delivery arrangements for Althorne Way and Becontree Heath sites had progressed to a point where a procurement exercise for a development partner was proposed while Phase Two of the Leys Estate project was at the stage where the procurement of a construction contractor was proposed. It was noted that those procurements would be via the London Development Panel.

Officers clarified issues relating to the project at Padnall Road, Marks Gate, and the Cabinet Member for Regeneration suggested that the overall scheme would bring significant improvements to the area.

Cabinet **resolved** to:

- (i) Agree the following areas and properties as additional sites within the

Borough-wide Estate Renewal Programme, subject to the confirmation of securing London Housing Zone funding in respect of the addresses in the Gascoigne West area (marked * below):

- Sebastian Court
 - 168 to 284 (evens) Padnall Road
 - 53 to 135 Roxwell Road
 - 2 and 4 Stebbing Way
 - 291 to 301 Oxlow Lane
 - 265 to 285 (odds) Rainham Road North
 - 105 to 135 Abbey Road *
 - 55 to 87 Tomlins Orchard *
 - 1 to 16 The Shaftesburys *
 - 94 to 117 The Clarksons *
 - 2 to 55 Lindsell Road *
 - 28 to 63 Hardwicke Street *
- (ii) Approve the commencement of the decant of tenants and purchase of leasehold interests in respect of the addresses set out in (i) above following a programme of community consultation and engagement with the affected residents;
- (iii) Approve the serving of Initial Demolition Notices on all secure tenants within the programme at the appropriate time, in order to suspend the requirement for the Council to complete Right to Buy applications for as long as the notices remain in force;
- (iv) Authorise the use by the Council of its Compulsory Purchase Order (CPO) making powers pursuant to Section 17 of the Housing Act 1985 for the acquisition of the leasehold interests in the properties set out in the report, for the purposes of securing land needed to allow the redevelopment of those areas;
- (v) Authorise the Chief Finance Officer, in consultation with the Head of Legal and Democratic Services, to take all necessary steps to secure the making, confirmation and implementation of a CPO including the publication and service of all Notices and the presentation of the Council's case at any Public Inquiry;
- (vi) Agree the procurement of a contractor for the Leys Phase 2 redevelopment site via the London Development Partner Panel as outlined in section 7 of the report, and to delegate authority to the Director of Housing, in consultation with the Cabinet Members for Housing and Regeneration, the Director of Growth, the Chief Finance Officer and the Head of Legal and Democratic Services, to agree the final terms of the contract; and
- (vii) Agree the procurement of a development partner for the sites at Althorne Way and Becontree Heath via the London Development Panel in accordance with the parameters set out in section 6 of the report, with the final development and delivery proposals being reported back to Cabinet for approval.

85. Merry Fiddlers Junction Improvements - Minor Scheme Amendments

Further to Minute 113 (19 March 2013), the Cabinet Member for Regeneration presented a report on proposed revisions to the Merry Fiddlers junction improvements at Becontree Heath.

The Cabinet Member explained that the revisions would further enhance pedestrian and cycle access and safety, which was particularly important as the area was heavily used by school children and the elderly, without being to the detriment of motor vehicles. In response to a point on the visual appearance of the area, the Cabinet Member agreed to provide his Cabinet colleagues with details of the future plans once they had been properly developed.

Cabinet **resolved** to agree the following minor amendments to the designs for the Merry Fiddlers junction in order for the outstanding highways improvements to be implemented:

- (i) Upgrading traffic signals on all junction arms to provide Split Cycle Offset Optimisation Technique (SCOOT);
- (ii) Reducing the number of lanes on Green Lane from 3 to 2;
- (iii) Widening of the Green Lane pedestrian crossing island ;
- (iv) Providing Advance Stop Lanes (ASLs) at all arms of the junction.

86. Emergency Homelessness Accommodation

The Cabinet Member for Housing presented a report on proposals to procure contracts for the provision of emergency homelessness accommodation.

The Cabinet Member explained that since 2010, when there were significant changes to the housing market in east London and new housing benefit legislation came into effect, available rented accommodation in the Borough was consistently taken up by other London Boroughs taking advantage of the comparative low rental levels. As a result of the reduced availability of accommodation coupled with a significant increase in the number of homeless cases, the Council became increasingly dependent on spot purchasing of emergency accommodation to fulfil its statutory duties. The Cabinet Member referred to the significant increase in the number of placements in B&B accommodation between 2010 and 2012, which resulted in expenditure of £4.25m in 2012/13. A range of initiatives had been implemented by the Council to address supply and demand issues, including the conversion of the former Brockelbank and Riverside House residential homes as high quality hostel accommodation, and the current proposal to procure long-term contracts for emergency homelessness accommodation was a further step forward.

With regard to the number of private rented properties in Barking and Dagenham taken up by other London Boroughs, the Director of Housing advised that officers were collaborating with all but one of the 32 London Boroughs to ensure that there was a balanced approach across all Boroughs. The Leader asked to be provided with the details of the one Borough not participating in the project.

The Cabinet Member for Finance suggested that the procurement proposals would drive down costs as the Council would no longer be reliant on the single B&B accommodation provider in the Borough. He also commented that the position of Barking and Dagenham as having the lowest Council and private accommodation rents had not only led to other Boroughs taking advantage but had cost the Council a significant amount of money.

The Cabinet Member for Children's Social Care commented that he would wish to see details of the minimum standards within the contract specification as well as other comparative information.

Cabinet **resolved** to:

- (i) Waive the requirement to tender interim contracts for the provision of spot purchase of Bed and Breakfast and other nightly let temporary accommodation in order to ensure the Council fulfils its statutory housing duties, pending a procured contract being implemented;
- (ii) Approve the proposals for the procurement of a contract for emergency homelessness accommodation for a term of up to four years, with the option to extend for one year, in accordance with the strategy as set out in the report;
- (iii) Delegate authority to the Director of Housing, in consultation with the Chief Finance Officer and the Head of Legal and Democratic Services, to approve the entering into of contract(s) for a term of up to four years, with the option to extend for one year, upon conclusion of the procurement exercise; and
- (iv) Request officers to provide Cabinet Members with details of the minimum standard requirements that tenderers would be required to meet under the specification for the contract.

87. Temporary Accommodation Placements Policy

Following on from the above, the Cabinet Member for Housing presented the draft Temporary Accommodation Placements Policy which explained how the Council would meet its statutory obligations to homeless individuals and families and, in particular, the criteria in respect of out of borough placements.

During the discussions, Members raised issues relating to:

- The proposed 1½ hour maximum travel time for out of borough placements involving households with children in education or those in permanent and settled employment. It was suggested that the maximum limit should be 1 hour, in line with the current assessment criteria referred to in the previous report.
- The need for the policy document to be assessed against the Plain English crystal mark.
- The need for further analysis of the standard and quality of accommodation, demand factors and issues relating to placements from other London Boroughs.

- The need for a holistic approach to temporary accommodation placements.

Cabinet **resolved** to:

- (i) Approve the implementation of the Temporary Accommodation Placements Policy set out at Appendix A to the report, subject to the amendment of the travel time relating to children in education being reduced to a maximum of one hour in line with the conditions applicable to homeless placements;
- (ii) Note the Placements Procedure and Equalities Impact Assessment set out at Appendices B and C to the report respectively; and
- (iii) Request officers to report back within three months on the issues raised at the meeting concerning:
 - The standard and quality of temporary accommodation provided;
 - The analysis of homelessness demand in the Borough;
 - The cooperation being achieved with other Boroughs on the placement of households in temporary accommodation in Barking and Dagenham.

88. Procurement of Markyate Day Nursery Services

The Cabinet Member for Education and Schools introduced a report on proposals for the procurement of day care nursery services at Markyate Nursery, which would assist the Council in meeting its responsibilities under the Childcare Act 2006 and the increasing demand for childcare places in the Borough.

Cabinet **resolved** to:

- (i) Agree the procurement of a seven-year contract, with an extension option of up to three years, for the provision of day care nursery services at Markyate Nursery as detailed in the report; and
- (ii) Delegate authority to the Corporate Director of Children's Services, in consultation with the Cabinet Member for Education and Schools, the Chief Finance Officer and the Head of Legal and Democratic Services, to award and enter into the contract and coterminous lease to the successful bidder in accordance with the strategy.

89. Calculation and Setting of the Council Tax Base for 2015/16

The Cabinet Member for Finance presented a report in respect of the Council Tax Base for 2015/16.

The Cabinet Member advised that there had been an increase in the base figure of 2,102.52 Band 'D' equivalent properties compared to the 2014/15 level, which would generate an additional income to the Council of £2.14m.

Cabinet **resolved** to determine that in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Barking and Dagenham Council as its tax base for the year 2015/16 shall be 42,624.64 Band 'D' properties.

90. Council Sites - Land Disposals

The Cabinet Member for Finance presented a report on the proposed disposal of a number of sites across the Borough that had been identified as surplus to requirements.

The Cabinet Member advised that he had asked officers to establish a register of all of the Council's land holdings as part of a more strategic approach to land disposals. The assessment of potential land disposals would take account of the community improvements that could be achieved as well as optimising capital receipts to support the Council's Capital Programme. The Cabinet Member also referred to the importance of disposing of surplus land to minimise revenue expenditure, which was illustrated by the budget pressure stemming from the delayed disposal of 90 Stour Road.

Officers clarified issues relating to the valuations contained within the exempt appendices to the report and it was confirmed that any offer that was significantly below the anticipated level of receipt would be referred back to the Cabinet. In respect of the proposed disposal of land at Hooks Hall Farm via a long lease, it was agreed that the final decision be reserved to the Cabinet and officers were asked to include in that report details of other potential options for the site. With regard to the site adjacent to Marks Gate Cemetery and Bagleys Spring, it was noted that the marketing exercise would reflect the high water table in that area.

Cabinet **resolved** to:

- (i) Approve the disposal of the Council's freehold interest in the land south of Plumtree Close, Dagenham, shown edged red on site plan 1 at Appendix 1 to the report, to an adjoining owner for the best consideration and terms that can reasonably be agreed;
- (ii) Approve the disposal of the Council's freehold interest in the land and buildings known as Rose Redding Hall, 163 Bennetts Castle Lane, Dagenham, shown edged red on site plan 2 at Appendix 1, to the occupying charity, LifeLine Community Project, for the best consideration and terms that can reasonably be agreed;
- (iii) Approve the joint marketing and disposal with NHS Properties of the land adjacent to the Thames View Health Centre, Bastable Way, shown edged red on site plan 3 at Appendix 1, for the best consideration and terms that can reasonably be agreed;
- (iv) Approve the joint marketing of land adjacent to the Ship and Anchor site and adjacent land parcels owned by the Council at Becontree Heath, Dagenham, shown edged red on site plan 4 at Appendix 1, to facilitate the regeneration of the entire site and to note that a further report on the marketing will be presented to Cabinet in due course;
- (v) Approve the disposal of the Council's interest in 64-68 Church Street, Dagenham, shown edged red on site plan 5 at Appendix 1, to the adjoining owner Estuary Housing Association for the best consideration and terms

that can reasonably be agreed;

- (vi) Approve the disposal of the Council's interest in 1 and 2 The Triangle, Tanner Street, Barking, shown edged red on site plan 6 at Appendix 1, to the occupying tenants for the best consideration and terms that can reasonably be agreed;
- (vii) Approve, in principle, the disposal of the Council's freehold interest in the farm house at Hooks Hall Farm, Dagenham and the associated disposal of grazing land, shown edged red on site plan 7 at Appendix 1, on a long lease to the current occupants to facilitate further invest in their business for the best consideration and terms that can reasonably be agreed, subject to a report to a future meeting on all the potential options for the site and updated valuations from the District Valuer;
- (viii) Approve the disposal of 90 Stour Road, Dagenham, shown edged red on site plan 8 at Appendix 1, for the best consideration and terms that can reasonably be agreed;
- (ix) Approve the disposal of land at Siviter Way, Dagenham, shown edged red on site plan 9 at Appendix 1, for the best consideration and terms that can reasonably be agreed;
- (x) Approve the disposal of land adjacent to Marks Gate Cemetery and Bagleys Spring, Chadwell Heath, shown edged red on site plan 10 at Appendix 1, for the best consideration and terms that can reasonably be agreed;
- (xi) Approve the disposal of amenity greenbelt land off Bridport Avenue, Romford, (situated outside the Borough), shown edged red on site plan 11 at Appendix 1, to the London Borough of Havering for the best terms that can be agreed including the provision for either overage or a restrictive covenant against future development of either parcel of land;
- (xii) Approve the disposal of a vacant strip of land to the south of Althorne Way, shown edged red on site plan 12 at Appendix 1, to Morrisons and to enter into all necessary agreements for its use as a joint Leisure Centre / Morrisons Car Park;
- (xiii) Note that further reports shall be presented to Cabinet prior to disposal in respect of any sites where the Chief Finance Officer considers that the sum offered is significantly below the anticipated level of receipt;
- (xiv) Note the current positions regarding the Fanshawe Community Centre site and 145 Halbutt Street as set out in paragraph 2.3 and 2.4 of the report;
- (xv) Subject to (vii) and (xiii) above, delegate authority to 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 terms and negotiate the contract documents to fully implement and effect the sale of the sites; and
- (xvi) Authorise the Head of Legal and Democratic Services, or an authorised

delegate on her behalf, to execute all of the legal agreements, contracts and other documents on behalf of the Council.

This page is intentionally left blank

CABINET

16 February 2015

Title: Budget Monitoring 2014/15 - April to December 2014 (Month 9)	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: No
Report Author: Steve Pearson Group Accountant, Corporate Finance	Contact Details: Tel: 020 8227 5215 E-mail: steve.pearson@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 nine months to the end of December 2014, projected to the year end.</p> <p>At the end of December 2014 (Month 9), there is a projected overspend of £1.6m, predominantly on the Children's Services budget after the agreed application of the remainder of the Children's Services reserve. This is an increase of £0.1m from last month.</p> <p>The total service expenditure for the full year is currently projected to be £166.9m against the budget of £165.3m. The projected year end overspend coupled with the budgeted reserve drawdown will reduce the General Fund balance to £24.5m at the year end. The Housing Revenue Account (HRA) is projected to break-even, leaving the HRA reserve at £8.7m. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund.</p> <p>The Capital Programme budget stands at £143.2m with a forecast outturn of £134.6m. Capital budgets cannot contribute to the General Fund revenue position although officers ensure that all appropriate capitalisations occur.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Note the projected outturn position for 2014/15 of the Council's General Fund revenue budget at 31 December 2014, as detailed in paragraphs 2.1, 2.4 to 2.10 and Appendix A of the report; (ii) Note the progress against the agreed 2014/15 savings at 31 December 2014, as detailed in paragraph 2.11 and Appendix B of the report; (iii) Note progress against the agreed 2014/15 HRA savings as detailed in paragraph 2.12 and Appendix B of the report; 	

- (iv) Note the overall position for the HRA at 31 December 2014, as detailed in paragraph 2.12 and Appendix C of the report; and
- (v) Note the projected outturn position for 2014/15 of the Council's capital budget as at 31 December 2014, as detailed in paragraph 2.13 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 report 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 2014/15 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 2014 provided for a target of £15.0m for the General Fund balance. The revenue outturn for 2013/14 led to a General Fund balance of £27.1m. The current projected position, unless addressed, would mean a reduction in the General Fund balance to £24.5m, but still above the target general fund balance of £15.0m.
- 1.4 The additional level of reserves above the minimum level provides the Council with some flexibility in its future financial planning but, to take advantage of that, it is essential that services are delivered within the approved budget for the year. Overspends within directorate budgets will erode the available reserves and therefore limit the options that reserves could present in the medium term.

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 2014/15	Net Budget	Full year forecast at end December 2014	Over/(under) spend Forecast
	£000	£000	£000
Directorate Expenditure			
Adult and Community Services	55,159	54,452	(707)
Children's Services	61,503	65,372	3,869
Housing (GF)	3,563	3,512	(51)
Environment	20,861	21,300	439
Chief Executive	21,276	20,902	(374)
Central Expenses	4,002	2,452	(1,550)
Total Service Expenditure	166,364	167,836	1,626
Budgeted reserve drawdown (to Central Expenses budget)	(1,044)	(1,044)	-
Total Expenditure	165,320	166,946	1,626

	Balance at 1 April 2014	Forecast Balance at 31 March 2015
	£000	£000
General Fund	27,138	24,468*
Housing Revenue Account	8,736	8,736

*The forecast general fund balance includes the £1.6m projected overspend plus the £1m planned drawdown from reserves.

2.2 Chief Finance Officer's comments

The current Directorate revenue projections indicate an overspend of £1.6m for the end of the financial year, made up as follows:

- £0.4m underspend in the Chief Executive directorate mainly as a result of vacancies within the directorate;
- £0.7m underspend in the Adult & Community Services directorate as a result of widening the use of the Public Health grant;
- £1.5m underspend in the Central Expenses budget due to VAT refunds and reduced borrowing costs as a result of well managed cash flow;
- £0.4m overspend in Environment due to accommodation costs and reduced parking income; and
- £3.8m overspend in Children's Services due to demand pressures in the Complex Needs and Social Care division.

As noted above, the current forecast overspend within Children's Services represents the greatest area of risk to delivering a balanced budget for 2014/15. Previous Cabinets have received reports from Children's Services setting out options for reducing expenditure in the current financial year. Alongside the actions

by Children's Services, September Cabinet agreed that Chief Officers and budget managers only authorise expenditure on areas that are essential to the delivery of their service. The effects of these measures have fed through more broadly in to the overall position since September with the overall position having improved by nearly £2m.

As previously reported, there are further options for this financial year including the transfer of the net income for the commercial portfolio currently accounted for in the Housing Revenue Account and a potential reduction in the required bad debt provision for temporary accommodation based on current demand. An analysis of the monitoring and outturn reports in previous years also highlighted a consistent trend of reductions in projected spend and this will need to be reviewed up to and through the end of the financial year.

Whilst the currently forecast overspend, would result in a reduction in the Council's General Fund balance, it would still remain 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 2014 was £27.1m and the current forecast balance for the end of the financial year is £24.5m.

At the end of December 2014, the HRA is forecasting a balanced budget, maintaining the HRA reserve at £8.7m.

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	2013/14 Outturn £000	2014/15 Budget £000	2014/15 Forecast £000
Net Expenditure	55,191	55,159	54,452
Projected over/(under)spend			(707)

The Adult and Community Services directorate is overall forecasting an underspend of £707k for 2014/15, similar to last month. This position is after the decision to charge Substance Misuse and Drug and Alcohol Action Team services as well as Sports Development to Public Health grant. There are still a number of pressures within the service, particularly for Mental Health and non-residential care budgets for all client groups. These pressures have been evaluated and appropriate management actions within the service will be implemented as necessary. The net budget includes the full allocation of £4.185m social care funding transfer from NHS England; this is allocated by local Section 256 agreement and is part of our Better Care Fund (BCF) as taken to the Health and Wellbeing Board (H&WBB) in March

2014. Submission templates for the social care funding transfer have recently been released by NHS England and have been completed.

A savings target of £2.438m is built into the 2014/15 budget. These are largely all in process of being delivered or necessary changes have already been made, any shortfalls are being covered within the relevant division.

The Adult and Community Services budget includes Public Health, responsibilities for which transferred over to the Council in April 2013. The service is wholly grant funded, i.e. a net budget and the grant for 2014/15 is £14.213m. The grant contributes towards the Council's preventative agenda by promoting healthy outcomes for adults and children. As noted above, a recent review has been undertaken in order to free up usage of the grant so that other appropriate general fund services can be charged to the grant to help alleviate the overall corporate budget pressure.

2.5 Children's Services

Directorate Summary	2013/14 Outturn £000	2014/15 Budget £000	2014/15 Forecast £000
Net Expenditure	65,016	61,503	65,372
Projected over/(under)spend			3,869

Overall the service is forecasting a projected overspend of £3,869m. This projection takes into account the use of the children's reserve of £1.500m and actions undertaken totalling £1.120m. This represents an increase of £154k from last month.

Pressures across Children's Services continue to grow so that less will be available to ameliorate the social care overspend, and grant income has also reduced. Cabinet has been updated in October and a further update in January setting out options for significantly reducing or eliminating the adverse budget position and quantifiable growth data, analysis and trends. The increase this month in the forecast relates to two key aspects:

- a) Staffing directly as a result of increased caseload and the continued aim to keep to the agreed position of 20 cases per social worker. As at the 23rd January 2015 the caseload is at 977 with 35 permanent or agency social workers and 15 trainees covering these cases. Trainees are only statutorily allowed limited caseloads in their first year which increases the number of staff currently required. Despite this current additional cost there will be long term benefits as these staff will help reduce agency costs in the longer term.
- b) Additional costs have been incurred as previously reported to Cabinet for short term support including ISOS, Impower and additional social care and finance consultancy.

Social Care have been successful in reducing some areas of cost including independent fostering where numbers have reduced from over 110 in April 2014 to currently 85 resulting in ongoing reduced costs of £100k per month. Legal costs are

also forecasted to reduced by £250k in comparison to last year and 33 children have been adopted which reduces looked after children spending.

There are further risks that may affect the outturn. The troubled families programme extends over several years. Phase one is due to end in May 2015 with phase two set to commence shortly. Grant funding is received from central government for the programme and should be rolled forward where necessary to meet the targets of the programme. Failure to roll forward this funding into future years would place the scheme and its targets at risk though this must be viewed in the context of the Council's overall financial outturn before any decision is made.

2.6 Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school-age pupils within the borough. The 2014/15 DSG allocation is £228.0m, covering Individual Schools Budgets, High Needs and Early Years services.

2.7 Environment

Directorate Summary	2013/14 Outturn £000	2014/15 Budget £000	2014/15 Forecast £000
Net Expenditure	22,425	20,861	21,300
Projected over/(under)spend			439

Environmental Services is forecast to overspend by £439k at the year end. The position is consistent with that reported in November with the service managing pressures of £2m.

The risk within Environmental Services is a combination of pressure on staffing budgets, income pressures, increased ELWA disposal costs and the under achievement of savings targets. A significant element of risk is outside the services direct control, however, an action plan is being delivered to support mitigation of the budget pressure. Action includes reviewing income opportunities, utilising one off grants, holding posts vacant, ensuring recharges and income collection are up to date and maintaining expenditure restraint across the service.

The service has an agreed savings target of £904k, of which £434k is expected to be delivered. Under achievement of this target is due to delays in determining the future use of 2 and 90 Stour Road (£295k) and the loss of income generating assets affecting the Parking service alongside improved payment behaviour (£175k). A larger percentage of PCN's are being paid on time at the discounted rate suggesting greater compliance. The service is unable to contain this pressure and outturn within budget. Further pressure on this position is increasingly difficult to absorb and manage.

2.8 Housing General Fund

Directorate Summary	2013/14 Outturn £000	2014/15 Budget £000	2014/15 Forecast £000
Net Expenditure	2,530	3,563	3,512
Projected over/(under)spend			(51)

Current projections indicate an underspend position of £51k for 2014/15. Reduced spend on Bed and Breakfast is expected to more than offset other budget pressures within the service. The main risk to the position is the level of temporary accommodation placements, particularly the numbers within Bed and Breakfast, and the level of arrears.

There were 61 Bed and Breakfast placements as at the end of December 2014 which is below the November 2014 position of 80. Placements over the first 9 months of the year have typically been within budget assumptions. A continuation of this trend over the remainder of the year should enable the service to outturn under budget; however, there is constant fluctuation in the numbers placed in Bed & Breakfast. In order to mitigate this pressure, the service actively works to minimise Bed and Breakfast placements by using decanted stock and incentivising private sector landlords.

The status of arrears has moved over the first 9 months of the year with a greater proportion now categorised as former tenants – this follows an increase in the number of evictions. Former tenant arrears require a larger bad debt provision due to the reduced likelihood of collection. Targeted intervention and additional collection resource is being deployed to further improve arrears management and as a result overall arrears have reduced by £22k since November 2014. However, they are £450k above the position at the start of the year. The benefit from reduced Bed and Breakfast placements is currently offsetting the need for greater bad debt provision. Bed and Breakfast placements and movements in arrears continue to be closely monitored as does the impact of welfare reform.

2.9 Chief Executive's Directorate

Directorate Summary	2013/14 Outturn £000	2014/15 Budget £000	2014/15 Forecast £000
Net Expenditure	18,475	21,276	20,902
Projected over(under)spend			(374)

The Chief Executive's directorate is still on target to underspend against its budget by £374k. This is a net figure resulting from a number of variances against service budgets. Underspends are forecast due to a number of reasons, including in year vacancies across the divisions, savings from treasury management contracts and tighter controls on expenditure against supplies budgets as a result of the expenditure freeze.

There are potential overspends resulting from income targets not being met as a result of the under-recovery of some school buybacks, a reduction in citizenship ceremony income and the under-recovery of the court cost income target. Also,

forecasts provided by Elevate indicate a potential deficit of £0.5m at the end of the year due to pressure within the Revenues and Benefits service, primarily in respect of print and postage activity. Discussions between Elevate and the Council are ongoing to determine a way forward, however, the contract terms provide that any year-end deficit would be funded on an 80:20 basis between Agilisys and the Council.

The directorate had been set a savings target in 2014/15 of £1.2m, which have been achieved. As 2015/16 and 2016/17 savings targets have been agreed, divisions within this directorate are making the necessary arrangements to enable the delivery of these savings.

2.10 Central Expenses

Directorate Summary	2013/14 Outturn	2014/15 Budget	2014/15 Forecast
	£000	£000	£000
Net Expenditure	4,382	2,958	1,408
Projected over(under)spend			(1,550)

Consistent with the previous month, Central Expenses is projecting an underspend of £1.6m resulting from a refund of overpaid VAT (£400k), reduction in borrowing costs and improved rate of return on cash deposits (£650k) and a forecast increase in the agency staff contract rebate (£500k). The agency staff contract rebate increases as more agency staff are employed with the increased usage of such staff by Children's Services having contributed significantly to the higher rebate and should be viewed as offsetting some of the pressure in that area. As highlighted above, the number of agency staff in Children's Services has not reduced as targeted which may bring a further increase in the rebate projection.

Further savings may be available from the bad debt provision for Council Tax and temporary accommodation arrears if current collection rates are maintained. Whilst Council Tax collection levels are holding, as noted above, there may be pressure on temporary accommodation budgets due to the increase in former tenant arrears. A view on both will be taken once the year end collection and outstanding debt levels are known.

2.11 In Year Savings Targets – General Fund

The delivery of the 2014/15 budget is dependent on meeting a savings target of £8.7m. Directorate Management Teams are monitoring their targets and providing a monthly update of progress which is summarised in the table below. Where there are shortfalls, these will be managed within existing budgets and do not affect the monitoring positions shown above.

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	2,438	2,398	40
Children's Services	2,964	2,964	-
Housing and Environment	1,129	659	470
Chief Executive	1,219	1,219	-
Central Expenses	971	971	-
Total	8,721	8,211	510

2.12 Housing Revenue Account (HRA)

The HRA is currently forecast to breakeven. More detailed monitoring information is given in Appendix C.

Income

Income is expected to overachieve by £419k. Pressure of £196k on garage rents, due to a higher than expected void level, is more than offset by additional income from water charges to tenants and an expected overachievement on interest received on HRA cash balances.

The main risk to this position is the impact of welfare reform. 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 stock movements are being closely monitored as an increasing level of Right to Buy activity and higher than budgeted void levels may adversely impact rental income.

Expenditure

Expenditure budgets are expected to overspend by £419k. Expenditure pressures within the caretaking service, repairs and maintenance service and the delayed delivery of savings provide the main risks. However, this is expected to be mitigated through other budgets underspending and the one off receipt of recovered water and sewerage overpayments on demolished blocks.

Current forecasts indicate delivery of £4.6m of the £6.1m saving requirement with a shortfall of £1.5m. This is primarily due to delays in commencing restructures, the ongoing review of energy billing within communal areas and non-receipt of income from Reside Ltd for the provision of housing landlord services and repairs and maintenance services due to higher than expected void levels.

Delayed or reduced delivery is expected to be managed within the HRA to ensure a breakeven position.

HRA Balance

It is expected that HRA balances will remain at £8.7m. There is a budgeted contribution to capital resources of £35.5m.

2.13 Capital Programme 2014/15

The Capital Programme forecast against budget as at the end of December 2014 is as follows:

	2014/15 Current Budget £'000	Actual Spend to Date £'000	2014/15 Forecast £'000	Variance against Budget £'000
ACS	10,451	8,421	10,451	0
CHS	27,632	18,297	27,454	(178)
H&E	5,492	2,922	5,041	(451)
CEO	9,139	4,350	8,567	(572)
Subtotal - GF	52,714	33,990	51,513	(1,201)
HRA	90,439	51,855	83,077	(7,362)
Total	143,153	85,845	134,590	(8,563)

The detailed scheme breakdown is shown in Appendix D.

Summary

The 2014/15 capital programme stands at a revised budget of £143.1m, and Directorates are anticipating an overall underspend of £8.5m. This forecast assumes that almost £50m will still be spent in the remaining months of the year; therefore an accelerated level of expenditure will need to be incurred in order to meet this position and avoid further slippage.

New Capital Schemes

There are no new schemes this month.

Adult & Community Services (ACS)

Adult & Community Services has a current budget for 2014/15 of £10.4m, and the programme is forecast to spend to budget overall.

Children's Services (CHS)

Children's Services has a current budget of £27.6m, and is currently expecting to underspend against this by £178k. This is a net position and results from a number of individual over and underspends. Scheme (under) / overspends of £100k or more include:

- Roding Primary School (£130k)
- Richard Alibon Expansion £100k
- Manor Infants & Junior Expansion £200k
- John Perry School Expansion £100k
- All Saints Expansion £116k
- Jo Richardson Expansion (£250k)

Under and overspends are returned to and drawn from the total Basic Need funding allocation. Officers will continue to ensure that all schools are completed for the required new intake deadlines.

Housing & Environment (H&E)

Environmental Services has a current capital programme of £5.4m, and is currently projecting slippage of £451k as a result of the following schemes:

- Street light replacement (£272k) – due to negotiations with the contractor;
- Road safety improvement (£100k) – due to delays in conducting a borough wide assessment of sites to assess suitability for the scheme; and
- Controlled Parking Zones (£79k) – due to delays in implementing Traffic Management Orders (TMOs).

Chief Executive (CEO)

The Directorate has a current budget of £9.1m and is forecasting overall slippage of £571k.

Asset Management schemes are forecasting total slippage of £458k. This includes £155k relating to the Energy Efficiency Programme, which is as a result of the closure of various corporate accommodation sites. Approval will be sought from the government body providing the funding to allow slippage into 2015/16. There is also slippage of £200k and £133k forecast against Backlog Capital Improvements and the Corporate Accommodation schemes respectively. These also arise as a result of the timing of decisions surrounding the future of corporate buildings.

Regeneration schemes are forecast to slip by £133k this year, owing to tendering delays for the fit-out of Ice House Court in Abbey Road. The unspent budget will be used as part of a match-funding bid with the GLA to secure further regeneration grant funds in 2015/16.

Housing Revenue Account (HRA)

The HRA has a current capital programme budget of £90.4m, and is forecasting a year-end outturn of £83.1m.

Estate Renewal

This budget is forecasting slippage of £200k due to uncertainties around the timings of the full demolition of Gascoigne and Althorne way buildings.

New Build

This budget is showing a variance of £1.942m, which results from an overspend of £152k on the New Council Housing Phase 3 scheme, and slippage of £2.095m across the following schemes:

- Ilchester Road (£400k); and
- North Street (£200k) – due to the conclusion of the consultations;
- Marks Gates (£400k) – due to contractor delays,
- Leys (£750k) – due to ground investigations;
- Wood Lane (£130k); and
- Abbey Road (£215k) – retention payments now expected in 2015/16.

Investment in stock

This budget is forecasting an overall underspend of £5.219m; this is a net position and also includes some individual scheme overspends:

- Decent Homes – North, Blocks, and Sheltered – combined slippage of £6.4m – due to contractor negotiations and delays in the tender process
- Fire safety works – slippage of £300k;
- Aids & Adaptations, Voids, Asbestos Removal, Central heating Installations and Decent Homes South – combined spend brought forward from 2015/16 of £1.5m

2.14 Financial Control

At the end of December, the majority of key reconciliations have been prepared and reviewed. Where they are outstanding, an action plan has been put in place to ensure that they are completed by the end of the financial year.

3 Options Appraisal

- 3.1 The report provides a summary of the projected 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 have 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:

- Oracle monitoring reports

List of Appendices

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

GENERAL FUND REVENUE MONITORING STATEMENT

December 2014/15

Directorate	Outturn 2013/14	Revised Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000
<u>Adult & Community Services</u>				
Adult Social Care	45,354	29,165	29,740	575
Commissioning & Partnership		10,292	9,209	(1,083)
Culture & Sport	6,822	4,424	4,285	(139)
Mental Health	3,803	3,422	4,129	707
Public Health	(786)	785	785	-
Management & Central Services	(2)	7,071	6,304	(767)
	55,191	55,159	54,452	(707)
<u>Children's Services</u>				
Education	6,576	5,732	5,176	(556)
Complex Needs and Social Care	39,205	35,130	39,505	4,375
Commissioning and Safeguarding	9,607	9,434	9,484	50
Other Management Costs	9,628	11,207	11,207	-
	65,016	61,503	65,372	3,869
<u>Children's Services - DSG</u>				
Schools	169,101	176,960	176,960	-
Early Years	13,226	19,329	19,329	-
High Needs	22,920	27,837	28,807	970
Non Delegated	2,715	957	737	(220)
Growth Fund	2,489	3,037	2,375	(662)
School Contingencies	590	-	-	-
DSG/Funding	(211,041)	(228,120)	(228,208)	(88)
	-	-	-	-
<u>Housing & Environment</u>				
Environment & Enforcement	22,425	20,861	21,300	439
Housing General Fund	3,161	3,563	3,512	(51)
	25,586	24,424	24,812	388
<u>Chief Executive Services</u>				
Chief Executive Office	(144)	(85)	(21)	64
Strategy & Communication	(305)	201	138	(63)
Legal & Democratic Services	212	490	151	(339)
Human Resources	(71)	45	(30)	(75)
Corporate Finance & Assets	15,510	18,017	18,106	89
Regeneration & Economic Development	2,994	2,608	2,558	(50)
	18,196	21,276	20,902	(374)
<u>Other</u>				
Central Expenses	(5,013)	(7,233)	(8,906)	(1,673)
Levies	-	9,685	9,808	123
Contingency	9,395	1,550	1,550	-
Budgeted Reserve Drawdown		(1,044)	(1,044)	-
	4,382	2,958	1,408	(1,550)
TOTAL	168,371	165,320	166,946	1,626

This page is intentionally left blank

Directorate Savings Targets: Progress at Period 9

Ref:	Detail	Target £000	Forecast £000	Variance £000	Current Position
ACS/SAV/09	Adoption of a mixed economy approach for the library service: closure of Rush Green library, transfer of Robert Jeyes library into a community management arrangement and a wholly volunteer led service at Marks Gate library.	593	593	-	Cabinet resolution 23 July 2013 that the difference between the original budget saving of £593k and the anticipated saving of £400k will be managed by the application of corporate contingency in 2014/15, and that for 2015/16 the shortfall be addressed as part of the budget savings requirement.
ACS/SAV/11	Reduce funding for care packages	200	200	-	Saving to be achieved from care budgets
ACS/SAV/12	Management Reductions (reduce social care GM)	40	40	-	Post deleted saving will be achieved
ACS/SAV/13	Homelessness Prevention	120	120	-	Budget and delivery of saving transferred to Housing
ACS/SAV/14	Reduce Carers Contract	14	14	-	Provider (Carers of Barking & Dagenham) informed of reduction
ACS/SAV/15	Advocacy - reduce to statutory provision	42	42	-	Plans to deliver this saving are in place
ACS/SAV/16	Do not extend core funding for DABD	35	35	-	Plans to deliver this saving are in place
ACS/SAV/19	Reduce business support in Adult Social Care	16	16	-	Post deleted saving will be achieved
ACS/SAV/20	Delete Arts Team	96	96	-	Deletion of Arts Development manager post in December 2013.
ACS/SAV/21	Delete Events Team and end all directly delivered and commissioned arts events and programmes	68	68	-	Deletion of Events team and programme scheduled before the end of the year.
ACS/SAV/23	Valence House - Heritage Education Team	40	40	-	Plan to deliver this saving in place.
ACS/SAV/25	Delete Neighbourhood Crime Reduction Team	133	133	-	Service redesign: savings to be achieved through utilisation of external funding streams

Appendix B

ACS/SAV/26	Delete Anti Social Behaviour Team	121	121	-	Service redesign: savings to be achieved through utilisation of external funding streams
ACS/SAV/28	Reduce strategic commissioning posts	28	28	-	Post deleted saving will be achieved
ACS/SAV/29	Reduce dedicated support to service users and carers	19	19	-	Post deleted saving will be achieved
ACS/SAV/30	Metropolitan Police - Cease Funding Parks Team	160	160	-	Plans to deliver this saving are in place
ACS/SAV/31	Youth Offending - Cessation of triage and prevention interventions	200	200	-	Plans to deliver this saving are in place
ACS/SAV/33	Supporting People Grant Changes	200	200	-	Steps to deliver this saving has been confirmed with Housing colleagues
Feb 2012 Assembly	Remodelling homecare services in line with the principles of personalisation	100	100	-	Saving achieved following choice & control restructure
Feb 2012 Assembly	Revisions to pricing framework for Care Home Placements	24	24	-	Pricing framework revised - saving will be achieved
Feb 2012 Assembly	Changes to in-house residential care service for adults with a learning disability (80 Gascoigne)	50	50	-	To be achieved by moving service users currently in high cost external placements to 80 Gascoigne Rd
Feb 2012 Assembly	Remodel of learning disability day, volunteering and employment services	100	100	-	Plans to deliver this saving are in place
Feb 2012 Assembly	Expanding commercial opportunities at heritage venues	40	0	40	Income budget to be added to shortfall in current Eastbury House income generation so it is expected that this saving would add to this shortfall. However, the shortfall is expected to be absorbed within the wider Culture & Sport income targets
Total Adult & Community Services		2,438	2,398	40	

Appendix B

Ref:	Detail	Target	Forecast	Variance	Current Position
		£000	£000	£000	
CHS/SAV/16	Adult College –Saving in General Support	100	100	0	On target to be achieved
CHS/SAV/17	Education -Advisory Teachers	200	200	0	On target to be achieved
CHS/CS03	Education -Borough Apprentice Scheme	50	50	0	On target to be achieved
CHS/SAV	Education - Attendance	40	40	0	On target to be achieved
CHS/SAV/17	Education – Special Inclusion Team	50	50	0	On target to be achieved
CHS/SAV/19	Education	200	200	0	On target to be achieved
CHS/SAV/20	Education – Youth Services Central	460	460	0	On target to be achieved
CHS/SAV/21	Education – SSE Early Years and Childcare	50	50	0	On target to be achieved
CHS/SAV/22	Commissioning -SSE Children’s Centres Central	1,614	1,614	0	On target to be achieved
CHS/SAV/07	Commissioning - CAMHS	50	50	0	On target to be achieved
CHS/SAV/CS07a	Commissioning – Performance and Information	55	55	0	On target to be achieved
CHS/SAV/CS07b	Commissioning –Commissioning and Partnerships	25	25	0	On target to be achieved
CHS/SAV/13	Commissioning – Performance and Information	70	70	0	On target to be achieved
Total Children’s		2,964	2,964	0	

Ref	Detail	Target	Forecast	Variance	Current Position
		£000	£000	£000	
H&E/SAV/13	Environmental Services - Remove infrastructure and reduction in maintenance; and identify alternative community use for spaces where possible	195	195	0	20 GMO staff (0.5 FTE's) have been removed from the Grounds maintenance budget. Staff impacted have either left or are in other non-GMO roles.
H&E/SAV/15	Recharge GF works to the Parking Account	100	0	100	Savings not achieved due to mitigating the loss of assets including Axe Street Car Park, Becontree Heath Car Park and areas of CPZ which were removed resulting in lost income from permits sales. Also decreases in income for Pay and Display as fees were not increased to take into account the convenience charge for telephone parking.
H&E/SAV/16	Housing Advice Service - Reduction in temporary Accommodation Costs	225	225	0	Savings delivered through reduction in B&B use/Increased hostel and other housing options
H&E/SAV/17	Parking - increase the volume of enforcement activity delivered by surveillance cameras and cars; and implement paperless parking systems including online and telephone payments and automatic number recognition.	300	225	75	<p>-Generation of £150k for increased levels of enforcement and efficiencies within the service.</p> <p>-Paperless parking and enforcement by ANPR - £55k</p> <p>Paperless parking project is due to go live in April 2015; there has been a delay in this going live due to other IT issues that have occurred. To be rolled forward to 2015/16</p> <p>-Online permit sales</p> <p>This is in place and the footfall of customers is down by 10% since April 2014. As the on-line applications increase this has had an effect on resource in the back office. Savings is not achievable as it was taken by the one stop shop and not by parking.</p> <p>-Consultation - £20k</p> <p>A review of the service to be undertaken only part year saving to be delivered. Full year equates to £40k</p>

Appendix B

Ref	Detail	Target	Forecast	Variance	Current Position
		£000	£000	£000	
Feb 2012 Assembly	Making Parks more commercially sustainable	9	9	0	Savings delivered through income received from Masts
FIN&RES/SAV/19	Facilities Management - Closure of buildings as part of the office accommodation strategy	300	5	295	Savings not yet achieved as both 2 & 90 Stour road buildings have not yet closed.
ACS/SAV/13	Homelessness Prevention	120	120	0	Savings delivered and affected staff have been retained due to Public Health grant funding obtained.
Total Housing & Environment		1,129	659	470	

Page 31

Ref:	Detail	Target	Forecast	Variance	Current Position
		£000	£000	£000	
FIN&RES/SAV/01	Regeneration - delete a post in the Transport Planning team from 2014/15	53	53	0	Savings achieved and post deleted.
FIN&RES/SAV/06	Efficiencies through implementation of Oracle R12	200	200	0	Savings achieved
FIN&RES/SAV/18	Merger of the Corporate Client and Capital Delivery Teams	125	125	0	Restructure completed and savings achieved
FIN&RES/SAV/20	Regeneration - Further savings on the Economic Development and Sustainable Communities Team	240	240	0	Savings achieved
FIN&RES/SAV/21	Regeneration - Further savings in the Employment & Skills Team	307	307	0	Savings achieved
FIN&RES/SAV/22	Regeneration - additional income from the increase in nationally set planning fees.	52	52	0	Income target increased, savings on track to be delivered.
CEX/SAV/09	Human Resources - Cost of Health and Safety Team	56	56	0	Savings achieved, post deleted
CEX/SAV/10	Strategy & Communications - Further	70	70	0	Savings achieved and shared arrangement with

	reduction and sharing of Service				Thurrock Council in place.
Feb 2012 Assembly	Merge Payroll and HR Support (within Elevate)	116	116	0	Achieved
Total Chief Executive		1,219	1,219	0	

HRA SAVINGS

Detail	Target	Forecast	Variance	Current Position
Cease Sheltered Housing warden service to London and Quadrant and closure of St Mary Sheltered Housing Unit	103	103	0	Service recharged to L&Q
Efficiency savings for housing Repairs and Maintenance	490	490	0	Expected to deliver saving
Undertake an economic, technical and operational review of DLO	500	250	250	Partial delivery of saving in year from efficiencies and savings on non-staffing budgets
Capitalisation of Voids	1,000	1,000	0	Charged to appropriate capital budget
Reduction in concierge due to demolition of blocks	300	300	0	Service no longer in place following demolition of blocks
Tenants Resource Centre	15	15	0	Achieved via a reduction in discretionary spend
Reduce provision for bad debts in HRA 2014/15	500	500	0	Bad Debt provision level expected to be sufficient
Increased commission on Water Services	251	251	0	Achieved. Higher percentage negotiations ongoing
Provide leasehold management services to Thurrock Council	50	50	0	First quarter invoice to be submitted
Reduction in Corporate Recharges to the HRA	743	743	0	Achieved as part of recharge review
CDC Reduction	126	126	0	Achieved as part of recharge review
Neighbourhood Management	92	61	31	ACS expect to achieve 75% saving
Additional rental income on Street Purchase	70	52	18	A number of properties have not been occupied for the full year the expected rental income is therefore £52k
Energy billing housing property communal areas	318	0	318	Not currently expected to be achieved – review underway
Tenants Participation Team restructure	40	40	0	Budget saving achieved
Housing and Neighbourhood Staffing Structures	510	50	460	Saving will not be delivered due to delays in progressing the restructure. Current forecast assumes small in-year saving

Appendix B

Repairs and Maintenance services provided to B&D Reside	190	0	190	Due to the high level of Voids income will not be passed to the HRA
Housing Management services provided to B&D Reside	77	0	77	Due to the high level of Voids income will not be passed to the HRA
Reduction improvement team and fleet	226	0	226	Six improvement staff and one quality assurance post transferred to R&M - staff are unbudgeted. Line management was transferred at the end of 13/14.
Vehicle contract hire	23	23	0	This particular vehicle was removed, however, there remains a wider pressure on vehicle costs.
Caretaking supplies	100	100	0	This budget was reduced and spend is currently on track to be at the revised level.
Reduction in caretaking and fleet	201	201	0	5 Staff positions across localities were removed and a further fleet reduction delivered.
Ground Maintenance reduction	60	60	0	2 x Grounds maintenance operatives were removed from the structure. Saving delivered. There remains a significant pressure of establishment spend within the service.
Reduction of two working supervisor posts from Environmental Services	66	66	0	2 x Working hands supervisors were removed from structure. Savings delivered. There remains a significant pressure of establishment spend within the service.
Closure of Abbey Depot	40	40	0	Depot was closed and no associated premises costs are to be incurred. Saving delivered.
Quality Assurance Post	41	41	0	Staff member has left. Saving delivered.
TOTAL HRA	6,132	4,562	1,570	

This page is intentionally left blank

HOUSING REVENUE ACCOUNT MONITORING STATEMENT
December 2014-15

Appendix C

	Budget	Actual to date	Forecast	Variance
	£'000	£'000	£'000	£'000
Rents	(87,000)	(53,648)	(87,000)	0
Non Dwelling Rents	(2,503)	(455)	(2,307)	196
Other Income	(16,401)	(13,959)	(16,651)	(250)
Repairs & Maintenance	17,205	20,756	17,916	711
Supervision & Management	37,779	34,628	37,878	99
Rents, Rates and Other	700	479	600	(100)
Revenue Contribution to Capital	35,453	11,609	35,453	0
Bad Debt Provision	2,659	0	2,467	(192)
Interest Charges	9,759	4,545	9,659	(100)
Corporate & Democratic Core	685	685	685	0
Interest Received	(336)	0	(700)	(364)
Pension Contribution	2,000	2,000	2,000	
Total	0	6,640	0	0

This page is intentionally left blank

2014/15 CAPITAL PROGRAMME - as at the end of December 2014

Project No.	Project Name	Budget	Actual Expenditure	2014/15 Forecast	Forecast Variance
Adult & Community Services					
Adult Social Care					
FC00106	Private Sector HouseHolds	573,715	498,770	573,715	0
FC02888	Direct Payment Adaptations Grant	385,333	216,467	385,333	0
FC02913	80 Gascoigne Road	3,672	0	3,672	0
FC02976	Community Capacity Grant	991,908	761,777	991,908	0
Culture & Sport					
FC02855	Mayesbrook Park Athletics Arena	212,220	102,000	167,880	(44,340)
FC02870	Barking Leisure Centre 2012-14	7,988,877	6,502,602	7,988,877	0
FC02266	Barking Park Restoration & Improvement	295,373	339,713	339,713	44,340
Total For Adult & Community Services		10,451,098	8,421,329	10,451,098	0
Children's Services					
Primary Schools					
FC02736	Roding Primary School (Cannington Road Annex)	136,939	6,590	6,590	(130,349)
FC02745	George Carey CofE (formerly Barking Riverside) Primary School	250,000	129,550	250,000	0
FC02759	Beam Primary Expansion	81,231	1,870	0	(81,231)
FC02784	Manor Longbridge (former UEL Site) Primary School	320,416	16,722	270,416	(50,000)
FC02786	Thames View Juniors - Expansion & Refurb	28,592	4,516	4,516	(24,076)
FC02787	Cambell Junior - Expansion & Refurb	17,626	0	17,626	0
FC02790	St Georges - New Primary School	25,385	0	0	(25,385)
FC02799	St Joseph's Primary - expansion	20,601	0	20,601	0
FC02800	St Peter's Primary - expansion	33,869	13,868	36,869	3,000
FC02860	Monteagle Primary (Quadrangle Infill)	80,549	5,000	5,000	(75,549)
FC02861	Eastbury Primary (Expansion)	375,000	239,451	375,000	0
FC02862	Gascoigne Primary (Expansion)	44,756	0	0	(44,756)
FC02863	Parsloes Primary (Expansion)	34,972	456	4,607	(30,365)
FC02864	Godwin Primary (Expansion)	3,331	8,603	9,302	5,971
FC02865	William Bellamy Primary (Expansion)	2,500,000	2,287,975	2,500,000	0
FC02867	Southwood Primary (Expansion)	1,060	0	1,060	0
FC02900	Becontree Primary Expansion	24,347	0	24,347	0
FC02918	Roding Cannington	38,642	14,816	38,642	0
FC02919	Richard Alibon Expansion	971,769	908,599	1,071,769	100,000
FC02920	Warren/Furze Expansion	25,026	30,574	31,500	6,474
FC02921	Manor Infants Jnr Expansion	1,850,000	2,016,272	2,050,000	200,000
FC02922	Valence Halbutt Expansion	15,000	47,487	47,487	32,487
FC02923	Rush Green Expansion	30,000	0	30,000	0
FC02924	St Joseph's Primary(Barking) Extn 13-14	94,985	72,540	94,985	0
FC02955	City Farm Barking Riverside New School	25,000	(105,137)	0	(25,000)
FC02956	Marsh Green Primary 13-15	200,000	174,682	200,000	0
FC02957	John Perry School Expansion 13-15	1,420,320	1,462,023	1,520,320	100,000
FC02960	Fanshawe Primary Expansion	750,000	220,583	750,000	0
FC02979	Gascoigne Primary -Abbey Road Depot	100,000	2,750	100,000	0
FC02998	Marks Gate Junior Sch 2014-15	100,000	26,546	50,000	(50,000)
FC03014	Barking Riverside City Farm Phase II	750,000	0	750,000	0
Secondary Schools					
FC02932	Trinity 6th Form Provision	30,000	0	30,000	0
FC02953	All Saints Expansion 13-15	3,883,568	3,796,889	4,000,000	116,432
FC02954	Jo Richardson expansion	1,000,000	179,527	750,000	(250,000)
FC02959	Robert Clack Expansion 13-15	100,000	20,883	100,000	0
FC02977	Barking Riverside Secondary Free School (Front Funding)	4,000,000	922,247	4,000,000	0
Other Schemes					
FC02723	Skills Centre	170,000	179,285	179,285	9,285
FC02724	Basic Needs Funding (Additional School Places)	5,615	10,669	10,669	5,054
FC02751	Kitchen Refurbishment 10/11	10,826	10,735	10,826	0
FC02826	Conversion of Heathway to Family Resource Centre	69,948	49,485	49,485	(20,463)
FC02878	512A Heathway (Phase 2) - Conversion to a Family Resource	7,222	7,065	7,222	0
FC02906	School Expansion SEN projects	500,000	511,382	550,000	50,000
FC02909	School Expansion Minor projects	500,000	323,835	500,000	0
FC02929	Schools Modernisation Fund 2012-13	968,394	804,701	968,394	0
FC02958	Fanshawe Adult College Refurb13-15	144,053	143,726	144,053	0
FC02972	Implementation of early education for 2 year olds	1,304,806	816,652	1,304,806	0
FC02974	Robert Clack Artificial Football Pitch	283,329	68,422	283,329	0
FC02975	Barking Abbey Artificial Football Pitch	629,797	486,267	629,797	0
FC02978	Schools Modernisation Fund 2013-14	1,554,260	1,297,465	1,554,260	0
FC03010	SMF 2014-16	300,000	91,621	300,000	0

2014/15 CAPITAL PROGRAMME - as at the end of December 2014

Project No.	Project Name	Budget	Actual Expenditure	2014/15 Forecast	Forecast Variance
FC03013	Universal infant Free School Meals Project	708,101	306,476	708,101	0
9999	Devolved Capital Formula	1,096,721	683,309	1,096,721	0
Children Centres					
FC02217	John Perry Children's	9,619	0	9,619	0
FC02310	William Bellamy Children Centre	6,458	0	6,458	0
Total For Children's Services		27,632,133	18,296,977	27,453,662	(178,471)

Housing and Environment

Environmental Services					
FC02764	Street Light Replacing	1,417,969	667,694	1,145,859	(272,110)
FC02873	Environmental Improvements and Enhancements	28,950	17,522	28,950	0
FC02964	Road Safety Impv 2013-14 (TFL)	328,475	4,965	228,475	(100,000)
FC02886	Parking Strategy Imp	91,245	0	91,245	0
FC02887	Frizlands Wkshp Major Wks	0	3,428	0	0
FC02930	Highways Improvement Programme	2,617,708	1,947,543	2,617,708	0
FC02981	Parkmap (Traffic Management Orders)	57,126	0	57,126	0
FC02982	Controlled Parking Zones (CPZ's) 2013-15	255,155	0	176,000	(79,155)
FC02999	Rippleside Cmtry prov 2014-15	63,000	38,030	63,000	0
FC03011	Structural Repairs & Bridge Maintenance	250,000	30,328	250,000	0
FC02567	Abbey Green Park Development	9,093	13,328	9,093	0
FC02817	Mayesbrook Park Improvements (Phase 1)	10,926	1,336	10,926	0
FC02911	Quaker Burial Ground	48,312	38,713	48,312	0
FC02912	Barking Park Tennis Project	7,397	5,361	7,397	0
FC03012	Environmental Asset Database Expansion	306,428	153,601	306,428	0
Total For Housing & Environment		5,491,784	2,921,849	5,040,519	(451,265)

Chief Executive (CEO)

Asset Strategy					
FC02578	Asbestos (Public Buildings)	15,916	3,630	4,916	(11,000)
FC02771	Automatic Meter Reading Equipment	19,952	225	500	(19,452)
FC02587	Energy Efficiency Programme	150,000	19,778	35,000	(115,000)
FC02542	Backlog Capital Improvements	600,000	172,576	400,000	(200,000)
FC02565	Implement Corporate Accommodation Strategy	900,000	486,919	787,371	(112,629)
FC02577	Legionella Works (Public Buildings)	0	(10,751)	0	0
ICT					
FC02738	Modernisation and Improvement Capital Fund (formerly One B &	2,040,814	1,271,175	2,040,814	0
FC02877	Oracle R12 Joint Services	1,584,196	519,297	1,584,196	0
FC03016	Agilisys Connect Website Development	283,450	283,450	283,450	0
Regeneration					
FC02458	New Dagenham Library & One Stop Shop Church Elm Lane	73,666	30,821	73,666	0
FC02596	LEGI Business Centres	113,000	(7,537)	0	(113,000)
FC02969	Economic Development Growth Fund	33,000	9,950	33,000	0
FC02821	Robin Hood Shopping Parade Enhancement	151,032	112,204	151,032	0
FC02901	Creekmouth Arts & Heritage Trail	170,550	67,238	170,550	0
FC02902	Short Blue Place (New Market Square Barking - Phase II)	100,491	54,866	100,491	0
FC02928	Captain Cook Site Acquisition and Public Realm Works (Abbey	388,500	0	388,500	0
FC02891	Merry Fiddlers junction Year 2	0	(186,975)	0	0
FC02898	Local Transport Plans (TFL)	66,500	34,865	56,500	(10,000)
FC02962	Principal Road Resurfacing 2013-14 TfL	532,000	558,865	532,000	0
FC02963	Mayesbrook Neighbourhood Improvements (DIY Streets) 2013-14	47,500	54,293	57,500	10,000
FC02994	Renwick Road/Choats Road 2014/15	412,500	268,760	412,500	0
FC02995	Ballards Road/ New Road 2014/15	95,000	76,978	95,000	0
FC02996	Barking Town Centre 2014/15 (TfL)	549,500	72,313	549,500	0
FC02997	A12 / Whalebone Lane (TfL)	47,500	0	47,500	0
FC03000	MAQF Green Wall (TfL)	42,000	14,699	42,000	0
FC02914	Barking Job Shop Relocation	12,504	12,548	12,504	0
FC02841	Biking Borough Initiative (TFL)	0	(515)	0	0
FC02895	Chadwell Heath Station Impv (TFL)	0	(11,050)	0	0
FC02899	River Roding Cycle Link / Goresbrook Park Cycle Links (TFL)	0	(34,543)	0	0
FC02965	Safer & Smarter Travel Plans 2013-14 (TfL)	0	(5,611)	0	0
FC03015	Demolition of the Former Remploy site	709,000	480,945	709,000	0
FC02775	BTC - links project		745		
Total For CEO		9,138,571	4,350,158	8,567,490	(571,081)

2014/15 CAPITAL PROGRAMME - as at the end of December 2014

Project No.	Project Name	Budget	Actual Expenditure	2014/15 Forecast	Forecast Variance
Grand Total General Fund		52,713,586	33,990,313	51,512,769	(1,200,817)
HRA					
Estate Renewal					
FC02820	Boroughwide Estate Renewal	6,680,000	3,958,981	6,480,000	(200,000)
New Builds					
FC02945	Street Properties Acquisition	400,000	79,769	400,000	0
FC02823	New Council Housing Phase 3	300,000	453,441	452,771	152,771
FC02916	Lawns & Wood Lane Dvlpmnt	2,039,158	1,911,746	1,909,120	(130,038)
FC02917	Abbey Road ClQ	5,458,000	5,273,724	5,242,587	(215,413)
FC02931	Leys New Build Dev (HRA)	6,745,276	4,705,794	5,995,276	(750,000)
FC02961	Goresbrook Village Housing Development 13-15	7,684,000	4,953,337	7,684,000	0
FC02970	Marks Gate Open Gateway Regen Scheme	10,023,750	4,010,000	9,623,750	(400,000)
FC02988	Margaret Bondfield New Build	1,500,000	888,545	1,500,000	0
FC02989	Ilchester Road New Build	500,000	2,981	100,000	(400,000)
FC02991	North St	300,000	2,024	100,000	(200,000)
	Sub Total	34,950,184	22,281,361	33,007,504	(1,942,680)
Investment in Stock					
FC00100	Aids & Adaptations	450,000	477,574	600,000	150,000
FC02933	Voids	6,352,000	6,001,100	6,450,000	98,000
FC02934	Roof Replacement Project	1,900,000	1,528,078	1,900,000	0
FC02938	Fire Safety Works	1,600,000	120,335	1,300,000	(300,000)
FC02943	Asbestos Removal (Communal Areas only)	420,000	480,827	640,000	220,000
FC02950	Central Heating Installation Inc. Communal Boiler Replacement	2,400,000	2,339,726	2,671,820	271,820
FC02983	Decent Homes Central	6,950,000	1,970,962	6,950,000	0
FC02984	Block & Estate Modernisation	2,440,000	316,687	2,440,000	0
FC02811	Members Budget	324,000	41,905	324,000	0
FC02939	Conversions	270,000	136,383	270,000	0
FC03001	Decent Homes (North)	10,543,956	3,584,435	7,365,182	(3,178,774)
FC03002	Decent Homes (South)	8,746,176	7,585,512	9,277,061	530,885
FC03003	Decent Homes (Blocks)	3,087,914	28,889	955,000	(2,132,914)
FC03004	Decent Homes (Sheltered)	1,800,000	5,100	641,816	(1,158,184)
FC03005	Decent Homes Small Contractors	275,000	13,396	275,000	0
FC03007	Windows	250,000	0	250,000	0
FC03008	R&M Capitalisation/ Boiler Replacement	1,000,000	914,116	1,280,000	280,000
	Sub Total	48,809,046	25,545,025	43,589,880	(5,219,166)
FC02990	Abbey Road Phase II New Build		69,549		
Grand Total HRA		90,439,230	51,854,916	83,077,383	(7,361,847)
TOTAL CAPITAL PROGRAMME		143,152,816	85,845,229	134,590,152	(8,562,664)

This page is intentionally left blank

CABINET

16 February 2015

Title: Housing Revenue Account Estimates and Review of Rents and Other Charges 2015/16	
Report of the Cabinet Members for Housing and Finance	
Open Report	For Decision: Yes
Wards Affected: All	Key Decision: Yes
Report Author: Danny Caine, Housing Group Manager Carl Tomlinson, Group Finance Manager	Contact Details: Tel: 0208 227 3363 E-mail: danny.caine@lbbd.gov.uk
Accountable Directors: Steven Tucker, Director of Housing, and Jonathan Bunt, Chief Finance Officer	
<p>Summary:</p> <p>The Council has a statutory responsibility to manage the HRA as a ring fenced landlord account providing housing services to the Council's tenants and leaseholders. In line with the investment and service delivery objectives set out in the HRA business plan this report makes recommendations on the setting of rents, tenants' service charges and other charges for 2015/16, to set a balanced revenue budget and maintain prudent reserves.</p> <p>In arriving at setting the level of rents for 2015/16 there has been a clear focus on the following objectives:</p> <ul style="list-style-type: none"> • Agree clear rent policy over the medium term • Maintain investment levels to improve housing conditions, regenerate communities and deliver new build homes • Deliver good value for money services <p>The proposed increase for 2015/16 is an average increase of 4.0%, equivalent to £3.67 per week. Establishing the 5 year rent policy enables additional investment in our homes whilst limiting the impact on tenants. It provides a clear path for social rents within the borough as well as providing a degree of certainty around the funding of investment need.</p> <p>The proposal supports the Housing investment programme which is focussed on bringing homes up to a decent standard by 2018/19 and maintaining standards over the long term through ongoing investment. In addition, we are entering into a new commitment with residents for the first time, on the service offer they should expect for their money. The offer sets out what we will deliver:</p> <ul style="list-style-type: none"> • Inside their homes i.e. new kitchens and bathrooms, rewiring, prompt and enduring repairs, etc. • Their blocks, estate or street i.e. cyclical maintenance, environmental improvements, good quality caretaking, etc. • Their neighbourhoods i.e. preventing and tackling anti social behaviour and 	

improving the general well being of the area to make it a place of choice.

The offer includes an expectation from residents to look after their homes and pay their rent on time and a commitment to support those that have challenges in doing this and tackle those choose not to.

The extra income to be generated from the increase, will allow us to improve the quality of our services, our interaction with residents and most importantly, the quality of their homes and environment.

Recommendation(s)

The Cabinet is recommended to agree:

- (i) The Housing Revenue Account estimates for 2015/16 as detailed in Appendix 6 to the report;
- (ii) An overall average Council dwelling rent increase of 4.0%, equivalent to £3.67 per week, and affordable rents to increase by 2.2% consistent with Government policy of CPI+1% as per the Affordable Homes Programme;
- (iii) A five-year rent policy enabling convergence with formula rent by 2019/20;
- (iv) An increase to tenant service charges of 5.8% (£1.93 per week);
- (v) An additional provision for communal heating and hot water charges of 1.2% (£0.32 per week) based upon an inflationary uplift;
- (vi) An increase to garage rents of £1, from £11 to £12 per week, and the establishment of a repairs and maintenance programme;
- (vii) To initiate a review of estate located parking spaces/bays;
- (viii) That rents for commercial properties increase in line with lease agreements; and
- (ix) That the above changes take effect from 6 April 2015.

Reason(s)

The Council must prepare proposals each year relating to income from rent and other charges, and expenditure in relation to management and maintenance of its housing stock. A decision is required with regard to rents and service charges in February in order that statutory notice can be given to tenants prior to the April 2015 implementation.

1. Introduction and Background

- 1.1 The Council has a statutory responsibility through the Local Government and Housing Act 1989 to manage the HRA as a ring-fenced landlord account providing housing services to the Council's tenants and leaseholders. This report makes recommendations on the setting of rents and other charges for 2015/16 in accordance with the Councils statutory responsibility.

- 1.2 The Local Government and Housing Act 1989 Section 74 Part VI specifies the major items that must be included in the HRA. Section 66(4) of the Act specifies that the HRA must be produced in accordance with approved Accounting Code of Practice
- 1.3 The Localism Act 2011 introduced a new system of financial arrangements for council housing, replacing the former national HRA and subsidy system with local self-financing of council housing. In return for re-allocating the national aggregate council housing debt, councils now retain all of their locally generated income from council housing but have no further recourse to Central Government in the management of its housing finances – the HRA now operates effectively as a standalone business within the Council
- 1.4 The Council is required by law to avoid budgeting for a deficit on the HRA (Local Government & Housing Act 1989, section 76). This means that the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of reserves: a minimum of 5% of turnover is good practice and this provides a contingency against unforeseen events and known risks. The external auditor will review the level of reserves in forming a view on the overall standard of financial management in the Council.
- 1.5 The Cabinet can determine to increase rents at a level higher or lower than national guidelines. It should be noted that any rent increase below that assumed in the business plan would reduce the council's ability to fund the future housing capital programme. Increases above national rent policy however are restricted due to Housing Benefit rent limits.

2. Rent Setting Approach

- 2.1 Under the previous subsidy system the Government, through the rent restructuring policy, determined annual increases in rent levels. The purpose of that policy was to charge tenants fair and affordable rents but to bring these closer to Registered Provider rents over time – convergence to a formula rent.
- 2.2 This policy was superseded by the removal of the subsidy regime, but the Government continued with the aim of securing convergence of rents over time. This was based upon an annual increase of RPI+0.5%+£2.
- 2.3 In May 2014, the Government issued updated guidance setting out its rent policy for ten years from 2015/16. The guidance states that social rents should increase by up to CPI+1% annually, with September CPI used. The move from RPI to CPI followed an announcement in 2013 by the Office for National Statistics stating that RPI does not meet international standards.
- 2.4 The updated guidance assumes that rents have converged with formula rent. Rents in Barking and Dagenham, however, have not converged.
- 2.5 In determining the level of rents for 2015/16 there has been a clear focus on the following objectives:
 - Agree clear rent policy over the medium term

- Maintain investment levels to improve housing conditions, regenerate communities and deliver new build homes
- Deliver good value for money services

2.6 In consideration of these factors, the following options were identified:

- Converge rents with formula rent in 1 year (2015/16)
- Converge rents with formula rent in 3 years (2017/18)
- Converge rents with formula rent in 5 years (2019/20)
- Increase rents by CPI+1%

3. HRA Forecast 2014/15

3.1 The HRA ended the 2013/14 financial year with a surplus of £0.2m giving balances of £8.7m. The table below shows the November 2014 forecast position which indicates that the HRA is on target to breakeven and maintain balances at the current level. The 2014/15 position includes savings delivery of £6.1m which were agreed as part of budget setting. Current projections indicate under achievement of the savings target by £1.5m, however, this is being mitigated in year to deliver a breakeven position.

HOUSING REVENUE ACCOUNT - 2014/15 FORECAST			
	Budget £000	Forecast £000	Variance £000
INCOME			
Rents of dwelling	(87,000)	(87,000)	0
Non Dwelling rents	(2,503)	(2,308)	195
Charges for services and facilities	(16,401)	(16,650)	(249)
Interest and investment income	(336)	(700)	(364)
TOTAL INCOME	(106,240)	(106,658)	(418)
EXPENDITURE			
Repairs and maintenance	17,205	17,916	711
Supervision and management	38,464	38,563	99
Rent, rates, taxes and other charges	700	600	(100)
Provision for bad debts	2,659	2,467	(192)
Interest charges payable	9,759	9,659	(100)
Pension Contribution	2,000	2,000	0
TOTAL EXPENDITURE	70,787	71,205	418
Revenue Investment in capital	35,453	35,453	0

(Table 1)

4. HRA Budget Setting 2015/16

4.1 The HRA Business Plan must secure the financial viability of the HRA over the whole business plan period. This requires robust financial management to ensure that a balanced HRA budget can be set each year and to ensure that prudent HRA working balances are maintained as a contingency against unforeseen

circumstances and to support the delivery of quality services to residents in line with stakeholders' expectations and appropriate capital investment.

- 4.2 In determining the 2015/16 rent increase, options were considered in terms of additional income generated, impact on the business plan, investment requirements and the impact on tenants.
- 4.3 The option to converge with formula rent over 5 years was identified as the preferred choice. It is consistent with wider business plan objectives and was supported by tenants through the consultation process.
- 4.4 The proposed HRA budget for 2015/16 is set out below:

HOUSING REVENUE ACCOUNT - SUMMARY FORMAT				
	2014-15 £000	2015-16 £000	Change £000	% Increase
INCOME				
Rents of dwelling	(87,000)	(90,512)	(3,512)	4.0
Non Dwelling rents	(2,503)	(737)	1,766	(70.5)
Charges for services and facilities	(16,401)	(16,921)	(520)	3.2
Interest and investment income	(336)	(336)	0	0.0
	(106,240)	(108,506)	(2,266)	2.1
EXPENDITURE				
Repairs and maintenance	17,205	17,205	0	0.0
Supervision and management	38,464	39,752	1,288	3.4
Rent, rates, taxes and other charges	700	700	0	0.0
Provision for bad debts	2,659	2,659	0	0.0
Interest charges payable	9,759	10,059	300	3.1
TOTAL EXPENDITURE	68,787	70,375	1,588	2.3
Pension Contribution	2,000	1,000	(1,000)	(50.0)
Revenue Investment in capital	35,453	37,131	1,678	4.7

(Table 2)

- 4.5 The Business Plan considers income and expenditure over a 30 year period including capital investment. The extract below includes a 4.0% increase in 2015/16 and convergence with formula rent by 2019/20. Thereafter, rents increase by CPI+1%. This enables ongoing funding of the capital investment programme, primarily through a revenue contribution to capital.

£m	10 yr	2015/16	2016/17	2017/18	2018-2025
Rent	999.50	90.51	92.47	95.24	721.28
Management & Maintenance	(492.40)	(43.32)	(43.86)	(46.46)	(358.76)
Interest Payable	(100.60)	(10.06)	(10.06)	(10.06)	(70.42)
Revenue investment	406.50	37.13	38.56	38.72	292.09
Grant and new borrowing	190.60	38.38	29.58	15.33	107.31
Total capital resources	597.10	75.51	68.14	54.05	399.40
Investment in existing stock	347.10	38.62	41.30	41.00	226.18
New Builds	198.30	36.02	17.63	10.00	134.65
Estate renewal	60.40	6.40	6.00	6.00	42.00
Total capital spend	605.80	81.04	64.93	57.00	402.83

(Table 3)

5. Housing Offer and HRA Strategy

- 5.1 The London Borough of Barking and Dagenham is committed to improving the range, quality and choice of its homes as well as improving the quality of information and services to its tenants and leaseholders.
- 5.2 As part of this commitment we are introducing for the first time, the Barking and Dagenham Housing Offer. The offer sets out what standards tenants and leaseholders can expect from the council on key issues affecting their home and the area around it.
- 5.3 The offer will be configured around 3 elements:
- Inside the Home
 - The Block, Estate or Street
 - The Neighbourhood
- 5.4 It will encompass such things as improvements to the home, health and safety checks, block cleaning, tackling ASB.
- 5.5 Alongside the Offer, the Councils Housing Strategy aims to deliver the following objectives:
- Build new homes in a range of tenures to give choice and create thriving communities
 - Good quality well maintained homes that people are proud to live in
 - Improved Health and wellbeing
 - Prevent/tackle homelessness and provide best available options
 - Engaging and empowering residents to have a say in how their homes and estates are managed
- 5.6 The council intends to bring all our homes up to a Decent Standard by 2018/19, to maintain our homes at a Decent Standard and to maintain a programme of new development to meet housing need and demand and replace homes that are sold through Right to Buy.

- 5.7 While we have significant resources in place, it remains important that we achieve best value for money in all our spending. We recognise that VFM is not achieved simply by providing low cost outputs but by delivering decent neighbourhoods for our residents in the long term.
- 5.8 Achieving this requires not just reducing our construction and service costs but also taking a long term approach in our asset management strategy which understands the value of our assets and the relationship between our homes and the services we provide.
- 5.9 Our goal is to reduce our responsive repairs workload as the quality of our homes improves. This approach incorporates major investment in stock and an active new build programme with regular cyclical maintenance.
- 5.10 There is long term value for money for our tenants if we improve the energy efficiency of homes. This would be through their own domestic bills and any additional revenue generated from renewable sources.

5.11 **Asset Management**

Our overarching strategy is to maintain and increase our own Council stock, financed within the HRA, alongside a programme of Estate Renewal which may draw in alternative finance. Three investment strands were established to deliver this approach: Investment in existing stock; development of new homes; estate renewal. Across each of these strands we are now investigating the potential to improve the energy efficiency of our stock.

5.12 **Investment in existing stock**

Our programme sets out to bring our homes up to a Decent Standard by 2018/19. This programme is currently working across all wards in the borough, taking a 'worst first' approach. Comprehensive surveying has taken place to establish the works required to each property and investment need. The proposed business plan enables funding to deliver a decent standard by 2018/19 and ongoing investment to maintain our homes at this standard over the long term. Officers are preparing a model of stock condition for each Ward and it is intended that this will provide the evidence base for the five year housing investment programme. This will include garages, energy considerations, roads and the communal areas of estates and blocks.

In addition to the evidence that the stock condition information provides, observations on investment priorities will also be invited from housing management and from Ward Councillors so that any neighbourhood management challenges that are evident can also be addressed through the investment plan. For example, the outputs being generated from the weekly Ward walkabouts will be considered under this process

5.13 **Estate Renewal**

In 2011, we established a programme of estate renewal which tackled our most challenging stock, where repair to the homes would have been unviable and where there were wider social and economic benefits to demolishing. The proposed business plan includes further provision to continue the estate renewal programme

with an additional 356 homes planned for redevelopment. This will enable quality new council rented homes and new tenures such as shared ownership.

5.14 **New Build**

The programme aims to provide quality new build properties at affordable rent levels and opportunities for shared ownership. During our consultation with tenants on our medium term rent strategy, they identified developing new homes as one of their top 3 priorities. We are forecasting to invest £198m in New Build homes over the next 10 years and we aim to replace homes that are sold through the Right to Buy. The objectives of this programme are to increase the overall supply of affordable homes in the borough; to improve the quality of homes in the borough and to address the housing demand and need within the borough. Therefore, across the programme we will consider the most appropriate size and tenure for new homes.

6. **Consultation**

- 6.1 The proposed changes to rents and service charges were discussed with tenants across four sessions held during December 2014 and January 2015, which were very well attended. Consultation with tenants has previously been limited, however, it was felt that it would be beneficial to consult with involved tenants to obtain their view on rent levels, service charge's and funding priorities. Tenant representatives from across the borough, including local Tenant and Resident Associations and Housing Fora, attended and there was broad support for the preferred option that is being recommended.

Separate consultation was undertaken with those tenants who benefit from concierge services and from the surveillance alarm monitoring systems as set out in paragraph 7.3.3 below. The proposed rent and service charge policy and investment programme address the top three priorities identified, which were:

- Estate security measures
- Investment in the fabric of their homes
- Investment in building new homes

7. **Financial Implications**

Completed by: Carl Tomlinson, Group Finance Manager

The statutory format of the Housing Revenue Account is included at Appendix 6. The analysis below refers to the summary format in Table 2 in Section 4 of the report, as this is easier to understand and presents key issues for Members and tenants more clearly.

7.1 **Tenant Dwelling Rents**

- 7.1.1 The report proposes to increase dwelling rents by an average of 4.0% in 2015/16, which equates to an average increase of £3.67. New build and acquired Council homes let on affordable rents will increase by 2.2% which is consistent with Government policy of CPI+1% and the Affordable Homes Programme.

7.1.2 The Government's updated rent guidance of CPI+1% assumes that rents have converged with formula rent. Rents in Barking and Dagenham have not yet converged. The report proposes to increase rents over a 5 year period with rents being consistent with formula rents by 2019/20. After this, an annual increase of CPI+1% will apply. The proposed rent policy requires average annual increases over and above the Government guidance.

7.1.3 There are number of properties within the HRA which are being used (and will continue to be used) as part of the Temporary Accommodation Strategy. The rent levels have been set at a higher amount than the current average levels, in order to cover the additional costs related to this type of placement. The expected number of these placements (c.1%) is a small proportion of the overall housing stock and utilises properties decanted as part of the Estate Renewal programme. Overall there is a small surplus to the HRA as per the table below.

Temporary Accommodation	£'000
Rental Income	(2,185)
Associated Cost	1,600
Redecoration and Repairs	300
Net surplus to HRA	(255)

(Table 4)

7.1.4 As part of the Estate Renewal Programme, the HRA is also losing a significant number of properties, which have been earmarked for demolition.

7.1.5 A number of changes to Right to Buy legislation have come into effect. This has resulted in an increase in the number of sales within the borough. Current estimates suggest sales of 220 units in 2014/15 compared to initial estimates of 180 units. Similar levels are expected within 2015/16 and future years.

7.1.6 The table below shows the net expected rental income from the above changes:

Rental Income	£'000
2014/15 Budget	(87,000)
Rent increase	(3,480)
Right to Buy Sales	540
New Build	(572)
2015/16 Budget	(90,512)

(Table 5)

7.2 Non Dwelling Rents

7.2.1 Commercial property – rents are based on the contractual agreement in place at the start of the commercial let. The contracts determine the annual increase in the rental charge. Where a contract comes up for renewal or is a new contract then these charges are determined based on market conditions. The HRA holds an income budget of £1.5m and expenditure budget of £0.5m. Management of the commercial portfolio is under review with the anticipated transfer of assets to the General Fund in 2015/16. Financial implications are to be fully determined as part of the process and reflected in the HRA. The aforementioned income and expenditure

budgets have been reduced in 2015/16 in order to mitigate exposure to in-year income pressure whilst arrangements are finalised.

7.2.2 Garage rents – an increase of £1 per week will be applied bringing the charge to £12 per week. A dedicated repairs and maintenance programme will be established in 2015/16 to improve quality. Due to movements in stock numbers, primarily through the estate renewal programme, the income budget has reduced by £200k.

7.2.3 Parking spaces – there is inconsistency in charges for parking spaces. A review of estate located parking spaces/bays will be undertaken with the outcome introduced in 2015/16.

7.3 Charges for services and facilities

7.3.1 Authorities are expected to set a reasonable charge for the provision of additional services which reflects the cost of providing the service. For services where the full cost of the service isn't currently being recovered, increases will be phased over a 5 year period.

7.3.2 Tenant service charges are split into two: firstly, an estimated service charge in respect of grounds maintenance, caretaking, security charges and concierge; secondly a recovery for combined heat and light costs which are charged by the energy suppliers.

Specific charges are set out in Appendix 5, however, service charge proposals equate to:

- Service charge: an increase of 5.8%, or an average of £1.93 per week;
- Combined Heat and Light: an increase of 1.2%, or an average of £0.32 per week, based upon on the September 2014 CPI.

7.3.3 Consultation was undertaken in August 2014 in respect of concierge services and December 2014 in respect of the surveillance alarm monitoring system. The outcome of both consultations has informed the charges and corresponding level of service for 2015/16.

7.3.4 Leasehold charges are based on actual costs incurred for the above services as directed by the Tenant and Leasehold Act 1985 and in accordance with the terms of the lease.

7.3.5 The council collects water and sewerage charges to tenants on behalf of the Essex and Suffolk (Water) Board (ESB). The ESB in return pay the council a fee for the management and collection of water rates under a 3-year agreement. The ESB also determine the annual increase in charges and these increases are applied to tenants by the Council. The ESB's proposed increase in 2015/16 is still to be agreed and so the Council has not been notified of the proposed increase to date. The council has negotiated commission of 13% with a 2% void figure.

7.4 Interest and investment income

7.4.1 The HRA treasury management function will form a key component of the business plan and HRA budgets. The two main aspects of this will be to ensure interest payments servicing the final debt allocation are minimised whilst cash flow management allows housing stock investment to progress as required. The budgeted figure for investment returns is expected to be consistent with 2014/15.

7.5 Repairs and Maintenance

7.5.1 The HRA provides a repairs and maintenance service to tenants as part of its duty as a social landlord. The revenue budget is to remain at £17.2m in 2015/16 with inflationary increases and the impact of pay awards managed within the service through improved operational efficiency. The profile of spend between reactive and planned maintenance will be reviewed in year to assess opportunities to improve value for money and more effective asset management.

7.5.2 As part of the TUPE transfer of staff, a one-off pension contribution of £6m was required to equalise transferred staff within the Councils pension fund. It was agreed to fund this over a 3 year period with a £3m contribution in 2013/14, £2m in 2014/15 and £1m in 2015/16. A budget of £2m was established to fund this, therefore, realises a budget saving of £1m in 2015/16.

7.6 Supervision and Management

7.6.1 The budget consists of both direct expenditure and recharged spend from services provided by departments outside of the HRA. In 2015/16, the budget will increase by £1.3m from £38.5m to £39.8m.

7.6.2 Growth items include £800k to fund the return of the Caretaking service to the Housing Department; £500k to fund additional tenancy sustainment resource dedicated to providing welfare reform advice, information and support to householders; £300k contribution towards sheltered housing provision following reductions in general fund funding; £120k to support the reshaping of the Housing management structure and £60k to facilitate the effective marketing of new build properties. Inflationary uplifts and the impact of pay awards will be managed within existing budgets.

7.6.3 Recharges to the HRA are for services provided to HRA tenants and leaseholders by internal council services. These range from central service functions (such as Payroll, Finance and IT), to front line delivery services such as refuse collection, grounds maintenance and building cleaning. The level of recharge is expected to reduce in 2015/16 by £285k following the delivery of wider council savings of £527k, predominantly due to savings within the Elevate contract, offset by additional recharges as agreed at December Cabinet. This includes £150k for bin rental, £55k for innovation and funding support, £40k for employment and skills services to support tenants returning to work and £25k for capital programme management. The cost of the Caretaking service will be a direct cost in 2015/16 instead of a recharge following the return of the service to Housing in January 2015.

7.6.4 A Ward revenue budget of £360k will be established in 2015/16 and replace the existing capital improvement scheme. This will ensure wider application of the

funding by not limiting to works of a capital nature. Funding will be prioritised by ward and resident need.

7.6.5 As mentioned in paragraph 7.2, management of the commercial portfolio is under review. A transfer would result in a £0.5m expenditure saving. The HRA will maintain a transformation fund of £1m to facilitate the delivery of efficiencies, income generation initiatives and to mitigate the delayed delivery of 2014/15 savings.

7.7 Rents rates and Other Charges

7.7.1 This includes the budget for council tax on empty properties, property insurance and rent of office premises. The budgeted figure is expected to be consistent with 2014/15.

7.8 Provision for bad debt

7.8.1 Significant changes to welfare benefits, including Housing Benefit, are being implemented on a phased basis across the country. The introduction of the benefit cap and occupancy criteria continue to impact many Council tenants. The introduction of Universal Credit, including direct payments of benefits to claimants, is expected to have an even greater impact on income levels.

7.8.2 In response to the introduction of the national Welfare Reform changes and the significant risk posed to the Council's ability to collect income, the HRA holds an annual budget of 2.5% of income raised to offset against non-collection and debt write-off risk.

7.8.3 The changing circumstances of tenants and revised Government timescales will be monitored to ensure a prudent provision is made within the business plan to manage the changing magnitude of the risk.

7.8.4 The impact of these changes will significantly increase the risk of reduced income collection rates. Accordingly, as part of the HRA's comprehensive and proactive approach to risk management, this risk is subject to ongoing scrutiny and a dedicated work programme to ensure tenants are aware of the changes, the impact on them and available support.

7.9 Interest charges payable

7.9.1 The borrowing costs attached to the debt settlement in March 2012 represent a significant cost to the HRA, although the Public Works and Loans Board (PWLB) provided preferential rates for settlement debt. The HRA budget therefore includes budget of £9.7m to fund the ongoing borrowing costs of the £267m HRA debt. Current policy is to maintain debt and not reduce the level of borrowing, however, any decision to actively reduce the level of borrowing would place additional pressure on the HRA as repayment is not currently budgeted for.

7.9.2 The Council was successful in applying for an increase to the debt cap of £3.2m in 2015/16 and a further £10.75m in 2016/17 to fund additional new build. In order to fund the additional borrowing, the budget has been increased by £300k.

7.10 Housing Investment Programme

7.10.1 In 2010/11 LBBB commissioned Savills to carry out a detailed stock condition survey which highlighted the need to invest £1.2bn over 30 years in the Council's existing housing stock. This has formed the basis of a 30-year business plan to utilise HRA revenue to support this investment need.

7.10.2 The investment programme is funded primarily through revenue contributions to capital and supported by grant funding where available. As a result, it is essential that investment decisions are considered when setting future rent levels. The Council has minimal capacity to fund investment through additional borrowing due to the self-financing settlement requiring the authority to undertake additional borrowing of £267m. The settlement fixed the Council's debt cap at £277m, although recent increases to the cap have been agreed. The business plan assumes additional borrowing of £3.2m in 2015/16 and a further £10.75m in 2016/17 to fund the capital programme. Further borrowing of £9.9m is available which will bring borrowing up to the revised debt cap.

7.10.3 The HRA income and expenditure projections within the HRA Business Plan provide sufficient resources, under current assumptions, over the 30-year business plan period, to fund the Council's housing investment programme. The basic investment themes are:

- a) Estate renewal (£60.4m over the next 10 years)
- b) New build Council homes (198.3m over the next 10 years);
- c) Investment in existing stock (£347.1m over the next 10 years)

The table below is an extract from the latest HRA Business plan in respect of capital investment.

£m	10 yr	2015/16	2016/17	2017/18	2018-2025
Revenue investment in capital	406.50	37.13	38.56	38.72	292.09
Grant and new borrowing	190.60	38.38	29.58	15.33	107.31
Total capital resources	597.10	75.51	68.14	54.05	399.40
Investment in existing stock	347.10	38.62	41.30	41.00	226.18
New Build	198.30	36.02	17.63	10.00	134.65
Estate renewal	60.40	6.40	6.00	6.00	42.00
Total capital spend	605.80	81.04	64.93	57.00	402.83

(Table 6)

8. Legal Implications

Implications completed by: Alison Stuart, Principal Solicitor, Housing and Regeneration

- 8.1 The Local Government and Housing Act 1989 places on the Council as a Housing Authority a duty to manage a ring fenced HRA. In addition there is a requirement that the HRA maintains prudent revenue balances.

- 8.2 On 3 January 2014, the Government announced proposed legislative changes with an increase on the maximum caps with an aim for this to be in place by May 2014 subject to parliamentary process. Under s24 of the Housing Act 1985, the Council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The Council is obliged from time to time to review rents charges and make such changes as circumstances may require but should do so in a balanced way. The Council must comply with s103(4) Housing Act 1985 and the Council's standard tenancy agreement in terms of notice periods for the rent variation.

9. Other Implications

- 9.1 **Risk Management** - The Cabinet can determine to increase rents higher or lower than national guidelines but any rent increase below that assumed in the business plan would put at risk the Council's ability to fund the future housing capital programme. Increases above national rent policy however are restricted due to Housing Benefit rent limits.

The single biggest risk to the HRA budgets and its ability to meet its landlord duty as well as fulfilling its aims of investment in current and new council stock, will be the potential adverse consequences of the new Welfare Reforms. Cumulatively, these changes will create a significant risk to the Council's ability to collect all of its income. The provision for bad debts has therefore been reviewed in line with current assumptions.

The remainder of this section covers the risks that are more usually associated with this report, and more easily quantified.

Failure to approve recommendations in this report would mean that the Council would not have sufficient resources to meet its proposed capital investment strategy: build new Council homes; continue the estate renewal programme; and carry out refurbishments /improvements to the existing housing stock.

Within the budget setting process there is a degree of estimation and the adoption of assumptions which may or may not prove accurate. Any key assumptions are stated where necessary within this report.

The debt settlement figure has incorporated the decanting costs of the properties contained within the Estate Renewal programme. However, a condition of the housing orders which enable the decanting is that for them to be effective the Council must decant these properties within five years. If there should be slippage in the programme costs would escalate.

Similarly, the New Build programme, and Decent Homes programme are part funded through grant, in return for delivering an agreed number of affordable homes and making number of current council properties decent. Failure to deliver on those may mean a reduction of the grant allocation leading to a bigger contribution from HRA revenue to meet the shortfall or a smaller programme.

- 9.2 **Staffing Issues** - There are no direct staffing implications as a result of this report. The HRA continues to strive for improved value for money and the delayed delivery of staffing restructures initiated in 2014/15 continues. Appropriate HR policies and

procedures around implementing change are being followed. The Council remains committed to minimising redundancies where possible.

9.3 **Corporate Policy-** Investment in building new homes and improving existing housing stock is a key part of the council's priorities. The 'Growing the borough' priority specifically focuses on the following:

- Support investment in housing, leisure, the creative industries and public spaces to enhance our environment
- Work with London partners to deliver homes and jobs across our growth hubs
- Enhance the borough's image to attract investment and business growth
- Build high quality homes and a sustainable community

9.4 **Resident Impact** – The proposed changes in this report have been considered in light of the organisations Public Sector Equality Duty to have due regard to the impact on protected groups. Currently 70% of our Council tenants are claiming some level of Housing Benefit (a benefit for people on a low income to help them pay their rent). Of those tenants claiming Housing Benefit 60% are receiving full benefit which means that almost all of their rent is covered by the benefit. Any rental increase will therefore have little or no impact on these tenants.

Those tenants that are vulnerable, on benefits or very low income will tend to be claiming some level of Housing Benefit therefore any negative impact of the proposed rent increase will be reduced for such tenants. The tenants that could be most affected by the proposed rent increase will be those marginally below the benefit level.

The Housing Service does not hold information on the income levels of our Council tenants; however the current average annual pay for full-time employees in the borough (2014) was £23,301 and using a formula that considers monthly housing costs to be affordable if they are 1/3 household disposable income suggest that £647 would be an affordable monthly housing cost.

The average private sector rent for a three bedroom property in Barking and Dagenham is £1,300 per month compared to £481 for a Council property. The proposed increase still leaves the Council rented property significantly cheaper than private rented properties and using the average household income very affordable to those households not on Housing Benefit.

Consideration has also been given to the extent of any adverse impact on tenants from the individual savings items. Consultation has taken place with tenants' groups and front line services have been protected as far as possible, but some cuts to these services have been unavoidable.

Public Background Papers Used in the Preparation of the Report:

- Housing Revenue Account Manual
- Guidance on Rents for Social Housing - May 2014

List of appendices:

- 1 HRA Working Balances
- 2 Rental Income Analysis
- 3 Average Rent Analysis
- 4 Rental Income Debtor Account
- 5 Budget Assumptions
- 6 HRA Estimate 2015/16
- 7 HRA Capital Programme

HRA WORKING BALANCE 2015-16	
	£000
Working Balance 1st April 2014	8,736
Projected Surplus /(Deficit) 2014/15	0
Working Balance 1st April 2015	8,736
Projected Surplus /(Deficit) 2015/16	0
Working Balance 31st March 2016	<u>8,736</u>

RENTAL INCOME ANALYSIS				
	2014-15 £000	2015-16 £000	Change £000	% Change
Rents of dwelling	(87,000)	(90,512)	(3,512)	(4.04)
Tenants Service Charges (excl. Communal heating and water)	(4,659)	(5,179)	(520)	(11.16)
TOTAL INCOME	(91,659)	(95,691)	(4,032)	(4.40)

AVERAGE RENT ANALYSIS				
	2014-15 per week £.pp	2015-16 per week £.pp	Change per week £.pp	Change per week %
Average Rent	91.24	94.91	3.67	4.02
Tenants Service Charges * (excl. heating and water)	33.13	35.06	1.93	5.83
Average Rent	124.37	129.97	5.60	4.50

The Tenant Service charge average is not reflective of the charge to all tenants as they receive a varying range of services.

RENTAL INCOME DEBTOR ACCOUNT			
	Current Debtors £000	Former Tenant Debtors £000	Total Debtors £000
Debtor Balance - 1st April 2014	3,131	1,873	5,004
Projected Change in 2014/15	94	94	188
Debtor Balance - 31st March 2015	3,225	1,967	5,192
Projected Increase in 2015/16	97	98	195
Debtor Balance - 31st March 2016	3,322	2,065	5,387
Annual Increase in Arrears	3.00%	5.00%	3.76%
Proportion of Annual Rent & Service Charges Debit	3.07%	1.91%	4.98%
Bad debt top up provision			2,659

BUDGET ASSUMPTIONS**Rent**

Average Rent Increase	4.02%
Average Rent Increase Houses	4.90%
Average Rent Increase Flats	3.71%
Voids (Percentage of Gross Rent)	1.50%

Rent Policy

Convergence to Formula Rent 2019/20 (5 years)

Stock Assumptions

Right to Buy Sales in year 220

<u>Tenants Service Charges</u>	2014-15 Charge £ p.w	2015-16 Charge £ p.w	Change £ p.w	Change %
Amenity Green	5.78	6.92	1.14	19.72
Caretaking	6.59	6.87	0.28	4.25
Safer Neighbourhood	1.68	0.00	(1.68)	(100.00)
SAMS	9.54	6.17	(3.37)	(35.32)
Concierge	9.54	15.10	5.56	58.28
	33.13	35.06	1.93	5.83

Note:

Safer neighbourhood service withdrawn in 2014/15.

Concierge and SAMS charges previously combined as a single charge, charges now separated following consultation with the impacted residents.

Energy

CPI Sept 2014 1.20%

Interest

Debt Interest 3.52%

HOUSING REVENUE ACCOUNT - SUMMARY FORMAT				
	2014-15 £000	2015-16 £000	Change £000	% Increase
INCOME				
Rents of dwelling	(87,000)	(90,512)	(3,512)	4.0
Non Dwelling rents	(2,503)	(737)	1,766	(70.5)
Charges for services and facilities	(16,401)	(16,921)	(520)	3.2
Interest and investment income	(336)	(336)	0	0.0
	(106,240)	(108,506)	(2,266)	2.1
EXPENDITURE				
Repairs and maintenance	17,205	17,205	0	0.0
Supervision and management	38,464	39,752	1,288	3.4
Rent, rates, taxes & other charges	700	700	0	0.0
Provision for bad debts	2,659	2,659	0	0.0
Interest charges payable	9,759	10,059	300	3.1
TOTAL EXPENDITURE	68,787	70,375	1,588	2.3
Pension Contribution	2,000	1,000	(1,000)	(50.0)
Revenue Investment in capital	35,453	37,131	1,678	4.7

Appendix 7

HRA Capital Programme

Scheme Name	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aids & Adaptations	800	800	800	800	0	0	3,200
Asbestos Removal (Communal Areas only)	725	725	725	725	0	0	2,900
Central Heating Installation Inc. Communal Boiler Replacement Phase II	1,770	1,700	1,400	1,000	0	0	5,870
Decent Homes (Central)	7,400	8,000	8,000	8,000	0	0	31,400
Decent Homes (North)	7,400	8,000	8,000	8,000	0	0	31,400
Decent Homes (South)	7,400	8,000	8,000	8,000	0	0	31,400
Decent Homes (Blocks)	2,800	-	-	-	0	0	2,800
Decent Homes (Sheltered)	1,400	1,500	1,500	1,500	0	0	5,900
Decent Homes Support - Liaison Team/Surveys	678	328	328	328	0	0	1,662
Block and Estate modernisation - Bldg Fabric	1,000	3,000	4,000	4,000	0	0	12,000
Conversions	50	300	300	300	0	0	950
Fire Safety Works	2,000	2,000	1,500	1,500	0	0	7,000
Energy Efficiency (new)	100	500	500	500	0	0	1,600
Roof Replacement Project	2,000	2,000	2,000	2,000	0	0	8,000
Windows	650	1,000	500	2,000	0	0	4,150
Voids	950	950	950	475	0	0	3,325
Estate Roads and Environmental	150	400	400	400	0	0	1,350
Garages	300	300	300	50	0	0	950
Communal Repairs and Upgrades	1,050	1,800	1,800	1,800	0	0	6,450
To be allocated	0	0	0	0	34,810	30,000	64,810
INVESTMENT IN STOCK	38,623	41,303	41,003	41,378	34,810	30,000	227,117
Estate Renewal	6,400	5,500	2,400	1,900	0	0	16,200
To be allocated	-	500	3,600	4,100	6,000	6,000	20,200
ESTATE RENEWAL	6,400	6,000	6,000	6,000	6,000	6,000	36,400

Scheme Name	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leys New Build Dev	11,885	232	0	0	0	0	12,117
Leys Phase II	9,700	3,200	0	0	0	0	12,900
Goresbrook Village Housing Dev 13-15	179	0	0	0	0	0	179
Marks Gate Open Gateway Regen Scheme	2,512	0	0	0	0	0	2,512
Margaret Bondfield New Build	5,707	112	0	0	0	0	5,819
Ilchester Road New Built	1,300	0	0	0	0	0	1,300
North St	2,300	0	0	0	0	0	2,300
To be allocated	2,000	14,086	10,000	15,750	18,900	20,000	80,736
NEW BUILD	36,018	17,630	10,000	15,750	18,900	20,000	118,298
TOTAL HRA CAPITAL PROGRAME	81,041	64,933	57,003	63,128	59,710	56,000	381,815

CABINET

16 February 2015

Title: Budget Framework 2015/16	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Chris Leslie, Group Accountant	Contact Details: Tel: 020 227 2271 E-mail: chris.leslie@lbbd.gov.uk
Accountable Director: Jonathan Bunt, Chief Finance Officer	
Summary:	
<p>This report sets out the:</p> <ul style="list-style-type: none"> • Medium Term Financial Strategy (MTFS) for 2015/16 to 2018/19; • Proposed General Fund budget for 2015/16; • Proposed level of Council Tax for 2015/16; • Financial outlook for 2016/17 onwards; • Draft capital investment programme 2014/15 to 2016/17. <p>The General Fund net budget for 2014/15 is £165.320m and the proposed net budget for 2015/16 is £151.444m. The budget for 2015/16 incorporates changes in government grants, decisions previously approved by Members in the Medium Term Financial Strategy, savings approved by the Cabinet in October and December 2014 and other financial adjustments.</p> <p>Council Tax for 2015/16 is proposed to increase by £20.27 (1.99%) to £1,036.67 from its current level of £1,016.40 for a Band D property. This would be the first increase in seven years.</p> <p>The proposed draft capital programme is £365.9m for 2014/15 to 2016/17, including £216.1m for proposed HRA schemes. Details of the schemes included in the draft capital programme are at Appendix E.</p> <p>The Greater London Authority is proposing to reduce their Council Tax by 1.3% for a Band D property, reducing the charge from £299.00 in 2014/15 to £295.00 in 2015/16.</p>	
Recommendation(s)	
Cabinet is asked to recommend the Assembly:	
(i) To approve a base revenue budget for 2015/16 of £151.444m, as detailed in Appendix A;	

- (ii) To approve the adjusted Medium Term Financial Strategy (MTFS) position for 2015/16 to 2018/19 allowing for other known pressures and risks at this time, as detailed in Appendix B;
- (iii) To delegate authority to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to finalise any contribution required from reserves in respect of the 2015/16 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2015;
- (iv) To approve the Statutory Budget Determination for 2015/16 as set out at Appendix C, which reflects an increase of 1.99% on the amount of Council Tax levied by the Council, plus the final Council Tax proposed by the Greater London Assembly (1.3% reduction), as detailed in Appendix D;
- (v) To approve the Council's draft Capital Programme for 2014/15 to 2016/17 as detailed in Appendix E; and
- (vi) To approve the full economic cost be levied as a charge on fees paid by credit cards for Council Tax (paragraph 8).

Reason(s)

The setting of a robust and balanced budget for 2015/16 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community; London's growth opportunity and delivery of the priorities within available resources.

1.0 Introduction and Background

- 1.1 The purpose of this report is to seek agreement to the revenue budget for 2015/16 of £151.444m (£165.320m in 2014/15).
- 1.2 The report also sets out the Medium Term Financial Strategy (MTFS) for 2015/16 to 2018/19 and the Council Tax level for 2015/16.
- 1.3 As part of the budget setting process consideration has been given to the priorities set out in the existing Corporate Delivery Plan and how best these can be achieved with the resources available.

The vision is 'One borough; one community; London's growth opportunity'.

The three corporate priorities that support the vision are:

- 1. Encourage Civic Pride;
- 2. Enabling social responsibility;
- 3. Growing the borough.

2.0 Medium Term Financial Strategy (MTFS)

- 2.1 In February 2014, Assembly approved the budget for 2014/15 which included a £1m contribution from reserves. This gap is carried forward into 2015/16.

- 2.2 Provisional funding allocations for 2015/16 were announced in the Local Government Finance Settlement by DCLG (Department for Communities and Local Government) on 18 December 2014. The final settlement was announced on Tuesday 3 February 2015 and this has been included in the MTFs.
- 2.3 Unlike other settlements no information was provided past 2015/16. This creates uncertainty regarding the funding for future years.
- 2.4 Following the final settlement an additional £74m was added to the Revenue Support Grant nationally to assist Councils in dealing with pressures on local welfare, health and social care. This provided an additional £415k for the Council of which £300k will be used for the Local Emergency Support Service and £115k will support the Community Development Area initiative.
- 2.5 The Council has an additional £3.7m more funding than estimated in February 2014. An analysis of this difference is shown in the table below.

Table 1 – Changes to funding estimated in February 2014 vs final 2015/16 Settlement

Funding Source	2015/16 Original £000	2015/16 Revised £000	Variance £000
Revenue Support Grant	(45,007)	(45,401)	(394)
Education Services Grant	(3,671)	(3,300)	371
New Homes Bonus Grant	(4,098)	(2,700)	1,398
NHB Returned Funding	-	(171)	(171)
LCTS Administration Grant	(300)	(346)	(46)
HB Administration Grant	(135)	(1,349)	(1,214)
Change in Government Funding			(56)
Council Tax Precept	(41,987)	(44,188)	(2,201)
Retained NNDR Income	(16,942)	(15,521)	1,421
NNDR Compensation Grants	(546)	(1,419)	(873)
NNDR Pooling Gains	-	(300)	(300)
Council Tax Surplus	-	(1,404)	(1,404)
Business Rates Surplus	-	(314)	(314)
Change in Local Funding			(3,671)
Total Change in Funding			(3,727)

- 2.6 The increase is mainly due to higher Council Tax receipts of £3.6m, including the £1.4m surplus accumulated from previous years. There are two main causes for this, which are the reduction in demand for Council Tax Support and a higher than anticipated number of properties entering the valuation list.
- 2.7 In addition to funding other changes have occurred since February 2014 that has impacted on the MTFs. These changes are detailed in the following paragraphs and summarised in table 2.

- 2.8 Local Emergency Support and Community Development – Additional funding was made available by government to support local welfare, health and social care. This funding has been allocated to the Local Emergency Support Service (£300k) and the Community Development Area initiative (£115K).
- 2.9 Income pressures in Revenues – Due to higher collection rates for Council Tax and NNDR, the income received by the Council in relation to court costs has fallen creating a pressure of £150k. Additionally, following the end of a business rates shared service arrangement with Havering a £138k shortfall has arisen. This separation has enabled the creation of a new team with greater capacity for the collection of debts within the Borough and the collection rate has improved in 2014/15 which will partially offset the pressure.
- 2.10 East London Waste Authority (ELWA) Levy – Latest projections from ELWA show a higher levy than previously estimated due to increased insurance costs following a fire at a waste facility and increases in the costs of disposal.
- 2.11 Increase in London Living Wage – This reflects the increased salary costs as a result of the rise in the London Living Wage and the wage the Council has elected to pay.
- 2.12 Additional cost of full time Chief Executive – Previously the costs of the Chief Executive were shared with Thurrock Council.
- 2.13 Investment in the capital strategy – By minimising borrowing and utilising other sources of funding for the capital programme the level of revenue investment required has been reduced in 2016/17. There remains provision for a small level of borrowing in 2015/16 and 2016/17 and recommendations on how this will be allocated will be made in a future report to Cabinet.
- 2.14 Elevate contractual savings – More precise savings figures have become available closer to the start of 2015/16.
- 2.15 Income from investment properties previously in the HRA – Properties that no longer met the criteria to be included in the HRA will be appropriated by the General Fund and are expected to generate a surplus.
- 2.16 Contingency – Due to the current level of the General Fund reserve, contingency has been removed from the budget as reserves can be used to mitigate budget risk instead.
- 2.17 Implication of the Care Act 2014 – Following Government announcements that funding will be made available for the Act and further financial modelling work the pressure in the MTFs has been reduced. However this still remains a significant budget risk.
- 2.18 Delaying of interest costs to 2017/18 – The Council can use its projected cash position to postpone the need to borrow in the short term. This position will need to be reconsidered in 2017/18 as the long term need to borrow remains.
- 2.19 Funding changes – The impact of the provisional finance settlement is detailed in table 1. No details of the 2016/17 settlement were released but funding assumptions are detailed in table 3.

- 2.20 Increase in employer's National Insurance contributions – As these costs will be shared by the HRA and schools the General Fund cost has been reduced.
- 2.21 The complete MTFs is available at appendix B.

Table 2 – MTFs Changes since February 2014

Medium Term Financial Strategy Pressures and Adjustments	2015/16 £000	2016/17 £000
MTFS Budget Gap – Feb 2014	32,289	22,165
Local Emergency Support and Community Development	415	-
Income pressures in Revenues	288	-
East London Waste Authority Levy	246	-
Increase in London Living Wage	110	-
Additional cost of full time Chief Executive	100	-
Investment in the capital strategy	27	(750)
Elevate contractual savings	16	-
Income from investment properties previously in the HRA	(310)	-
Contingency	(2,000)	(2,000)
Implication of the Care Act 2014	(2,500)	(1,500)
Delaying of interest costs until 2017/18	(3,000)	-
Funding changes	(3,727)	(1,343)
Increase in employer's National Insurance contributions	-	(1,000)
MTFS Budget Gap – Feb 2015	21,954	15,572

- 2.22 A significant proportion of the budget gap is due to reductions in government funding. Table 3 shows that government funding has reduced by 18% (£19.6m) in 2015/16 then by a further estimated 9% (£8.8m) in 2016/17.

Table 3 - Sources of funding 2014/15 to 2016/17

Funding Source	2014/15 £000	2015/16 £000	2016/17 £000
Revenue Support Grant	(62,855)	(45,401)	(36,701)
Top Up Grant	(34,346)	(35,003)	(35,003)
Education Services Grant	(4,871)	(3,300)	(3,000)
New Homes Bonus Grant	(3,234)	(2,700)	(3,221)
HB Administration Grant	(1,460)	(1,349)	(1,246)
Specific Grants	(689)	-	-
LCTS Administration Grant	(375)	(346)	(319)
Lead Local Flood Authorities	(41)	(28)	(28)
NHB Returned Funding	-	(171)	-
Government Funding	(107,871)	(88,298)	(79,518)
Council Tax Precept	(41,187)	(44,188)	(45,628)
Retained NNDR Income	(16,472)	(15,521)	(15,521)
Council Tax Surplus	(1,067)	(1,404)	-
NNDR Compensation Grants	(546)	(1,419)	(1,419)

NNDR Pooling Gains	-	(300)	(700)
Business Rates Surplus/(Deficit)	1,823	(314)	-
Local Funding	(57,449)	(63,146)	(63,268)
Total Funding	(165,320)	(151,444)	(142,786)

2.23 No further information has been announced beyond 2015/16 in regards to individual Local Authority funding allocations. This gives a high degree of uncertainty around future funding levels and a 19% reduction in Revenue Support Grant has been assumed for 2016/17 based on previous trends.

3.0 General Fund Revenue Budget 2015/16

3.1 The proposed budget for 2015/16 has been set starting with the original 2014/15 budget approved by Assembly in February 2014. This was then adjusted for items detailed in the approved MTFs and other adjustments made in accordance with financial regulations during 2014/15.

3.2 The Chief Finance Officer has advised that in order to ensure the Council's financial base is not eroded that Council Tax levels should increase. A 1.99% increase in Council Tax is proposed which will increase the current band D charge of £1,016.40 by £20.27 to £1,036.67.

3.3 Proposed Directorate budgets are provided in Appendix A and the Statutory Budget Determination for 2015/16 is set out in Appendix C of this report.

3.4 In order to address the funding reductions as well as other service pressures outlined in the MTFs, Cabinet in October and December 2014 approved total savings of £23.519m in respect of 2015/16 and £12.855m for 2016/17. Details of the individual savings are provided as appendices to those reports.

3.5 The proposed net budget requirement for 2015/16 is £151.444m and the details of how this is funded are set out in Table 3 of this report.

Table 4 – Budget position 2015/16 and 2016/17

	2015/16 £000	2016/17 £000
Budget Gap (Table 2)	21,954	15,572
Savings (Paragraph 3.4)	(23,519)	(12,855)
Savings relating to CTAX included in funding	1,000	-
Budget Gap / (Surplus)	(565)	2,717
2015/16 Surplus brought forward	-	(565)
Cumulative Budget Gap / (Surplus)	(565)	2,152

3.6 Details of the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2015/16 have yet to be confirmed. The budget includes an increased provision for the cost of levies of £946k for 2015/16 which, based on current information provided by the levying authorities, is expected to be sufficient.

3.7 If there are no other significant changes in funding or levies, the Council would have a surplus of £565k in 2015/16 but it is not intended for this to lead to an increase in reserves. Instead, the Council will seek to identify one off opportunities to utilise the funds through the financial year and these will be reported back to Cabinet. The spend can only be one off so that the £565k can reduce the budget gap in 2016/17 as shown in Table 4 above.

4.0 Council Tax Requirement

4.1 The Council proposes to increase Council Tax by 1.99% (£20.27) from £1,016.40 to £1,036.67 for a band D. This will be the first increase in seven years.

4.2 The Greater London Authority has provisionally proposed a 1.3% reduction in its charge for 2015/16. The Council Tax charge would be reduced from the 2014/15 amount of £299.00 to £295.00 (Band D property).

4.3 Councils who opt to freeze their Council Tax will receive a grant from the government. However the grant is only worth an equivalent of a 1% increase in Council Tax and is not guaranteed after 2015/16.

4.4 The calculation of the proposed Council Tax for 2015/16 is shown in Appendix D.

4.5 Under the Local Government Finance Act 1992, Council Tax must be set before 11 March of the preceding year.

5.0 Financial Outlook

5.1 The Chancellor's Autumn Statement made on 3 December 2014 estimated the economy was expected to grow faster than forecast last year in both 2014 and 2015. However projections for the following two years have been revised down.

Table 5 – Forecast increase in Gross Domestic Product (GDP)

	GDP 2014	GDP 2015	GDP 2016	GDP 2017
Autumn Statement 2014	3.0%	2.4%	2.2%	2.4%
Autumn Statement 2013	2.4%	2.2%	2.6%	2.7%

5.2 Future year's public sector expenditure was set out at a high level in the Statement that showed a significant reduction in the Resource Departmental Expenditure Limit (RDEL) which funds local authorities.

Table 6 – Change in Resource Departmental Expenditure Limit (RDEL) projected in the autumn statement

	2014/15 £bn	2015/16 £bn	2016/17 £bn	2017/18 £bn
RDEL	337.4	339.1	321.8	310.6

- 5.3 There is not a direct relationship between RDEL and local government funding due to how it is distributed between departments but the figures do demonstrate the current government's commitment to further reduce expenditure in future years.
- 5.4 As no indication of local government funding beyond 2015/16 has been announced an estimated level of reduction has been included in the MTF5. For 2016/17 a reduction of 19% in Revenue Support Grant has been included based on previous trends but this could be significantly different depending on the decisions of a new government following the elections in May 2015.

6.0 Capital Programme

- 6.1 The Council is required to review its capital spending plans each year and set a capital programme. A key consideration when setting the programme is the projected level of available capital resources and the affordability of the overall programme, including the revenue cost of financing any debt.
- 6.2 The level of existing internal resources has been reviewed during the year and where relevant capital receipts and other capital reserves are being used to reduce the borrowing requirement of the approved programme in order to reduce debt charges on the Council's revenue budget. Officers will continue to review the level of borrowing and to identify further reductions that can be made. The Chief Finance Officer will review the funding of every scheme at the end of the financial year to identify opportunities to reduce the level of borrowing required by the Council and ensure that the capital programme is financed in the optimum way.
- 6.3 New schemes that have external funding (e.g. government grants) are added to the capital programme during the year and are appraised internally as and when the development arises. Further borrowing will only be possible for new schemes where the expenditure is essential or where the completed project generates an income stream that will enable the financing of the incurred debt.

Current capital programme

- 6.4 The Council's current approved capital budget for 2014/15 as at the end of December 2014 is £143.1m; and Directorates are currently forecasting to underspend against this by £8.5m. In addition to this there is spending in relation to finance lease and PFI additions and the Abbey Road and Gascoigne new housing developments, which involve the creation of a Special Purpose Vehicle (SPV) and borrowing from the European Investment Bank (EIB). These elements have been presented separately from the main capital programme, but are included within the overall financing requirements within the table below.
- 6.5 The budgets for the following three years are draft and will still be subject to change as a result of budget roll-forwards from this year, accelerated spend from next year, potential new funding, and further re-profiling. A summary of these budgets is shown in the table below.

Table 7 – Capital programme 2013/14 to 2017/18

Capital Expenditure	2013/14 Actual £'000	2014/15 Approved £'000	2015/16 Proposed £'000	2016/17 Proposed £'000	2017/18 Proposed £'000
General Fund Capital Programme	48,271	52,714	78,292	30,740	1,000
HRA Capital Programme	71,087	90,439	81,899	43,779	24,495
Sub-Total	119,358	143,153	160,191	74,519	25,495
Finance Lease & PFI Additions	3,455	25	54	69	88
EIB Projects: Abbey Road / Gascoigne	-	34,200	21,100	20,000	12,000
Total	122,813	177,378	181,345	94,588	37,583
Financed by:					
Capital Grant	50,604	31,372	70,594	26,540	0
Section 106	889	1,074	0	0	0
Revenue Contributions	9,249	4,703	400	0	0
Capital Receipts	15,960	11,522	6,365	1,200	0
MRR & HRA funding	42,656	90,439	78,699	33,029	24,495
Sub-Total	119,358	139,110	156,058	60,769	24,495
Net financing need*	3,455	38,268	25,287	33,819	13,088

* **Borrowing requirement**

- 6.6 Inclusive of the finance lease / PFI additions and the EIB projects, the 2014/15 capital programme will be funded by £31.3m worth of capital grants and contributions, £1.0m of Section 106 funding, £4.7 of revenue contributions, £11.5m of capital receipts, £90.4m of HRA resources (including the Major Repairs Allowance - MRA), with the remaining £38.2m funding requirement met from borrowing.
- 6.7 The full list of approved schemes is included at Appendix E. Future capital scheme proposals will be considered as and when new funding streams are identified, or where there are major Council developments which will require capital investment to meet strategic objectives. Essential remedial works for health and safety or statutory reasons will be met, however it is planned that further borrowing will be kept to an absolute minimum.
- 6.8 A small provision has been made for borrowing in 2015/16 and 2016/17 and the allocation of this will be considered at a future meeting of Cabinet. In addition the Council is also considering the sale of various sites and properties (as presented to Cabinet in January) in order to generate capital receipts that can be used to fund future capital schemes. Therefore Directorates will be invited to bid for available funding (and subject to Cabinet approval) as these future receipts are generated.

This additional provision is not currently included in table 7, which represents agreed capital schemes to date. Once proposals have been put forward they will be presented for approval to Cabinet and added to the capital programme accordingly.

- 6.9 To meet the statutory demand for school places, the Council will continue to lobby for additional funds from central Government, as it has achieved some success at this in the past.
- 6.10 Officers are also currently working on proposals for the redevelopment of the Councils corporate buildings, (per the corporate accommodation strategy and report presented to Cabinet in December). The Council is looking to spend approximately £11m over the next three years on this. The project will also generate capital receipts from the sale of surplus council properties, which will bring the net cost and overall borrowing requirement of the project down to £4m.
- 6.11 A draft capital programme is presented for approval as amendments will be required before 1 April 2015 when further information becomes available.

Capital appraisal and monitoring arrangements

- 6.12 The Council has in place a capital appraisal process for new capital schemes. The appraisal process includes an analysis of the strategic fit of the scheme, options appraisal and key risks, financial implications, a detailed risk register, health and safety issues, and deliverability and key milestone issues. Only once a scheme successfully meets all these criteria can works commence.
- 6.13 The Council also has a capital monitoring system, which is primarily designed to ensure that projects are delivered within the timescales and within the budget approved by Cabinet. The capital programme is supported by the Capital Delivery Team and is monitored by Project Managers in consultation with the Finance Service.
- 6.14 An upgrade to the financial system ('Oracle R12') was implemented in July 2014, enabling improvements in the way officers are able to manage and report on capital projects. Project Managers are now able to view the live financial performance of their schemes on their personalised 'dashboards'. Financial forecasts are also now uploaded directly into Oracle each month, such that all officers managing a capital scheme are able to see the most current year-end forecast. These changes have made managing and reporting on capital schemes a more timely and efficient process.
- 6.15 **Table 8:** Impact on the Councils revenue budget of the proposed borrowing for the capital programme.

	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Minimum Revenue Provision (MRP)	10,290	9,230	9,643	8,553	8,475
Interest Payable	2,205	1,700	1,700	1,750	1,800
Interest Receivable	(1,471)	(1,688)	(1,580)	(1,955)	(2,247)
Total	11,024	9,242	9,763	8,348	8,028

- 6.15 There will also be additional financing costs associated with the EIB loan for the Abbey Road and Gascoigne Housing developments. However this will be self financed through the rent model with the SPV – and therefore will not be a pressure on the Councils MRP budget.

7.0 Credit Card Charges on Council Tax Bill

- 7.1 At the Cabinet meeting of 7 October 2014 Members agreed to the passing of transaction cost for credit cards on to users, with a savings estimate of £40,000 calculated on a 1% credit charge cost to the Council. Cabinet agreed that the Council would add a recovery of costs charge to payments made via credit card so as to allow the Council to recover the costs it currently incurs for each credit card transaction. It is expected that some of the savings will not be made through charging for credit card transactions but from reducing the cost to the Council by payments methods moving from credit cards to debit cards or other methods of payment.
- 7.2 Officers are currently working on the implementation of this charge but have been advised by Legal Services that to add a credit card charge on Council Tax requires the Assembly's approval as Council Tax is a statutory legal liability charge not a fee. Credit card charges on Council Tax form a significant portion of the total credit card charges incurred by the Council. To meet the savings estimate agreed by Cabinet the charge would need to be levied on Council Tax payments by credit card from 1 April 2015.
- 7.3 Cabinet is therefore asked to recommend to the Assembly that to be consistent the cost also be levied as a charge on fees paid by credit cards for Council Tax.

8.0 Consultation

- 8.1 A consultation on the 2015/16 and 2016/17 savings was carried out in the autumn of 2014. Details of the consultation are included in paragraph 5 of the Budget Strategy 2015/16 report that was presented to Cabinet on 16 December 2014.

9.0 Financial Implication

- 9.1 Financial Implications have been covered throughout the report.

10.0 Legal Implications

Implications completed by Paul Feild, Corporate Governance Lawyer

- 10.1 A local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. The current budget setting takes place in the context of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on

the detailed implementation of agreed savings options. Relevant legal considerations are identified below:

- 10.2 Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing then it will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.
- 10.3 If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. In particular the Council must have regard to:
- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;
 - any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
 - any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);
 - the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;
 - to any responses from stakeholders to consultation undertaken.
- 10.4 In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant 'protected characteristic'. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information.
- 10.5 As mentioned in the main body of this report to implement the Cabinet decision to recover the transaction cost of payments by credit card the Assembly will need to so resolve for the purposes of payment of Council Tax as it is a statutory requirement it be paid rather than a charge for services.

11.0 Equalities Impact Assessment

- 11.1 In order to set a balanced budget, the Council has been required to agree a large number of savings options for 2015/16. For each saving option put forward the Council requires that an assessment is carried out of the likely particular impacts of the proposal on residents and staff from the eight protected equality categories. Equality Impact Assessments (EIAs) for all savings options were presented to Cabinet for consideration along with the savings proposals in October and December 2014.
- 11.2 Carrying out impact assessments helps to:
- Ensure our services are accessible to all and meet the needs of our customers
 - Ensure that we deliver our policies and strategies in a practical way

- Ensure that reasonable account is taken of the impacts of decisions, changes and new strategies and policies on service users and staff from the equalities categories laid out in the Equalities Act 2010. The need for effective equalities analysis has been highlighted by recent judicial reviews of decisions made by other local authorities on the grounds of alleged inadequate analysis of proposed savings.

The protected characteristics are:

- Men, women and transgender people
- People from black and minority ethnic groups
- Disabled people
- Old and young people
- Lesbian, gay and bisexual people
- People with different religions and beliefs and those of no belief
- Pregnant women and new mothers
- People who are socio-economically disadvantaged

11.3 Each saving proposal was assessed to establish whether there would be particular positive or negative impact on residents from each of the equalities categories, over and above the impact that there would be on all residents, and what mitigations had been made in developing the proposal, or would be put in place if adopted, to reduce any negative impacts identified.

11.4 All the Equality Impact Assessments (EIAs) were collated centrally and each service completed a cumulative impact assessment that has informed an overarching analysis of the potential impact of all the savings proposals on the community. In summary, the negative impacts are:

	Negative Impact
Staff	39
Disability	23
Age (young people)	22 (+ * 4)
Other, including socio-economic	21
Age (older people)	18
Race	15
Gender	12
Pregnant and nursing mothers	10
Religion and Belief	9
Sexual Orientation	8
* Care leavers (young people)	* 4
TOTAL	181

11.5 Along with staff, the overall impact of the proposed savings may have a disproportionately negative impact on younger and older people as well as residents

with disabilities. These are the equality groups who would experience cuts to services explicitly provided for them. The other equality categories would in a number of cases be affected, because they use a specific service more than the wider community. To some extent this is to be predicted as many Council services focus on serving the most vulnerable residents, and a large part of some areas of the Council's work, and largest proportion of the budget, does focus on younger and older people, so when the Council has to make significant savings, it is likely that services for those groups will be particularly affected. Due to the scale of the saving required this is unavoidable, however, of the proposals where there is a negative impact, 29 have identified actions that would mitigate this, Work is continuing within services to identify other ways of reducing any negative impacts.

12.0 Other Implications

12.1 **Staffing Implications** – Through the budget planning process for 2015/16 and beyond there has been extensive consultation with staff. The Council has tried where possible to respond positively to the ideas staff have made. Many of the savings proposals agreed however do have significant impacts on staff. Consultation has taken place with those staff affected by specific proposals. The Council has sought to avoid compulsory redundancies and an extensive programme of support is available to staff who may be at risk of redundancy.

12.2 **Customer Impact** – The saving options have been subject to an assessment of equalities and diversity implications and consideration given to the cumulative extent of adverse impact on customers. Extensive consultation has also taken place. Front line services have been protected as far as possible, but some cuts to front line services have been unavoidable.

13.0 Risk Management

13.1 This report concerns financial risks carried by the Council. The report sets out how the Council will manage and minimise these financial risks.

13.2 Each savings option agreed will have its own implementation risk and these will need to be monitored by the relevant Departments and budget managers. As has previously occurred, the delivery of savings will be included in the budget monitoring reports to Cabinet and the expectation is that, where a saving cannot be achieved, an offsetting reduction elsewhere is found within, in order, either that service area, that department or the wider Council.

Background Papers Used in the Preparation of the Report: None

List of appendices

Appendix A – Revenue Budget 2015/16

Appendix B – MTFS 2015/16 to 2017/18

Appendix C – The Statutory Budget Determination

Appendix D – Calculation of the Council Tax Requirement

Appendix E – Draft Capital Programme 2014/15 – 2016/17

2015/16 Details of Directorate Gross and Net Budgets Including Recharges

Directorate	Gross Expenditure £'000	Support Costs £'000	Depreciation £'000	Recharge Income £'000	Income £'000	Net Budget £'000
Adults & Community Services	75,228	4,337	2,586	(965)	(31,470)	49,716
Children's Services	76,492	5,525	10,074	(22)	(29,913)	62,156
Housing & Environment	54,945	6,320	10,888	(10,586)	(41,399)	20,168
Chief Executive's Directorate	197,695	6,270	1,525	(17,785)	(169,630)	18,075
General Finance	28,641	-	(25,073)	-	(2,239)	1,329
Dedicated Schools Grant	229,323	4,005	-	-	(233,328)	-
TOTAL	662,324	26,457	-	(29,358)	(507,979)	151,444

This page is intentionally left blank

Medium Term Financial Strategy - Summary Position 2015/16 - 2018/19

Appendix B

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Prior Year (Surplus) / Deficit	1,044	(565)	2,152	17,002
Budget Increases				
Investment in the capital programme	1,527	500	500	500
Staff pay award	1,000	1,000	1,000	1,000
ELWA levy increase	946	400	400	400
Increased contribution to Pension Fund deficit	650	650	650	650
Additional Cost of single Chief Executive	100	-	-	-
Increase in London Living Wage	500	-	-	-
Implications of the Children and Families Bill	1,250	-	-	-
Children's placement pressures	3,000	-	-	-
Local Emergency Support and Community Development	415	-	-	-
Income from investment properties	(700)	-	-	-
Implications of the Care Bill 2014	-	2,500	-	-
Increase in employers' NI contributions	-	2,000	-	-
Contribution to Collection Fund Reserve	1,143	-	-	-
Delaying of Interest Costs	(3,000)	-	3,000	-
Potential Impact of Parking CCTV Changes	-	-	1,500	-
End of ELWA Waste Reduction Initiative	-	(135)	-	-
Elevate contractual savings	(84)	-	-	-
NNDR & Court Cost pressure	288	-	-	-
Total Additional Costs	7,035	6,915	7,050	2,550
Changes in Income & Funding				
Formula & Specific Grant	16,372	9,000	8,545	5,155
Collection Fund surplus from prior years	(1,718)	1,718	-	-
Education Services Grant	1,571	300	-	-
New Homes Bonus Grant	534	(521)	355	-
Increase in the Council Tax base	-	-	-	-
Weekly Collection Grant (Refuse)	417	-	-	-
2% increase in Council Tax	(800)	(800)	(800)	(800)
Increase in Council Tax Base	(2,201)	(640)	-	-
Income from Business Rates Pooling	(300)	(400)	(300)	-
Total Changes in Income	13,875	8,657	7,800	4,355
Cumulative Budget Gap	21,954	15,007	17,002	23,907
Savings				
Savings approved by Cabinet Dec 2014	(23,519)	(12,855)	-	-
Savings relating to Increased CTAX reflected in funding	1,000	-	-	-
Total Savings	(22,519)	(12,855)	-	-
Cumulative Budget Gap Including Savings	(565)	2,152	17,002	23,907

This page is intentionally left blank

STATUTORY BUDGET DETERMINATIONS

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

1. At its meeting on 27 January 2015 the Cabinet approved the Council Tax Base 2015/16 calculation for the whole Council area as 42,624.64 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended (“the Act”)]

2. The following amounts have been calculated by the Council for the year 2015/16 in accordance with Sections 31 to 36 of the Act:-

(a)	£662,324,625	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£618,136,939	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£44,187,686	being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (i.e. Item R in the formula in Section 31A(4) of the Act).
(d)	£1,036.67	being the amount at 2(c) above (i.e. “Item R”), divided by Item T (shown at 1 above), calculated by the Council, in accordance with Section 31B(1) of the Act as the basic amount of its Council Tax for the year. Refer below for further detail.

Valuation Bands

A	B	C	D	E	F	G	H
£691.11	£806.30	£921.48	£1,036.67	£1,267.04	£1,497.41	£1,727.78	£2,073.34

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

3. That it be noted that for the year 2015/16 the Greater London Authority has indicated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:-

Precepting Authority: Greater London Authority

Valuation Bands

A	B	C	D	E	F	G	H
£196.67	£229.44	£262.22	£295.00	£360.56	£426.11	£491.67	£590.00

4. That, having calculated the aggregate in each case of the amounts at 2 and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2015/16 for each of the categories of dwellings shown below:-

Valuation Bands

A	B	C	D	E	F	G	H
£887.78	£1,035.74	£1,183.70	£1,331.67	£1,627.60	£1,923.52	£2,219.45	£2,663.34

Calculation of the Proposed Council Tax for 2015/16

£000

Revised 2014/15 Budget		165,320
Contribution to General Fund Reserve (Surplus)	565	
New MTFs Items	8,162	
Savings Approved by Cabinet - October & December 2014	<u>(22,603)</u>	
Total Adjustments		(13,876)
Base Budget Requirement for 2015/16		151,444
Funded By:		
Formula & Specific Grant	(95,262)	
Education Services Grant	(3,300)	
New Homes Bonus Grant	(2,871)	
Council Tax Freeze Grants	(2,410)	
Benefits Administration Grant	(1,695)	
Collection Fund (Surplus)/Deficit	<u>(1,718)</u>	
Total Funding		(107,256)
Council Tax Requirement		44,188
Council Tax Base (Equivalent Band D properties)		42,624.64
Council Tax:		
London Borough of Barking & Dagenham		£1,036.67
Greater London Authority		<u>£295.00</u>
Overall Council Tax - Band D equivalent		£1,331.67

This page is intentionally left blank

CAPITAL PROGRAMME 2014/15 - 2016/17

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
Adult & Community Services													
Adult Social Care													
FC00106	Private Sector Households	573,715	671,682		1,245,397	1,245,397							1,245,397
FC02888	Direct Pymt Adaptations	385,333	400,000		785,333					785,333			785,333
FC02913	80 Gascoigne Road Care Home	3,672			3,672	3,672							3,672
FC02976	Community Capacity Grant	991,908			991,908	991,908							991,908
Culture & Sport													
FC02855	Mayesbrook Park Athletics Arena	212,220			212,220	46,640		150,000	15,580				212,220
FC02870	Barking Leisure Centre 12-14	7,988,877	170,000		8,158,877	100,000		400,000				7,658,877	8,158,877
FC02266	PGSS - Barking Park	295,373			295,373					295,373			295,373
FC02603	BECONTREE HEATH LEISURE CENTRE												
Total For Adult & Community Services		10,451,098	1,241,682		11,692,780	2,387,617		550,000	15,580	1,080,706		7,658,877	11,692,780

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
Housing and Environment													
Environment & Enforcement													
FC02764	Street Light Replacing	1,417,969			1,417,969			200,000	469			1,217,500	1,417,969
FC02873	Environmental Improvements and Enhancements	28,950	65,813		94,763				94,763				94,763
FC02886	Parking Strategy Imp	91,245			91,245				91,245				91,245
FC02887	Frizlands Wkshp Major Wks												
FC02930	Highways Improvement Programme	2,617,708			2,617,708			167,537				2,450,171	2,617,708
FC02964	Road Safety Improvement 2013-14 (TfL)	328,475			328,475	228,475						100,000	328,475
FC02981	Parkmap scheme (Traffic Mangement Orders)	57,126			57,126				57,126				57,126
FC02982	Controlled Parking Zones (CPZ's)	255,155	170,000		425,155				425,155				425,155
FC02999	Rippleside Cmtry Prov 2014-15	63,000			63,000						63,000		63,000
FC03011	Structural Repairs & Bridge Maintenance	250,000			250,000							250,000	250,000
FC03012	Environmental Asset Database Exp	306,428			306,428					306,428			306,428
PGSS													
FC02567	Abbey Green Park Development	9,093			9,093	4,493				4,600			9,093
FC02817	Mayesbrook Park Improvements (Phase 1)	10,926			10,926	10,926							10,926
FC02911	Quaker Burial Ground	48,312			48,312			18,312	30,000				48,312
FC02912	Barking Park Tennis Project	7,397			7,397	7,397							7,397
Total For Housing and Environment		5,491,784	235,813		5,727,597	251,291		385,849	698,758	311,028	63,000	4,017,671	5,727,597

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
Chief Executive (CEO)													
Asset Strategy													
FC02542	Backlog Capital Improvements	600,000	390,442		990,442				990,442				990,442
FC02565	Implement Corporate Accommodation Strategy	900,000	6,260,842	4,200,000	11,360,842				4,160,842			7,200,000	11,360,842
FC02578	Asbestos (Public Buildings)	15,916	15,000		30,916							30,916	30,916
FC02587	Energy Efficiency Programme	150,000			150,000				150,000				150,000
FC02771	Automatic Meter Reading Equipment	19,952			19,952				19,952				19,952
FC02577	Legionella Works (Public Buildings)												
ICT													
FC02738	Modernisation & Improvement Capital Fund	2,040,814			2,040,814				415,458	765,000	860,356		2,040,814
FC02877	Oracle R12 Joint Services	1,584,196			1,584,196				1,145,842		438,354		1,584,196
FC03016	Agilisys Connect Website Development	283,450			283,450					283,450			283,450
Regeneration													
FC02458	New Dagenham Library & One Stop Shop	73,666			73,666				73,666				73,666
FC02596	Legi Business Centres	113,000			113,000	113,000							113,000
FC02821	Shopping Parade Enhancements	151,032			151,032	50,000		16,213	84,819				151,032
FC02891	Merry Fiddlers Junction Year 2												
FC02898	Local Transport Plan (TfL)	66,500	46,000		112,500	112,500							112,500
FC02901	Creekmouth Arts & Heritage Trail	170,550			170,550	170,550							170,550
FC02902	Short Blue Place (New Market Square Barkin - Phase II)	100,491	46,000		146,491	28,371		49,616	50,819	17,685			146,491
FC02914	Barking Job Shop Relocation	12,504			12,504	12,504							12,504
FC02928	Captain Cook Site Acquisition and Public Realm Works (Abbey Leisure Centre)	388,500			388,500	316,109		72,391					388,500
FC02962	Principal Road Resurfacing 2013-14 (TfL)	532,000	529,000		1,061,000	1,061,000							1,061,000
FC02963	Maysbrook Neighbourhood Improvements (DIY Streets) 2013-14	47,500	232,000		279,500	279,500							279,500
FC02969	Barking Bathouse (formerly Economic Development Growth Fund)	33,000	291,775		324,775	324,775							324,775
FC02994	Renwick Road/ Choats Road 2014/15 (TfL)	412,500	279,000		691,500	691,500							691,500
FC02995	Ballards Road / New Road 2014/15 (TfL)	95,000	372,000		467,000	467,000							467,000
FC02996	Barking Town Centre 2014/15 (TfL)	549,500	232,000		781,500	781,500							781,500
FC02997	A12 / Whalebone Lane (TfL)	47,500	232,000		279,500	279,500							279,500
FC03000	MAQF Green Wall (TfL)	42,000			42,000	42,000							42,000
FC03015	Demolition of Former Remploy Site	709,000			709,000					709,000			709,000
FC02819	London Road/North Street Site Acquisitions Road Safety		180,000 186,000		180,000							180,000	180,000
Total For Chief Executive (CEO)		9,138,571	9,292,059	4,200,000	22,444,630	4,729,809		138,220	7,091,840	1,775,135	1,298,710	7,410,916	22,444,630
Grand Total General Fund		52,713,586	78,292,925	30,740,374	161,560,885	128,320,360		1,074,069	7,976,178	3,741,104	1,361,710	19,087,464	161,560,885

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
HRA													
Investment In Own Stock													
FC00100	Aids And Adaptions	450,000	1,150,000	800,000	2,400,000		2,400,000						2,400,000
FC02943	Asbestos Removal	420,000	725,000	725,000	1,870,000		1,870,000						1,870,000
FC02950	Central Heating	2,400,000	500,000	500,000	3,400,000		3,400,000						3,400,000
FC02983	Decent Homes Central	6,950,000	5,800,000	6,000,000	18,750,000		18,750,000						18,750,000
FC03001	Decent Homes (North)	10,543,956	6,000,000	6,000,000	22,543,956		8,593,956		13,950,000				22,543,956
FC03002	Decent Homes (South)	8,746,176	6,959,088	6,000,000	21,705,264		21,705,264						21,705,264
FC03003	Decent Homes (Blocks)	3,087,914	3,812,086	2,500,000	9,400,000		9,400,000						9,400,000
FC03004	Decent Homes (Sheltered)	1,800,000	1,400,000	1,500,000	4,700,000		4,700,000						4,700,000
FC03005	Decent Homes Small Contractors	275,000			275,000		275,000						275,000
FC02984	Block & Estate Modernisation	2,440,000	6,000,000	2,000,000	10,440,000		10,440,000						10,440,000
FC02939	Conversions	270,000	300,000	300,000	870,000		870,000						870,000
FC02938	Fire Safety Improvements	1,600,000	1,250,000	1,000,000	3,850,000		3,850,000						3,850,000
FC03006	In Year Priorities												
FC02811	Members Budget	324,000	360,000	360,000	1,044,000		1,044,000						1,044,000
FC02934	Roofs	1,900,000	1,750,000	2,000,000	5,650,000		5,650,000						5,650,000
FC03007	Windows	250,000	650,000	1,000,000	1,900,000		1,900,000						1,900,000
FC02933	Voids	6,352,000	3,024,000	2,600,000	11,976,000		11,976,000						11,976,000
FC03008	R&M Capitalisation/Boiler Replacement	1,000,000	1,000,000	1,000,000	3,000,000		3,000,000						3,000,000
Estate Renewal													
FC02820	Boroughwide Estate Renewal - All (Decants, Buybacks & Demolition)	6,680,000	6,400,000	5,500,000	18,580,000		18,580,000						18,580,000
New Builds													
FC02945	Street Purchases	400,000			400,000		400,000						400,000
FC02823	Council Housing Phase 3	300,000			300,000		300,000						300,000
FC02916	Lawns & Wood Lane	2,039,158	120,695		2,159,853		2,159,853						2,159,853
FC02917	Abbey Phase 1	5,458,000	314,799		5,772,799		5,772,799						5,772,799
FC02990	Abbey Phase 2 (this scheme is funded by GF)												
FC02931	Leys Phase 1	6,745,276	11,884,724	232,000	18,862,000		18,862,000						18,862,000
FC03009	Leys Phase 2		8,500,000	500,000	9,000,000		9,000,000						9,000,000
FC02961	Goresbrook	7,684,000	179,000		7,863,000		7,863,000						7,863,000
FC02970	Marks Gate	10,023,750	2,512,250		12,536,000		12,536,000						12,536,000
FC02988	Bungalows (Stansgate 1 Mrgt Bon)	1,500,000	5,707,000	112,000	7,319,000		7,319,000						7,319,000
FC02989	Ilchester Road	500,000	1,300,000		1,800,000		1,800,000						1,800,000
FC02991	North St	300,000	2,300,000		2,600,000		2,600,000						2,600,000
FC02992	Eyesore Sites		2,000,000	3,150,000	5,150,000		5,150,000						5,150,000
FC02986	Gascoigne Estate 1												
Grand Total HRA		90,439,230	81,898,642	43,779,000	216,116,872		202,166,872		13,950,000				216,116,872
TOTAL CAPITAL PROGRAMME		143,152,816	160,191,567	74,519,374	377,677,757	128,320,360	202,166,872	1,074,069	21,926,178	3,741,104	1,361,710	19,087,464	377,677,757

This page is intentionally left blank

CABINET**16 February 2015**

Title: Treasury Management Strategy Statement 2015/16	
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	
Summary	
<p>This report deals with the Treasury Management Annual Strategy Statement, Treasury and Prudential Indicators, Annual Investment Strategy and borrowing limits, in compliance with Section 15(1)(a) of the Local Government Act 2003.</p> <p>The production and approval of a Treasury Management Annual Strategy Statement and Annual Investment Strategy are requirements of the Council under Section 15(1) of the Local Government Act 2003. It is also a requirement of the Act to set an authorised borrowing limit for the forthcoming financial year.</p> <p>The Local Government Act 2003 also requires the Council to have regard to the Prudential Code, and to set prudential indicators which take into account the Council's capital investment plans for the next three years.</p>	
Recommendation(s)	
<p>The Cabinet is asked to recommended the Assembly to:</p> <ul style="list-style-type: none"> (i) Note that on 15 January 2015 the Council borrowed £89 million from the European Investment Bank as outlined in section 4.5 of this report. (ii) Adopt the Treasury Management Strategy Statement for 2015/16 attached as Appendix 1 to the report and, in doing so, to: <ul style="list-style-type: none"> a) Note the current treasury position for 2015/16 and prospects for interest rates, as referred to in sections 4 and 7; b) Approve the Council's Borrowing Strategy, Debt Rescheduling Strategy and Policy on borrowing in advance of need for 2015/16 as referred to in section 9; c) Approve the Annual Investment Strategy and Creditworthiness Policy for 2015/16 outlining the investments that the Council may use for the prudent management of its investment balances, as set out in Appendix 1. 	

- d) Approve the Authorised Borrowing Limit of £800m for 2015/16, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003, as set out in Appendix 3;
- e) Approve the Treasury Management Indicators and Prudential Indicators for 2015/16, as set out in Appendix 3;
- f) Approve the Minimum Revenue Policy Statement for 2015/16, representing the Council's policy on repayment of debt, as set out in Appendix 4; and
- g) To maintain the authority delegated to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to proportionally amend the counterparty lending limits agreed within the TMSS to take into account the initial increase in cash from the EIB but also the subsequent decrease in cash balances as payments are made to the SPV.
- h) To next review this delegated responsibility as part of the 2014/15 Treasury Management Outturn Report to Assembly

Reason(s)

To enable the Council to accord with the requirements of the Local Government Act 2003.

1. Introduction and Background

- 1.1 The Council is required to operate a balanced budget, with cash raised during the year sufficient to meet the Council's cash expenditure. Treasury management supports the Council by seeking to ensure its cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate security and liquidity before considering an investment return.
- 1.2 A second function of treasury management is funding the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.
- 1.3 The Council is responsible for its treasury decisions, activity and risk appetite. The successful identification, monitoring and control of risk are integral elements of treasury management, including credit and counterparty risk, liquidity risk, market risk, interest risk, refinancing risk and legal and regulatory risk. The Council is statutorily required to approve the TMSS prior to the new financial year.

2. Reporting Requirements

- 2.1 The Council is also required to receive and approve at least three main treasury reports each year. These reports are required to be adequately scrutinised by Committee before being recommended to the Council. The three main treasury reports are:

- i. **The Treasury Management Strategy Statement (TMSS)** is the most important report and takes into account the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators (PIs) and the outlook for interest rates. In addition the current market conditions are factored into any decision making process.
- ii. **An Annual Treasury Report** which outlines the actual PIs, treasury indicators and treasury operations compared to the estimates within the strategy.
- iii. **A Mid-Year Treasury Management Report** to update Members on the progress of the capital position, amending PIs and investment strategy as necessary.

2.2 As the Council is responsible for housing, PIs relating to capital expenditure, financing costs and the Capital Financing Requirement (CFR) are split between the Housing Revenue Account (HRA) and the General Fund (GF). The impact of new capital investment decisions on housing rents will also need to be considered.

2.3 This report provides an explanation of the key elements of the Council's Treasury Management Strategy, its Minimum Revenue Provision (MRP) Strategy, the Annual Investment Strategy (AIS) for 2015/16 and the borrowing strategy, which are set out in detail in the appendices attached to this report.

3. Treasury Management Strategy for 2015/16

3.1 The Local Government Act 2003 and supporting regulations require the Council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years and ensure the Council's capital programme is affordable, prudent and sustainable.

3.2 The Act requires councils to set out their treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.3 The Department of Communities and Local Government (DCLG) has issued revised investment guidance that came into effect from 1 April 2010, and the Council has adopted the recommendations of the guidance. The strategy for 2015/16 covers two main areas:

Treasury Management Issues

- Treasury Management Advisors;
- Current Portfolio Position;
- The use of the Council's Resources and expected investment balances;
- Economic Update;
- The Annual Investment Strategy and Investment Policies;
- The Capital Expenditure Plans 2015/16 – 2017/18;
- The Council's Borrowing Strategy and Borrowing Requirement; and

- Treasury indicators which limit the treasury risk and activities of the Council.

Capital Issues

- The capital plans and the prudential indicators; and
- The minimum revenue provision (MRP) strategy.

4. Current Portfolio Position

4.1 The Council holds cash balances arising from its operational activities, including income such as grants and Council Tax, which are offset by daily expenditure to run services. Due to the timing of these cash flows, a surplus of cash is available at any point in time for investing. This is because, in general, significant sources of income for the year such as grants are received in advance of expenditure and as the Council holds specific reserves for future expenditure plans. Cash balances are also affected by “working capital”, which relates to amounts of outstanding payments to be made to suppliers offset by amounts owed to the Council.

4.2 The Council’s year-end (31 March) cash balances since 2012/13 are shown below:

2014/15 - £210m*

2013/14 - £120m

2012/13 - £110m

* estimate includes £89m European Investment Bank Borrowing.

4.3 These balances are made up of the following sources of cash:

- Capital grants and Section 106 funds received in advance of expenditure;
- General Fund, Housing Revenue Account and School cash balances;
- Earmarked Reserves and provisions;
- Capital Receipts and working Capital; and
- Public Works Loan Board and bank loans to fund capital expenditure.

4.4 Table 1 below shows the Council’s investments and borrowing balances as at 31 December 2014, including the average life and the Rate of Return.

Table 1: Council’s treasury position at 31 December 2014

	Principal Outstanding 31/12/14 £'000s	Average Rate of Return 31/12/14 %	Average Life as at 31/12/14 (yrs)
Fixed Rate Funding			
PWLB	265,912	3.50	41.06
Market	40,000	4.00	53.86
Short Term Borrowing	19,800	0.43	0.07
Total Debt	325,712	3.37	40.14
Investments (In-House)			
Federated Money Market Fund	2,000	0.45	N/A
Goldman Sachs Bank	10,000	0.77	0.14
Standard Chartered Bank	10,000	0.95	0.64
Lloyds Banking Group	49,500	0.97	0.47

Local Authorities	27,000	1.08	0.90
Royal Bank of Scotland	35,000	1.34	1.34
Barking Riverside Limited	4,626	3.50	5.25
Total Investments	138,126	1.15	0.92
Net Borrowing	219,912		

4.5 European Investment Bank

- 4.5.1 At the Cabinet Meeting of 4 August 2014 and the Assembly meeting of 17 September 2014, Members agreed to fund the regeneration of Gascoigne Estate (East) Phase 1 and Abbey Road Phase 2 using borrowing from the European Investment Bank (EIB) as the rates offered were significantly below rates that could be obtained from other sources including banks and the Public Works Loan Board (PWLB).
- 4.5.2 Members also agreed to delegate authority to the Head of Legal Democratic Services, or an authorised delegate, to execute all legal agreements, contracts and other documents on behalf of the Council in relation to Gascoigne Estate (East) Phase 1 and Abbey Road Phase 2 Funding Proposals and the borrowing of £89 million from EIB.
- 4.5.3 On 15 January, following a large drop in the 30 Year UK Gilt rate, the Chief Finance Officer (CFO) agreed to fix the full £89 million borrowing with the EIB over a 30 year period. The rate agreed was 2.207%, which is significantly below the rates originally modelled that made the regeneration of Gascoigne Estate (East) Phase 1 and Abbey Road Phase 2 a viable option.
- 4.5.4 The full £89 million was paid across to the Council by the EIB on 30 January 2015. To accommodate the increased borrowing and the increase in cash available to invest, Members agreed to delegate authority to the CFO, in consultation with the Cabinet Member for Finance, to approve appropriate amendments to the authorised and operational borrowing limits and proportionally amend the counterparty lending limits within the TMSS. The amended TMSS counterparty limits are reflected in this report.

4.6 Treasury Position at 31 March 2014

- 4.6.1 The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised in table 2. The table shows the actual external debt against the underlying capital borrowing need (CFR), highlighting any over or under borrowing.
- 4.6.2 The CFR in table 2 does not contain the costs for Reside. The accounting requirements for Reside are in the process of being finalised but the initial view is that Reside will reported separately from the Council's main accounts and will not be included within the Council's CFR.

Table 2: Treasury Position at 31 March 2014, with forward projections

£'000s	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
External Debt					
Debt at 1 April	325,912	315,912	394,912	404,912	404,912
Expected change in Debt	(10,000)	79,000	10,000	0	0
Other long-term liabilities	60,844	58,192	55,473	52,650	49,723
Gross debt at 31 March	376,756	453,104	460,385	457,562	454,635
CFR	484,743	513,780	529,424	551,690	555,303
Under / (over) borrowing	107,987	60,676	69,039	94,128	100,668

4.7 Medium term capital finance budget

- 4.7.1 A key part of the Council's budget strategy is the medium term capital finance budget shown as Table 3. It is a statutory requirement that the level of borrowing is kept under review and is affordable.

Table 3: Medium term capital finance budget

£'000s	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 Budget
Interest Payable and MRP	14,731	11,893	10,803	13,725
Investment Income	(647)	(1,539)	(1,997)	(2,247)
Net Cost	14,232	11,310	9,735	12,684

5. Treasury Management Advisors

- 5.1 The Council uses Capita Asset Services (CAS) for external treasury advice. However the Council recognises that it is ultimately responsibility for all treasury management decisions and will ensure that undue reliance is not placed on the external advisors.
- 5.2 The Council recognises that there is some value in receiving advice from external treasury advisor in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are documented, and subjected to regular review. For its cash flow generated balances, the Council will utilise a range of investment instruments, as agreed within the Annual Investment Strategy restrictions (appendix 1) in order to benefit from the compounding of interest.

6. Economic Update

- 6.1 In the **United Kingdom** the strong GDP growth experienced in 2013 continued into 2014, with quarterly growth of 0.7% in Q1, 0.9% in Q2 and 0.7% in Q3 2014. Forecasts indicate growth will continue into 2015, with encouraging forward surveys for the services, manufacturing and construction sector and also for business investment. For this recovery to become more balanced and sustainable the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting and the manufacture of goods, both of which need to substantially improve on their recent lacklustre performance.

Unemployment fell to 6% in November 2014 and is expected to continue its downward trend. This may feed through to increases in pay rates at some point over the next three years, although the effect future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence are areas that need to be regularly reviewed. Consumer Price Index (CPI) fell to 1% in November 2014 following four years of being above the MPC's 2% target.

Overall markets expect the MPC will be cautious in raising rates to protect indebted consumers at a time when inflationary pressures are weak. An increase in Base Rate of 0.25% is forecast for Q2 2015, with subsequent increases likely to be small.

- 6.2 The **Eurozone (EZ)** continues to experience weak growth and the potential of deflation, with a November's inflation rate of 0.3% and with some EU countries experiencing negative inflation rates. The European Central Bank (ECB) initially took limited action to loosen monetary policy to promote growth, including cutting its benchmark rate to 0.05% and its deposit rate to (0.2%) and started a programme of purchasing corporate debt. On 22 January the ECB announced that it would introduce Quantitative Easing (purchase of sovereign debt) but it is too early to tell what effect this will have on the Euro and borrowing costs of the smaller EU countries. There remain concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. Any loss of market confidence in the two largest Eurozone economies, after Germany, would present a huge challenge to the resources of the ECB.
- 6.3 In the **USA** the Federal Reserve (the Fed) ended its asset purchase programme in October 2014 signalling confidence in the US economic recovery. Poor first quarter 2014 GDP figures were due to bad winter weather but were followed by strong Q2 and Q3 growth figures. As a result of consistent growth, cuts in government expenditure and tax rises, the annual US government deficit has been halved from its peak without appearing to do too much damage to growth. However weak labour force participation remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions. It is currently expected that the Fed will start increasing rates in mid 2015.

7. The Annual Investment Strategy and Investment Policies

- 7.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
- 7.2 These guidelines do not apply to either trust funds or pension funds, which operate under a different regulatory regime. The key intention of the guidance is to maintain the current requirement for councils to invest prudently. The Council's investment priorities are:
- i. **Security** of the investment capital: Minimising the risk of losing cash arising from a bank failure and consequent default (as occurred with Icelandic Banks in 2008).

- ii. **liquidity** of the investment capital: Ensuring the Council will have access to cash as required to meet daily expenditure obligations.
- iii. **An optimum yield** which is commensurate with security and liquidity: After ensuring the security and liquidity priorities are met, the Council will aim to maximise interest earnings on cash invested.

7.3 The Annual Investment Strategy (AIS) is attached Appendix 1 of this report. It is the Council's responsibility to agree an appropriate minimum acceptable credit quality of counterparties for inclusion on the lending list in the AIS in accordance with the above principles. A creditworthiness methodology has been used to create the counterparty list, which takes into account the ratings and watches published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agency. Using the CAS ratings service, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Withdrawal of Implied Sovereign Support

7.4 As part of regulation changes within the banking sector the UK Government will remove the expectation that governments will support financial institutions in the event of an institution fail. This move is to set aside a structure that will be followed should a financial institution fail. To do this the UK Government has agreed a process to deal with a financial institution failure, which includes the option for institutional investors to lose part of their invested cash as part of a "bail in".

7.5 It could be argued that the potential for institutional investors to lose part of their investment has always been there and is the main driver behind the rates "rewarded" when an investment is made. The structure to be adopted does still keep the equity investor and bond holders at the top with Institutional Investors after these. Therefore there is a significant buffer before the Council's cash holdings would be affected.

7.6 One area of concern is the potential for the rating agencies to downgrade the banks the Council currently is invested with due to the loss of the implied government support. This potentially would bring them below the minimum credit rating agreed by the Council in the 2014/15 TMSS. As a result, where the credit rating is taken into account, it is recommended that the minimum credit rating criteria be revised from A / F1 to A- F2. This change is reflected in the Annual Investment Strategy (Appendix 1).

7.7 The Council recognises that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment takes account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as Credit Default Swaps and overlay that information on top of the credit ratings. This is encapsulated within the credit methodology provided by the advisors, CAS.

- 7.8 Other information sources used will include the financial press and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 7.9 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and to minimise risk.
- 7.10 Historically the Council has maintained a prudent and low risk treasury investment strategy. This approach has ensured that the Council has not lost money from any of its investments, while achieving a return commensurate with the risk taken. This approach has led to treasury having a significant impact on the Council's overall funding requirements, both in terms of generating income from investments and from reducing the costs of borrowing to support the Council's capital programme.
- 7.11 In order for Treasury to support the significant savings target the Council has for 2015/16 to 2017/18, Members have agreed a number of savings targets for treasury as outlined in table 4 below:

Table 4: Treasury Savings Targets for 2015/16 to 2017/18

Saving Reference	Savings Proposal	2015/16 £000	2016/17 £000	2017/18 £000	Total £000
CEX/SAV/27	Increase in Average Return as Rates Rise	500	500	250	1,250
CEX/SAV/29	Increase Counterparty Risk	250	-	-	250
CEX/SAV/54e	Increase Duration Risk	100	-	-	100
	Total Savings	850	500	250	1,600

- 7.12 To achieve the interest target the treasury section needs to achieve the following average returns on an estimated average cash balance of £140m:

2015/16	1.25%
2016/17	1.70%
2017/18	1.90%

- 7.13 The increased return is heavily reliant on interest rates increasing from their current near historic lows. The increase does not need to occur in the first half of 2015 as treasury has secured a return through longer dated investments, which should achieve the 1.25% return for 2015/16. However if rates do not increase in the second half of 2015 then the return targets will be difficult to achieve without significantly increasing either the duration risk and / or the counterparty risk.

Interest Rate Forecast: UK

- 7.14 Interest rate forecasting remains difficult with many external influences weighing on the UK. The overall longer term trend is for gilt yields to rise as an increase in confidence in world economic recovery encourages investors to switch from bonds to equities. The overall balance of risks to economic recovery in the UK is currently evenly weighted. However time will tell just how long this period of strong economic growth will last. Downside risks currently include:

- i. A weak rebalancing of UK growth to exporting and business investment.
- ii. Weak growth in the UK's main trading partners.
- iii. A resurgence of the Eurozone sovereign debt crisis.
- iv. Heightened political risks.
- v. The reluctance of western central banks to raise interest rates plus the size of the QE stimulus has created potentially unstable flows of liquidity searching for yield (this is similar to one of the issues which led to the 2008 financial crisis).

7.15 The potential for upside risks to UK gilt yields include:

- i. A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds into equities; and
- ii. UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

7.16 Although there are potentially more downside risks compared to upside risks, the generally view among economists is that rates will increase in 2015 and therefore the treasury investment strategy for 2015/16 has been set with only a minimum increase in proposed risk.

7.17 The changes in investment strategy compared to the 2014/15 TMSS include:

- i. **Duration Risk:** Generally the longer the duration of an investment the better the return. There are a number of risks associated with this including:
 - the risk of locking in a low rate for a long period; and
 - liquidity risks as the cash will not be available for the Council to use.

To achieve the interest income budget set, without taking significant risk the treasury section has sought to increase the duration of a number of investments during 2013/14 and 2014/15 where opportunities have arisen to do so. This strategy will continue in 2015/16, although the benefit from higher returns will be weighed against the risk of locking in investments at low rates at a time when there is a view that interest rates will begin to increase. In addition, in order to reduce the liquidity risk a limit of £100m has been set for investments with a duration in excess of one year at any one time.

- ii. **Counterparty Risk:** During 2015/16 the Council will continue to use the creditworthiness service provided by its advisor, Capita Asset Services, which employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
 - credit watches and credit outlooks from credit rating agencies;
 - Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
 - Sovereign ratings to select counterparties from only creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments and are outlined in detail in Appendix 1 section 16.

The financial institutions the Council invests with all have credit ratings and as a general rule, the lower the credit rating the higher the return. The Council has historically had a prudent, although not completely risk adverse, approach to treasury investments.

The Council has agreed that in order to increase investment income treasury will be able to take additional risk. The additional risk proposed includes:

1. Increase the one year Lloyds limit from £50m to £80m.
2. Increase the RBS limit for deals from £35m to £50m.
3. Increase the bank certificate of deposit (CD) counterparty limit over one year from £20m to £30m.
4. Increase the total Local Authority Limit over one year from £40m to £50m.
5. The minimum credit rating criteria be revised from A / F1 to A- F2.

HRA Investments

7.18 Cash balances held by the HRA will be invested as part of the Council's overall treasury strategy. Cash balances will generally earn the average rate of the Council's investments, which will be calculated at the financial year end.

7.19 Where there is agreement between the CFO and the Director of Housing, individual investments can be ring-fenced for the HRA, with the allocations made within the Council's overall treasury strategy requirements. Further details are set out in the HRA Business Plan.

Derivatives

7.20 The use of derivative financial products will continue to be excluded from the strategy.

8. The Capital Expenditure Plans 2015/16 – 2017/18

8.1 The Council's Housing and General Fund capital expenditure plans, together with Balances and Reserves, are the key drivers of treasury management activity. The estimates for Capital expenditure, and its funding based on current proposed Revenue Budget and Capital Programmes, are reflected in prudential indicators, which are designed to assist Members overview and confirm capital expenditure plans. The Prudential Indicators are included in Appendix 1A of this report.

8.2 Table 5 below shows the proposed capital expenditure over the coming three financial years. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and, in the case of the HRA, housing rent levels.

Table 5: Proposed Capital Expenditure 2015 to 2018

Capital expenditure	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual £000	Approved £000	Estimate £000	Estimate £000	Estimate £000
General Fund	51,726	86,914	90,913	46,540	12,000
HRA	71,087	90,439	81,899	43,779	24,495
Total	122,813	177,353	172,812	90,319	36,495
Financed by:					
Capital Grants	50,604	31,372	68,115	26,540	0
Section 106	889	1,074	0	0	0
Revenue Contributions	9,249	4,703	400	0	0
Capital Receipts	15,960	11,522	365	0	0
HRA Contributions	42,656	90,439	81,899	43,779	24,495
Sub-Total	119,358	139,110	150,779	70,319	24,495
Net financing need for the year	3,455	38,243	22,033	20,000	12,000

- 8.3 The estimated financing need for the year in Table 5 represents a shortfall of resources resulting in a requirement to borrow. This underlying need to borrow is the CFR. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 8.4 **Other long term liabilities:** the above financing need excludes other long term liabilities, such as PFI, Reside and leasing arrangements, which already include borrowing instruments. The Abbey Road phase 2 and Gascoigne (East) phase 1 regeneration have been included as the Council borrowed directly from EIB and will manage the funding of the Special Purpose Vehicle used to manage their regeneration.
- 8.5 Sufficient headroom has been provided within the Authorised Limit on external borrowing to ensure that any major capital investment projects where finance has yet to be finalised, are not restricted by this statutory limit. The limit covers any short term borrowing for cash flow purposes as well as long term borrowing for capital projects, finance leases PFI initiatives as well as any unforeseen incidences where expected capital receipts are not forthcoming due to unexpected economic factors.
- 8.6 In addition sufficient headroom has been included within the Operational Boundary and Authorised Limit if it is necessary for the costs of Reside to be included within the CFR. The estimated additional costs and subsequent increase in the CFR if Reside were included would be an estimated £220m, although the structure would mean that no additional long term borrowing would be required.
- 9. The Council's Borrowing Strategy and Borrowing Requirement**
- 9.1 The decision to borrow is a treasury management decision and is taken by the CFO under delegated powers of the Council's constitution. The key objective of the Council's borrowing strategy is to secure long term funding for capital projects at borrowing rates that are as low as possible. This can result in a trade off of short term returns on deposits to obtain the best possible rate on long term borrowings.

- 9.2 The Council is allowed to borrow funds from the capital markets for two purposes:
- (i) Short term temporary borrowing for day to day cash flow purposes to ensure liquidity. This is likeliest to occur during the midyear period when the Council's cash balances are lowest and Council's own cash may be tied up in longer term investments.
 - (ii) Long term borrowing to finance the capital programme where the Council can demonstrate the borrowing is affordable. The Council receives external funding (e.g. grants, contributions etc) to meet a large proportion of its capital expenditure but some projects do not attract specific funding. These projects have to be funded by the Council from sources such as capital receipts from the sale of property. However in the relatively recent past, the Council has not had these funds available and therefore has had to borrow.
- 9.3 Treasury management, and borrowing strategies in particular, continues to be influenced by the absolute level of borrowing rates and also the relationship between short and long term interest rates. Rate forecasts indicate that interest rates will remain low until 2016 which creates a "cost of carry" between what is paid on the borrowing and what is earned on the investment for any new longer term borrowing. This is because borrowing requirements are generally over a long term period of up to 50 years, while cash is currently being invested for a maximum of a year. As a result the Council will maintain an under-borrowed position throughout 2015/16. This means that the CFR will not be fully funded with loan debt during the year as cash supporting the Council's reserves, balances and cash flow will be used as a temporary measure. This strategy is prudent as it reduces the "cost of carry" while investment returns remain low, as well as reduces the Council's counterparty risk, which continues to be high and is likely to will continue throughout 2015/16.
- 9.4 As circumstances can change during the year, the CFO will monitor interest rates and adopt a flexible approach to any changes. The Council's borrowing strategy will also give consideration to the following when deciding to take-up new loans:
- Use internal cash balances while the current rate of interest on investments remains low and cash flow forecasts indicate that borrowing is not required;
 - Consideration given to weighing the short term advantage of internal borrowing against potential long term costs if long term borrowing rates begin to increase more than forecast;
 - Using PWLB, the EIB or Local Authorities for fixed term and variable rate loans;
 - Maintain an appropriate debt balance between PWLB and market debt;
 - Ensure new borrowings are drawn at suitable rates and periods; and
 - Consider the issue of stocks and bonds if appropriate.
- 9.5 The Council has £40m of fixed rate Lender's Options Borrower's Option (LOBO) loans and all of them will be in their call period during 2015/16. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower (the Council) can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the Lender's discretion. As LOBOs currently make up 10.1% of the total long term external debt portfolio, this is not a significant risk. Any LOBO called will have the default position of repayment of the LOBO without penalty, i.e. the revised terms will not be accepted.

9.6 **European Investment Bank (EIB) Borrowing:**

In 2014/15 Cabinet agreed to borrow £89m from the European Investment Bank (EIB) and £4.5m from the PWLB which will be used as outlined below:

- £66.0m from the EIB to finance the Gascoigne Estate (East) Phase 1;
- £4.5m from the PWLB to fund 50% of 51 private for sale units; and
- £23.0m from the EIB to finance Abbey Road Phase 2.

The EIB borrowing will be a liability for the Council and will be included in the Council's CFR but will then be placed within a Special Purpose Vehicle (SPV), which will then be used to manage the repayment of the borrowing and interest as well as the funding of the regeneration of the Gascoigne Estate (East) Phase 1 and the Abbey Road Phase 2. The SPV will pay for these costs through the rental returns generated.

Although investment decisions will be made on behalf of the SPV, with interest returns paid to the SPV, as the risk will remain with the Council, any investment will need to be made within the parameters set within this report.

The drawdown of the full £89m was completed on 30 January 2015 at a rate of 2.207%. The £4.5m proposed to be borrowed from the PWLB will now be borrowed using internal borrowing.

To allow treasury to maintain flexibility to manage the increase in cash it is recommended that Members agree to maintain the authority delegated to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to proportionally amend the counterparty lending limits agreed within the TMSS to take into account the initial increase in cash from the EIB but also the subsequent decrease in cash balances as payments are made to the SPV. In November, Assembly agreed that this delegation should be reviewed in each treasury report and therefore it will next be considered as part of the Treasury Management Outturn report later in 2015.

9.7 **HRA Self Financing**

Central Government completed the reform of the HRA subsidy system on 28 March 2012. The Council is required to recharge interest expenditure and income attributable to the HRA in accordance with Determination issued by the CLG.

The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Treasury Management Code of Practice recommends that authorities present this policy in the annual TMSS.

The Council has adopted a two loans pool approach for long term debt.

- The full £265.9m of PWLB long term debt from the HRA reform settlement is allocated to the HRA, with the remaining £129.0m of debt (including EIB borrowing) allocated to the GF; and

- All future long term loans are allocated into either the HRA or GF pool.

A breakdown of the HRA borrowing is provided in table 5 below:

Table 5: HRA borrowing:

Loan Type	Loan Amount	Maturity profile	Interest Rate
	£'000s	Yrs	%
PWLB	50,000	26	3.51
PWLB	50,000	36	3.52
PWLB	50,000	44	3.49
PWLB	50,000	45	3.48
PWLB	65,910	46	3.48
Total	265,910		

The HRA debt cap is currently set at £277.65m; however the Council has recently been given approval from the Department for Communities and Local Government, to exceed this by £3.2m in 2015/16 and by a further £10.75m in 2016/17, making the new total cap £280.85 in 2015/16 and £291.60 onwards from 2016/17.

9.8 Repayment of Borrowing

As short term borrowing rates are usually cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, any savings will need to be based on the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhance the balance of the portfolio (amend the maturity profile).

No loans are proposed to be repaid in 2015/16.

Internal borrowing can be also be reduced by generating capital receipts, which will replenish cash balances and in accounting terms be used for financing historic spend rather than for new capital projects.

9.9 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Given that the Council has held a significant under borrowing position over the past years, the borrowing of £89 million from the EIB has not resulted in the Council borrowing in advance of its needs.

Current forecasts indicate that it is unlikely that the Council will seek to borrow in advance in 2015/16.

10. Minimum Revenue Provision Policy Statement

- 10.1 In accordance with Statutory Instrument 2008 number 414 and new guidance issued by the Government under section 21 (1A) of the Local Government Act 2003 a statement on the Council's policy for its annual MRP needs to be approved before the start of the financial year.
- 10.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 5.

11. Member and Officer Training

- 11.1 The CIPFA Code requires the responsible officer, the Chief Finance Officer (CFO), to ensure that members with responsibility for treasury management receive adequate training in treasury management. Training will be arranged for Members as required. The training needs of treasury management officers are periodically reviewed.

12. Financial Implications

- 12.1 The financial implications are discussed in detail in this report.

13. Legal Implications

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

- 13.1 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. 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.
- 13.2 This report sets out the Councils strategies in accordance with the Act.

14. Other Implications

- 14.1 **Risk Management:** This report has risk management issues for the Council, primarily that a counterparty could cease trading or risk that interest rates would rise adversely. The mitigation of these is contained in this report.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix 1 – Annual Investment Strategy
- Appendix 2 – Interest Rate Forecasts 2015 – 2018
- Appendix 3 – Prudential Indicators 2015/16 – 2017/18
- Appendix 4 – Minimum Revenue Provision Policy Statement
- Appendix 5 – Treasury management scheme of delegation

This page is intentionally left blank

Annual Investment Strategy

1. Treasury Management Practice: Credit and Counterparty Risk Management

In 2010 the CLG issued Investment Guidance, which forms the structure of the Council's policy below (please note that these guidelines do not apply to trust funds or pension funds which operate under a different regulatory regime). The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield.

To facilitate this objective the guidance requires this Council to have regard to the 2011 revised CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. In accordance with the Code, the Chief Finance Officer (CFO) has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. The withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions.

This will result in the key ratings used to monitor counterparties being the Short and Long Term ratings only. Viability, financial strength and support ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.

The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in this appendix under the 'specified' and 'non-specified' investments categories.

1.1 Annual Investment Strategy

The key requirements of the Code and investment guidance are to set an annual investment strategy covering the identification and approval of the following:

1. The strategy guidelines for choosing and placing investments, particularly non-specified investments.
2. The principles to be used to determine the maximum duration for investments.
3. Specified investments that the Council will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.
4. Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

1.2 Creditworthiness policy

This Council applies the creditworthiness service provided by CAS. This service employs a modelling approach utilising credit ratings from the three main credit rating agencies (Fitch, Moody's & Standard and Poor's). This approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- **Yellow** 5 years
- **Dark pink** 5 years for enhanced money market fund with a credit score of 1.25
- **Light pink** 5 years for enhanced money market fund with a credit score of 1.50
- **Purple** 2 years
- **Blue** 2 year (only applies to nationalised or semi nationalised UK Banks)
- **Orange** 1 year
- **Red** 6 months
- **Green** 100 days
- **No colour** not to be used

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F2 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

1.3 The Monitoring of Investment Counterparties

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information from its advisor as and when ratings change, and counterparties are checked promptly. Any counterparty failing to meet the criteria will be removed from the list immediately by the CFO, and if required new counterparties which meet the criteria will be added to the list.

During 2015/16 there is the possibility that the UK Government may try and sell its remaining shares in Lloyds Banking Group (Lloyds), thereby removing the support currently provided. To manage this transition it is proposed that the following procedure will be followed should this event occur:

1. As soon as the UK Government announces the sale of its remaining Lloyds holding, future investments will be restricted to those allowable for banks with the same credit rating as Lloyds (currently a Fitch rating of A+). Based on the current investment criteria, this would restrict investments to a maximum of 95 days but this will be subject to the credit ratings in place at this time which will continue to be monitored.
2. All investments held at the time of the sale would be held to maturity, subject to agreement from the CFO, in consultation with external advisors. Whilst the UK Government continues to hold a material (>10%) equity stake in Lloyds Banking Group, Lloyds will continue to be viewed as UK Government risk and the current limits will apply.

1.4 Use of External Cash Manager(s)

The Council no longer uses an external cash manager within its investment portfolio. Were the Council to use an external cash manager in the future there would be a requirement for the Cash Manager to comply with the Annual Investment Strategy. Any agreement between the Council and the cash manager will stipulate guidelines, durations and other limits in order to contain and control risk. The investment restrictions for a cash manager have been included in the Credit Quality Criteria and Allowable Financial Instruments outlined below.

1.5 Use of additional information other than credit ratings

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

This additional market information (for example CDSs, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

1.6 Credit Quality Criteria and Allowable Financial Instruments

The table on the following page sets out the credit quality criteria for counterparties and allowable financial instruments for Council investments. These are split into Specified and Non-specified investments.

1.7 Specified Investments - Sterling investments of less than one year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months. These are considered low risk assets where the possibility of loss of principal or investment income is small.

These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account Deposit Facility, UK Treasury Bills or Gilts with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (PIV) with a high credit rating. This covers PIVs such as money market funds, rated AAA by the rating agencies.
5. A body (i.e. bank of building society), of sufficiently high credit quality.

1.8 Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

Non Specified Investment Category (maturity greater than one year)	
a.	<p>Supranational Bonds</p> <p>(a) Multilateral development bank bonds These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the UK Government The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>
b.	<p>Gilt edged securities. Government bonds which provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>
c.	<p>The Council's own bank if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. The Council's current bankers are Lloyds Banking Group which is currently supported by the UK government.</p>
d.	<p>Any bank or building society that has a minimum long term credit rating of AA- or equivalent, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>
e.	<p>Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments.</p>
f.	<p>Pooled property or bond funds– normally deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.</p>

Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. This criteria is set out in section 11.3 in the body of the report. In respect of categories e and f, these will only be considered after obtaining external advice and subsequent Member approval.

Specified Investments and Non-Specified Investments Limits and Criteria

Counterparty / Financial Instrument	Minimum Credit Rating Criteria / Colour Band	Specified Investments		Non-Specified Investments	
		Maximum Duration	Counterparty Limit £m	Maximum Duration	Counterparty Limit £m
Government Supported UK Bank Lloyds TSB: SIBA (Call) Accounts, Term Deposits, CDs, Structured Deposits, Corporate Bonds	Blue	Up to 1 year	£80m	1 to 3 years	£30m
Government Supported UK Bank - RBS SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	Blue	Up to 1 year	£50m	1 to 3 years	£30m
Other UK Banks & Building Societies SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bond	Yellow Purple Blue Orange Red Green No Colour	N/A N/A N/A Up to 1 year To 6 Months To 3 months Not for use	£20m	1 to 5 years 1 to 2 years 1 to 3 year N/A N/A N/A N/A	£30m per counterparty
Bond Funds - Corporate Bonds	Short-term F2, Long Term A-	Up to 1 year	£20m	1 to 2 years	£20m
Local Authorities: Term Deposits	Not credit rated	Up to 1 year	£15m per authority	1 to 3 year	£15m per authority
UK Government Treasury Bills Gilts DMADF	UK Sovereign Rating	Up to 1 year	£50m	1 to 5 years	£20m
Money Market Funds (stable NAV only)	AAA	T+1	£20m per Manager	N/A	N/A
Property Funds	N/A	N/A		N/A	£5m

1.9 Use of other Local Authorities

For cash loans the Local Government Act (LGA) 2003 s13 suggests the credit risk attached to English, Welsh and Scottish local authorities is an acceptable one. The Council will limit its lending to local authorities in England, Wales and Scotland.

1.10 Use of Multilateral Development Banks

S15 of the LGA Act 2003 SI 2004 no. 534 amended provides regulations to clarify that investments in multilateral development banks were not to be treated as being capital expenditure. Should the Council invest in such institutions then only such institutions with AA+ credit rating and government backing would be invested in consultation with the Council's treasury adviser and the S151 Officer.

1.11 Use of Brokers

The Council deals with most of its counterparties directly but from time to time the Council will use the services of brokers to act as agents between the Council and its counterparties when lending or borrowing. However no one broker will be favoured by the Council. The Council will ensure that sufficient quotes are obtained before investment or borrowing decisions are made via brokers.

1.12 Country limits and Use of Foreign Banks

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ (excluding the United Kingdom) from Fitch. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy. This will ensure that the Council's investments are not concentrated in too few counterparties or countries.

Given the strength of some foreign banks the Council will invest in strong non UK foreign banks whose sovereign and individual ratings meet its AA+ minimum criteria.

Approved countries for investments (Credit Rating as at 20 January 2015)

Country	Rating	Outlook	Country	Rating	Outlook
Australia	AAA	Stable	Norway	AAA	Stable
Austria	AAA	Stable	Singapore	AAA	Stable
Canada	AAA	Stable	Sweden	AAA	Stable
Denmark	AAA	Stable	Switzerland	AAA	Stable
Finland	AAA	Stable	United States	AAA	Stable
Germany	AAA	Stable	Bermuda	AA+	Stable
Luxembourg	AAA	Stable	Hong Kong	AA+	Stable
Netherlands	AAA	Stable	United Kingdom	AA+	Stable

1.13 Provisions for Credit-related losses

If any of the Council's investments appeared at risk of loss due to default, (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount. Where there is a loss of the principal amount borrowed due to the collapse of the institution, the Council will seek legal and investment advice.

1.14 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

1.15 External cash managers

In December 2013 the Council recalled its remaining cash managed by an external cash manager, Investec. This was due to the current very low rates of return and the relatively poor return provided net of fees.

The use of external cash managers will be periodically reviewed during the year.

Interest Rate Forecasts 2014 – 2018

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction.

Capita Asset Services Interest Rate View														
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank Rate View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
3 Month LIBID	0.50%	0.60%	0.80%	0.90%	1.10%	1.30%	1.40%	1.60%	1.90%	2.10%	2.10%	2.30%	2.40%	2.60%
6 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.80%
12 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.70%	1.80%	2.10%	2.20%	2.30%	2.40%	2.60%	2.80%	3.00%
5yr PWLB Rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
10yr PWLB Rate	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
25yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
50yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
Bank Rate														
Capita Asset Services	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-	-	-	-
5yr PWLB Rate														
Capita Asset Services	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
Capital Economics	2.30%	2.60%	2.80%	3.00%	3.20%	3.40%	3.50%	3.60%	3.70%	-	-	-	-	-
10yr PWLB Rate														
Capita Asset Services	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
Capital Economics	3.05%	3.25%	3.45%	3.60%	3.80%	3.85%	3.90%	3.95%	4.05%	-	-	-	-	-
25yr PWLB Rate														
Capita Asset Services	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
Capital Economics	3.70%	3.95%	4.05%	4.15%	4.25%	4.35%	4.45%	4.55%	4.60%	-	-	-	-	-
50yr PWLB Rate														
Capita Asset Services	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
Capital Economics	3.80%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	-	-	-	-	-

This page is intentionally left blank

Prudential Indicators 2015/16 – 2017/18

1. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the PIs, which are designed to assist members overview and confirm capital expenditure plans.
- 1.1 **Capital expenditure** is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts in Table 1:

Table 1: Capital Expenditure Forecast 2014 to 2018

Capital expenditure	2013/14 Actual £000	2014/15 Approved £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Adult & Community	6,580	10,451	1,241		
Children's Services	29,042	27,632	67,523	26,540	
Environment & Housing	4,306	5,492	236		
Chief Executive	8,343	9,139	9,292	4,200	1,000
EIB: Abbey Road 2 & Gascoigne	0	34,200	21,100	20,000	12,000
Finance lease & PFI	3,455	25	54	69	88
General Fund	51,726	86,939	99,446	50,809	13,088
HRA	71,087	90,439	81,899	43,779	24,495
Total	122,813	177,378	181,345	94,588	37,583

Table 2 below summarises the above capital expenditure plans and how these plans will be financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2: Capital Expenditure Financing Plans 2014 to 2018

Capital expenditure	2013/14 Actual £000	2014/15 Approved £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
General Fund	51,726	86,939	99,446	50,809	13,088
HRA	71,087	90,439	81,899	43,779	24,495
Total	122,813	177,378	181,345	94,588	37,583
Financed by:					
Capital Grants	50,604	31,372	70,594	26,540	
Section 106	889	1,074			
Revenue Contributions	9,249	4,703	400		
Capital Receipts	15,960	11,522	6,365	1,200	
HRA Contributions	42,656	90,439	78,699	33,029	24,495
Sub-Total	119,358	139,110	156,058	60,769	24,495
Net financing need for the year	3,455	38,268	25,287	33,819	13,088

1.2 The Council's borrowing requirement (CFR)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. Table 3 sets out the CFR until 2017/18. The Council is asked to approve the CFR projections.

Table 3: Council's CFR 2015/16 – 2017/18

Capital expenditure	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Capital Financing Requirement					
CFR – General Fund	217,021	246,058	258,502	270,018	273,632
CFR – housing	267,722	267,722	270,922	281,672	281,672
Total CFR	484,743	513,780	529,424	554,690	559,303
Movement in CFR	(6,835)	29,037	15,644	25,266	4,614
Movement in CFR represented by					
Net financing need for the year	3,455	38,268	25,287	33,819	13,088
Less MRP and other financing movements	(10,290)	(9,231)	(9,643)	(8,553)	(8,475)
Movement in CFR	(6,835)	29,037	15,644	25,266	4,614

2. Affordability prudential indicators

The previous section covered the overall capital and control of borrowing PIs, but within this framework PIs are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.1 Actual and estimates of the ratio of financing costs to net revenue stream

This PI identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

%	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Estimate	Estimate	Estimate	Estimate
General Fund	6.2%	5.6%	6.5%	5.9%	6.0%
HRA	9.1%	9.2%	9.0%	8.8%	8.8%

2.2 Estimates of the incremental impact of capital investment decisions on council tax (Band D).

This PI identifies the revenue costs associated with proposed changes to the three year capital program recommended in the budget report compared to the Council's existing approved commitments and current plans. The expectation is that the budget will be based on approved capital schemes' existing commitments and current plans but, if on review, this is not the case this will be reported to Members.

£	2014/15	2015/16	2016/17	2017/18
Council tax - band D	Nil	Nil	Nil	Nil

2.3 Estimates of the incremental impact of capital investment decisions on housing rent levels.

Similar to the council tax calculation, this PI identifies the trend in the cost of proposed changes in the housing capital program recommended in the budget report compared to the Council's existing commitments and plans, expressed as a discrete impact on weekly rent levels. This indicator shows the revenue impact on newly proposed changes. Any discrete impact will be constrained by rent controls.

Incremental impact of capital investment decisions on housing rent levels

£	2014/15	2015/16	2016/17	2017/18
Housing rent levels	Nil	Nil	Nil	Nil

3. Treasury indicator and limit for investments greater than 364 days.

The limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. They are based on the availability of funds at yearend. The Council is asked to approve the treasury indicator and limit:

£'000s	2014/15	2015/16	2016/17	2017/18
Maximum principal sums invested > 364 days	80,000	120,000	120,000	120,000

4. Treasury Indicators: Limits to Borrowing Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure: identifies a maximum limit for variable interest rates based upon the debt position net of investments;

- Upper limits on fixed interest rate exposure: is similar to the previous indicator and covers a maximum limit on fixed interest rates; and
- Maturity structure of borrowing: gross limits to reduce the Council's exposure to large fixed rate sums requiring refinancing.

The Council is asked to approve the following treasury indicators and limits:

Interest rate exposures	2015/16	2016/17	2017/18
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates:			
• Debt only	100%	100%	100%
• Investments only	80%	80%	80%
Limits on variable interest rates			
• Debt only	70%	70%	70%
• Investments only	80%	80%	80%

Maturity structure of fixed interest rate borrowing 2015/16		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	40%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	100%

Maturity structure of variable interest rate borrowing 2015/16		
	Lower	Upper
Under 12 months	0%	40%
12 months to 2 years	0%	40%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	80%

5. Treasury Indicators: Limits to Borrowing Activity

- 5.1 **The Operational Boundary** - this is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Operational boundary £'000s	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	675	695	695	695
Long term liabilities	58	56	54	52
Total	733	751	749	747

- 5.2 **The Authorised Limit for external borrowing** – this represents a control on the maximum level of borrowing, with a limit set, beyond which external borrowing is prohibited. This limit must be set or revised by the full Council.

It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is also a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following Authorised Limit:

Authorised Limit £'000s	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	741	745	738	741
Long term liabilities	59	57	55	53
Total	800	802	793	794

5.3 HRA CFR Cap - the Council is also limited to a maximum HRA CFR through the HRA self financing regime. This limit is currently:

HRA Debt Cap £'000s	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Total	277,649	277,649*	280,849*	291,599*

* The HRA debt cap is currently set at £277.649m, however the Council has recently been given approval from the Department for Communities & Local Government, to exceed this by £3.2m in 2015/16 and by a further £10.75m in 2016/17, making the new total cap £280,849 in 2015/16 and £291,599 onwards from 2016/17.

This page is intentionally left blank

Minimum Revenue Provision Policy Statement

- 1.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the Minimum Revenue Provision - MRP). The Council is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).
- 1.2 CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:
 - 1.2.1 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:
 - **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1).

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.
 - 1.2.2 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:
 - **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3).
- 1.3 This option provides for a reduction in borrowing in line with the life of the asset to which the borrowing related.
- 1.4 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
- 1.5 Repayments included in annual PFI or finance leases are applied as MRP.
- 1.6 The MRP methodologies provided above are currently being reviewed by officers. Any change to the MRP methodology will be brought for agreement by Members and will be effective from 1 April 2015.

This page is intentionally left blank

Scheme of Delegation and Section 151 Officer Responsibilities

Treasury management scheme of delegation

(i) Full board/council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Boards/committees/council/responsible body

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit; and
- recommending the appointment of external service providers.

This page is intentionally left blank

CABINET

16 February 2015

Title: Future Management Arrangements for the Council's Culture and Sport Services	
Report of the Leader of the Council	
Open Report with Exempt Appendix (2)	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Paul Hogan, Divisional Director of Culture and Sport	Contact Details: Tel: 020 8227 3576 E-mail: paul.hogan@lbbd.gov.uk
Accountable Divisional Director: Paul Hogan, Divisional Director of Culture and Sport	
Accountable Director: Anne Bristow, Corporate Director of Adult and Community Services	
<p>Summary:</p> <p>As part of the 2015/16 budget round, Cabinet agreed (at its meeting on 16 December 2014) to a saving of £250,000 in 2015/16 rising to £1 million in 2016/17, which will be achieved by adopting a different management arrangement for the facilities and services provided by the Culture and Sport division.</p> <p>This report seeks authority for a new Trust (non-profit distributing organisation) to be set up and that a further report is presented to Cabinet to confirm the scope of services to be included, the expected outcomes and the financial arrangements.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is asked to:</p> <ul style="list-style-type: none"> (i) Consider the range of options available for the future management of culture and sport services; (ii) Agree in principle that culture and sport services will transfer to a new model of operation; (iii) Approve the formation of a Trust (non-profit distributing organisation) to deliver a range of health and wellbeing services; (iv) Agree that the Council will play an active part in the new Trust through nominations by the Leader of the Council to the Board of the Trust; (v) Agree that the Trust will become operational on or as soon as possible after 1 January 2016; (vi) Agree that one-off revenue expenditure of up to £250,000 is allocated from the 	

£500,000 contingency identified within the use of General Fund reserves for invest to save initiatives by Cabinet in December to meet the legal and other costs associated with transferring the services to the new Trust; and

- (vii) Note that prior to implementation a further report will be presented to Cabinet setting out the services to be commissioned from the Trust, the expected outcomes and the financial arrangements.

Reason(s)

The proposal is intended to assist the Council in being 'a well run organisation' by making better use of its resources and assets. If implemented, existing facilities and services will be protected but will be delivered at a much lower cost. Also the new way of working that is proposed will enable the service to lever in additional income from grants that are not currently available to the Council.

The Culture and Sport division provides opportunities for social interaction, improving physical and emotional health, lifelong learning, and volunteering for the wider community.

In doing so, the division supports the achievement of the following Council priorities:

- **Encouraging civic pride:** Build pride, respect and cohesion across our borough; narrow the gap in attainment and realise high aspirations for every child; Build civic responsibility and help residents shape their quality of life.
- **Enabling social responsibility:** Ensure everyone can access good quality healthcare when they need it; Ensure children and young people are well-educated and realise their potential.
- **Growing the borough:** Support investment in housing, leisure, the creative industries and public spaces to enhance our environment.

1. Introduction and Background

1.1 The full extent of the facilities and services currently managed by the Culture and Sport division is set out at Appendix 1, which include:

- Operation of leisure centres
- Delivery of health improvement programmes for children and adults on behalf of the Public Health service: weight management, physical activity and smoking cessation programmes.
- Operation of libraries both directly managed and through community management arrangements.
- Operation of museums and management of archives.
- Delivery of culture and wellbeing programmes for older people.

1.2 The division also has responsibility for the development and delivery of the Borough's sport and physical activity, libraries, and heritage strategies.

- 1.3 The gross controllable expenditure budget for Culture and Sport in 2014/15 is £9.153 million. When income is taken into account, the net controllable budget for the service is £3.905 million.
- 1.4 Costs have been reduced by rationalising services and increasing income; for example, over the past three years the library service has achieved savings of £1.055 million and income at the leisure centres has risen from £2.3 million in 2007/8 to £3.7 million in 2013/14, an increase of £1.4 million, with further increases expected in the current year.
- 1.5 The division currently employs over 300 full time and part time staff.
- 1.6 There are currently over 30,000 active members of the library service. In 2013/14 our libraries had 1,330,708 individual visits for a library related purpose, which was the fourth highest out of the 15 library services in our CIPFA benchmarking group and higher than both Havering and Redbridge (Newham didn't participate).
- 1.7 Leisure centre usage has increased by 50% over the past five years rising to over 1.2 million visits in 2013/14. A recent report published by the Amateur Swimming Association stated that Becontree Heath Leisure Centre (BHLC) has the busiest swimming pool in the whole of the UK. The centre also secured the Amateur Swimming Association local pool operator of the year award in 2014.
- 1.8 Valence House Museum is accredited under the national museum accreditation scheme and has been recognised as 'one of best local history museums in London' by the Museum's Journal. It was featured in The Guardian's top fifty free things to do in London.

2.0 Proposals

Introduction

- 2.1 The current economic climate presents a significant and ongoing challenge for the Council. To achieve a balanced budget it has been necessary to review the range of services provided and explore alternative delivery options to safeguard services, which are valued by Members and residents, but also deliver cost savings and potentially act as a catalyst for business transformation.
- 2.2 An appraisal has been undertaken with specialist consultants to review the principal options available for the future delivery of the facilities and services provided by the Culture and Sport division. The options appraisal report is attached at Appendix 2, which is in the exempt section of the agenda due to the commercially sensitive nature of the information.
- 2.3 Additional external advice was also sought about the procurement options available to the Council and VAT implications.

Options appraisal

- 2.4 The appraisal identified four different but well established options that could be pursued by the Council:

- (a) transfer of services to an existing Not for Profit Distributing Organisation (NPDO), known typically as a trust;
 - (b) transfer of services to a new trust specifically established for this purpose;
 - (c) contract with a private sector provider; and
 - (d) continuation of in-house management.
- 2.5 More recently there is increasing interest in the potential of Public Sector Mutuals to deliver local authority services. These have been described by HM Government as “an organisation that has spun out of the public sector, continues to deliver public services and involves a high degree of employee control”. Public sector workers have been given the right to form employee-owned co-operatives, social enterprises and charities.
- 2.6 For the purposes of this report, the benefits and disadvantages of a Mutual can be considered to be similar to those for a new NPDO/Trust. At this time there has been no interest expressed from the Culture and Sport staff team to actively pursue this type of operational model.
- 2.7 A high level financial model was developed to explore the impact each management option would have in terms of their potential to generate savings. These were considered alongside key non-financial criteria, such as: the ability to meet the strategic objectives of the Council; level of influence by the Council; alignment with the health and well being agenda; and impact on service levels.
- 2.8 This allowed an options appraisal to be undertaken by Culture and Sport managers with support from finance and procurement staff. The scoring between these options was relatively close, with a New NPDO (Trust) being ranked highest, followed by Existing NPDO (Trust), In House management and, finally, Private Sector provider.
- 2.9 The primary disadvantage of continuing with the current ‘in-house’ management option is that the taxation savings and reductions in NNDR (business rates) costs that could be achieved by a Trust model of operation are not available to the Council. Also a Trust model of operation would be able to access grant funding that is not available to the Council.
- 2.10 The same disadvantages would apply with a private sector operator. It is also likely that there would be little interest in operating heritage services because of the challenge of generating profit from the operation and its limited commercial potential. A key issue would be that the commercial operator will be looking to make a profit with profits going to shareholders rather than being re-invested in the services.
- 2.11 More information about the typical advantages and disadvantages of these service delivery models is set out at Appendix 3.
- 2.12 The options appraisal indicates that taking a balanced approach to financial and non-financial criteria, there is a strong indication that the facilities and services provided by the Council’s Culture and Sport division may sit best within a Trust model of operation.

Facilities and services to be transferred to the Trust

- 2.13 The range of services to be transferred will need to be adjusted in the light of decisions that were taken by Members as part of the 2015/16 budget round; however, this will not reduce the level of financial savings that is set out in this report.
- 2.14 These can be summarised as follows:
- The operation of the Broadway theatre will transfer to Barking and Dagenham College, via a lease arrangement, on 31 March 2015 or sooner.
 - The three remaining community halls in direct Council management (Fanshawe, Scrattons, and Galleon) will transfer into arms length community management arrangements, via long term leases during 2015. Also a community management arrangement is being established for the management of the Hedgecock Community Hall, which will be in place before the completion of this new facility.
 - When these leases are assigned the Culture and Sport division will have no further involvement in the management of the Broadway or community halls.
 - The budget that enables the direct delivery of the Home library Service by the Culture and Sport division has been deleted as a budget saving. This will mean that the service will end unless an alternative delivery model can be arranged during 2015.
- 2.15 As a result it is not appropriate to include these services in any new management arrangement that Members may adopt. Also whilst the volunteer management role is currently based within the Culture and Sport division, this is a departmental wide role and so should also not be in scope.
- 2.16 There are two main financial benefits that a trust would enjoy that are not currently available for a Council managed service:
- Relief on NNDR (business rates) – annual saving of **c£525,000** would be realised. This saving is based on the current portfolio of buildings being managed by the Council (excluding the Broadway theatre and Community Halls) and incorporates the impact on the business rates base being shared between the Council, the GLA and central government.
 - Different treatment of VAT – annual saving of **c£475,000** has been estimated based solely on the financial outturn for the leisure centres in 2013/14. It should be noted that it is expected that there will be a marked increase in income when the new leisure centre to replace Abbey Sports Centre opens in early 2015. It is not expected that this proposal will have an adverse impact on the Council's VAT partial exemption calculation.
- 2.17 There are also a number of additional and potentially significant opportunities for savings that a trust could bring:
- Whilst all existing Council employees who transfer to a trust will have the same terms and conditions of employment, the trust may want to consider different

terms and conditions and pension arrangements for new employees. However, the Council will require that the Local Living Wage, as a minimum salary, would continue to be paid for all staff.

- The Culture and Sport division has a strong track record of leveraging in external capital and revenue funding, c£500,000 or more each year; however, there are some potential funding sources that the service cannot tap into because applicants must be a registered charity. The proposed change in the way the service is being delivered will open up a whole host of new funding opportunities that will support the delivery of programmes that will help meet Council objectives.
- Partnership working through a 'confederation' model with neighbouring boroughs. This could see a locally focussed front line service managed and delivered in each borough but with the potential for back office support, like payroll and pool plant maintenance, to be shared across council boundaries to realise savings.
- In 2013/14 the support service re-charge to the Culture and Sport division was £1.535 million. The transfer of services to a trust could support the corporate centre over time to rationalise its services and cost base.

2.18 If for no other reason than the level of savings that would be realised from the different treatment of NNDR and VAT that would be realised from the leisure centres (c£700,000), it makes financial sense for these facilities to be transferred to a trust.

2.19 At the present time a range of healthy lifestyle programmes are commissioned through the Public Health grant and delivered by Culture and Sport . These include: smoking cessation, exercise on referral; child and adult weight management; disability sport and physical activity; creative programmes for people with mild and moderate depression.

2.20 It is proposed that these arrangements continue with a similar range of programmes being commissioned through a Trust. It should of course be recognised that over the commissioning cycle some services will cease and other services may be commissioned.

2.21 For the libraries and heritage services, the level of NNDR saving would be more modest. However, it is still considered appropriate to include these services within the scope of the trust.

2.22 This is because the Council has limited alternative options to realise savings from the Heritage Service:

- The Council operates Eastbury Manor House under the terms of a full repairing lease with the National Trust until 2038. The National Trust has categorically stated that it will not allow the Council to relinquish the lease nor will they accept changes to the legally binding operational responsibilities held by the Council.
- The Heritage Lottery Fund (HLF) has invested £2.9 million to support the renovation of Eastbury Manor House and Valence House Museum. This investment legally commits the Council to manage and operate both venues to an agreed management plan for a period of 10 years and 25 years respectively. Any significant changes to the way that the venues are managed will require the

repayment of the HLF investment as well as the loss of the Borough's hard earned priority funding status.

- 2.23 This means that the Council could not close either Valence House Museum or Eastbury Manor House nor is significantly reducing the current level of operation to realise savings a viable option.
- 2.24 However, inclusion in the trust would provide the potential for the Heritage service as well as the Library service to make savings through the possible changes to terms and conditions of employment for new employees and to develop the services provided by accessing external funding opportunities that are not currently available to the Council. This would allow costs to be reduced but facilities and services to be protected and developed.
- 2.25 There are also close and effective working relationships between the Heritage and Library services and other elements of Culture and Sport division, in particular in the development of a cohesive health and wellbeing offer for older people and learning opportunities for children and young people.
- 2.26 Once a decision has been made on the proposed management arrangement for the Eastbury Manor House and the Valence House Museum, this will have to be formally agreed with both English Heritage and the Heritage Lottery Fund; however, it is not expected that this will be problematic.

Existing or new Trust

- 2.27 There are two options available to the Council in relation to a trust model of operation:
- (a) a new trust, which would be a non-profit distributing organisation (NPDO) in the form of a limited company with charitable status; or to
 - (b) an existing trust.

Procurement issues

- 2.28 Using a concession contract, which the Council's legal advisers have confirmed is permitted, the Council could transfer the management and operation of a range of facilities and services managed by the Culture and Sport division to a new trust or an already established trust without the requirement for a formal procurement process.
- 2.29 If Members were not minded to transfer the services to a new trust then there would be a strong argument that it would be in the best interests of the Council to test the market and appoint an operator via open competition. If this were to be the case a decision would have to be made as to whether an 'in house' bid would be considered as part of this process.

Financial implications

- 2.30 If considered in purely financial terms, the options appraisal indicates that there could be greater potential financial benefits to the Council if it transferred services to

an existing trust rather than a new one. Although this doesn't necessarily follow when financial and non-financial factors are considered together.

- 2.31 This is primarily because it has been assumed that the existing trust would make only very limited use, or no use at all, of the support services currently provided by the Council as it would already have existing arrangements in place. Whilst at least in the short term it is likely that the new trust will continue to use the Council's IT and finance systems and other services. This type of arrangement will provide the ability to manage a phased reduction in central support and management costs over time.
- 2.32 Also experience suggests that although an existing trust might not make use of the Council's support services this does not mean that this would result in a comparable level of 'cashable' saving by the Council. This is because it is unlikely to be possible to simply cut the expenditure on the services no longer required on a pro-rata basis due to the nature of the Council as a democratic organisation. Instead it will probably be the case that these costs will be spread across the Council.
- 2.33 It is undoubtedly the case that externalising the services via open competition would guarantee best value market price. The principal disadvantage of this is that it would be costly and that a detailed and time consuming specification would need to be produced.
- 2.34 Experience suggests that the transfer process to an existing trust would take longer, perhaps up to 18 months, rather than the 9 to 12 months anticipated for the concession contract to a new trust. This could mean that savings to the Council, would not start to be realised until around July 2016 but which have been budgeted for from January 2016. Also the level of saving and contractual commitment this option would bring to the Council would only be clear on the completion of the procurement process.

Operational implications

- 2.35 Currently there is not a developed market for managing the range of services provided by the Culture and Sport division through one entity. Whilst it is certainly the case that there would be significant interest from a variety of operators in taking over the highly efficient and effective leisure centre operation, there are very few operators who also have the same level of expertise and experience in delivering library and heritage services and, in particular, the extensive healthy lifestyle programmes being delivered by the Culture and Sport division.
- 2.36 It is important to note that the delivery of joined up 'prevention' services to the scale of those provided by the Culture and Sport division including smoking cessation, child and adult weight management, and physical activity programmes is not replicated across London or the South East. In recognition of this officers have made presentations to regional meetings of the Chief Cultural and Leisure Officers Association (cCLOA) about the innovative approach being taken in Barking and Dagenham.
- 2.37 Also Members would have to be satisfied that an established trust would be an effective option when there wouldn't be an existing relationship with the Council and its residents. The advantage of a new Trust would be that it will also provide

opportunities for Council nominees (both Members and officers) to be a part of the trust board, which will have Barking and Dagenham as its sole operational focus.

- 2.38 A further risk that any surpluses that may be generated in Barking and Dagenham will not then be retained to further reduce costs and to invest in the development of the service being provided to residents.

Conclusions and preferred option

- 2.39 If Members agree to the rationale for the scope of the services to be included in the Trust as set out above then there is not considered to be a compelling argument to procure the service on the open market.
- 2.40 When financial and non-financial factors are taken into account, the option to transfer services to a new trust is considered to be most appropriate on the basis of value for money, in particular the balance between financial performance and operational effectiveness.
- 2.41 It is also considered to provide the best option in terms of a service which is wholly focussed on serving the Borough and its residents.
- 2.42 This is the preferred option, which Members are recommended to approve.

3.0 Next steps

- 3.1 This report seeks a decision from Cabinet on the preferred delivery model for the future delivery of the Council's culture and sport services. However, prior to implementation, a further report will be presented to Members to secure approval on the scope of services to be transferred, service level and funding agreements, as well as governance and client management arrangements.
- 3.2 At this time the scope of facilities and services to be transferred to the Trust has focussed on those being delivered by the Culture and Sport division. However, it is recognised that it may be the case that it makes financial and/or operational sense to transfer other Council services to the Trust.
- 3.3 Further issues that will require clarification include the current role in managing a number of leases related to sports clubs and community organisations, such as the Sport House and the Eastbrook May and Baker sports club.
- 3.4 There will also be leasing and licensing arrangements for the buildings to be directly managed by the Trust. Early discussions will be required in relation to the Barking Learning Centre where there is a partnership agreement between the Council, Barking and Dagenham College and University of East London, who have separate leases for occupation.

4.0 Financial implications

Financial implications completed by: Roger Hampson, Group Manager – Finance

- 4.1 At its meeting on 16 December 2014, Cabinet agreed a saving proposal of £1m in a full year to be achieved by adopting a different management arrangement for the

facilities and services provided by the Culture and Sport division. New management arrangements were expected to be in place by January 2016 to generate a saving of £250,000 in 2015/16; this was on the assumption that it would not be necessary to undertake a formal tendering process.

- 4.2 If the services are transferred to a new Trust via a concession contract, the report seeks Cabinet approval to fund up to £250,000 from General Reserves to meet legal and other costs. In December, Cabinet agreed the use of £6.243m of reserves for the implementation of savings in 2015/16 and 2016/17. The Leisure Trust was not specifically included in this list but there was a contingency provision of £500,000 incorporated for 'other invest to save proposals where financial impact is unquantified' and it is recommended to allocate £250,000 from this provision.

5.0 Legal Implications

Implications completed by: Daniel Toohey, Principal Corporate Solicitor

- 5.1 The Council may set up a proposed leisure trust under Chapter 1 of Part 1 of the Localism Act 2011 or sections 19(1) and 19 (3) of the 1976 Act, and if applicable section 145 of the Local Government Act 1972, in conjunction with section 111 of the 1972 Act or both. Subject to compliance with State aid rules, the Council also has power to fund the proposed trust under sections 19(1) and 19 (3) of the 1976 Act, and if applicable section 145 of the Local Government Act 1972.
- 5.2 The trust will be providing the leisure service(s) set out in this report, via a service agreement that will be entered into by the Council. The contract for the provision of the service, unless it is a concession contract, must be advertised in OJEU (Europe-wide) and procured using a suitable procedure under that Directive.
- 5.3 This report however proposes the use of a service concession contract, which at present is exempt from the requirements of competitive tendering as set out in the Public Contract Regulations 2006. It should be noted that that position might change in the future with the implementation of Directive 2014/23 EU into English Law. That must occur before 18 April 2016, and in respect of which no plans for early implementation have been formally announced.
- 5.4 Legal Services support the use of a concession contract as set out in this report, subject to of course Legal Services working closely with the report authors to monitor any future change in the law that may impact upon the process.

6. Other Implications

6.1 Risk Management

- 6.2 There are a number of key risks associated with the transfer of the service to the Trust:

- The Council or subsequent elected Councils are of the view that they have little control over the Trust because the Trust has moved from a very close seamless working and policy development with the Council to a more distant, arms length relationship.
- The Trust doesn't meet the agreed financial targets.

- There could be further Government changes to the way that NNDR (business rates) is collected and apportioned by Councils or that they change the charities regulations so that facilities are not eligible for NNDR relief and the other benefits that go with charitable status.
- 6.3 Operating risks will be mitigated by ensuring strong financial controls, robust IT systems and high standards of corporate governance are in place. All Council services should have clear outcome specifications whether or not they are directly managed. The commissioning process should ensure that Members' requirements and expectations are delivered and provide appropriate mechanisms to exercise control over the delivery model.
 - 6.4 Also regular financial monitoring by the Council will be essential. The Funding Agreement will stipulate that the Trust will provide the Council on a monthly basis with detailed income and cash flow statements as well as the requirement for the regular review of monthly financial reports and for appropriate action to be taken if adverse variances arise.
 - 6.5 The length of the concession contract to be awarded and the duration and renewal arrangements of the funding agreement will be determined by the Council. This will allow the Members to terminate its funding agreement within a relatively short period of time if Members were dissatisfied with the way that services were being delivered.
 - 6.6 The Culture and Sport management team has a strong track record in delivering services within committed revenue budgets, as well as increasing income and rationalising services to make savings. There is no reason why this would not continue under a Trust model of operation.
 - 6.7 Also, although this report sets out a number of ways that savings could be realised from the new way of working that is proposed, the actual budgeted savings that has been agreed by Members relates solely to what will be realised from the different treatment of VAT and NNDR that would result from transferring services to a Trust.
 - 6.8 Members can be confident, therefore, that the budgeted savings target will be achieved.
 - 6.9 It will be important that there is a strong and clearly defined client function within the Council to ensure that the services provided by the Trust are closely aligned to the effective achievement of community priorities. The arrangements for this will be the subject of a further report to Cabinet.
 - 6.10 Experience suggests that to establish a new Trust based on the current core services (leisure, heritage, and libraries) will take from 9 to 12 months depending on how much internal Council capacity was utilised for this purpose. The financial projections set out in this report are based on the new Trust becoming operational on 1 January 2016, which is challenging but achievable.
 - 6.11 To ensure that that this tight timescale can be achieved, this report recommends that a budget of up to £250,000 is approved to meet legal fees and other expenditure to establish a new limited company with charitable status, manage TUPE and

pension related arrangements and to finalise a robust Service Level and Funding Agreement that protects the interests of the Council.

6.12 Contractual issues

6.13 The legal implications section sets out the Council's powers in relation to this matter. Legal Services will be fully consulted and will prepare all the necessary legal documentation.

6.14 Staffing issues

6.15 As a general rule, the lease of any facilities to a Trust would trigger Transfer of Undertakings (Protection of Employment Regulations 2006 (TUPE)). All staff working at the facilities would transfer on existing terms and conditions of employment and there would be no break in their continuity of service. The position for support service staff involved with the delivery of service by the Culture and Sport division, but also working with other departments, such as finance and marketing, would depend on their individual circumstances.

6.16 As far as pensions are concerned, case law requires that the transferring employees be offered a 'comparable pension'. It is proposed that approval will be sought that the staff who transfer will be an 'admitted body' under the Local Government Pension Scheme.

6.17 If there is any underfunding of the pension scheme, arrangements will need to be made on transfer for some indemnity in favour of the Trust or that the funding arrangement for the Trust reflects the financial implications of recovering to a fully funded position.

6.18 It may be the case that the Trust will consider reviewing terms and conditions of employment and pension arrangements for new staff; however, it is intended that the Trust will be required to pay as a minimum the Local Living Wage.

6.19 Any organisational change of this significance will, of course, be of concern to staff. To help alleviate this, several briefing and consultation meetings have been held with staff and Trade Unions in line with the Council's change management policies.

6.20 If Members approve the establishment of the Trust, an employee representative from each of the key Culture and Sport services will be appointed to work with the management team to help ensure that the transfer arrangements are seamless and trouble free for the staff.

6.21 Customer impact

6.22 This proposal is intended to protect and improve cultural and wellbeing provision whilst delivering savings for the Council. The Trust will be wholly focussed on serving the Borough and its residents and so if this option is chosen it is not anticipated that there will be any adverse customer impact.

6.23 An equality impact assessment on this proposal was undertaken as part of the 2015/16 budget round. Once the scope of services to be transferred to the Trust has been finalised a new equality impact assessment will be undertaken, which will

be informed by consultation with stakeholders, service users and the wider community.

6.24 Crime and Disorder Issues

6.25 The Council has a statutory duty to consider crime and disorder implications in all of its decision making. It is expected that the Trust will provide a wide range of activities and quality facilities, which will provide positive activities for all residents.

6.26 Safeguarding Vulnerable Adults and Children

6.27 The Trust will be required to maintain robust safeguarding arrangements for vulnerable adults and children and the arrangements for this will be set out in the Service Level Agreement between the Council and the Trust.

6.28 Property/Asset issues

6.29 It is intended that the terms of the lease will require the Trust as lease holder to repair, maintain and insure the facilities included within the scope of the service.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

Appendix 1 Facilities and services managed by the Culture and Sport division

Appendix 2 Options appraisal (exempt information)

Appendix 3 Key features of the different management options

This page is intentionally left blank

Facility and services managed by the Culture and Sport division

1. Facilities and services directly managed by the Culture and Sport division

It is proposed that all of the following facilities and services will transfer to the Trust:

Leisure centres – Becontree Heath Leisure Centre; Abbey Sports Centre (to be replaced by the new Abbey Leisure Centre in 2015).

Athletics arena - Jim Peters' stadium in Mayesbrook Park.

Barking Splash Park – outdoor wet play facility for children located in the former lido in Barking Park.

Libraries – managed by the Council: Barking Learning Centre; Dagenham Library; Valence Library; and Thames View Library.

Libraries – community management arrangements: Chadwell Heath Community Centre (incorporating the former Robert Jeyes Library) – a wholly community managed library with a volunteer led library service with support from LBBD; Marks Gate Library – a volunteer led service in a building managed directly by LBBD.

Libraries - School Library Service – provision of text books to support curriculum delivery in schools.

Heritage - Valence House Museum, accredited local history museum with local, regional and nationally significant collections providing a high quality and comprehensive events and learning programme for school groups and the wider community.

Heritage - Archives and Local Studies Centre (part of the Valence House Museum complex).

Heritage - Eastbury Manor House, Grade 1 listed historic houses and gardens, providing school group visits, outreach, exhibitions, community events and activities, café, meeting spaces for community and commercial functions.

Managing Agent – the division also manages a portfolio of property leases including those for: the SportHouse; Barking Football Club and Academy of Dreams (from spring 2015); Eastbrook May and Baker Sports Club; Chadwell Heath Community Centre (incorporating the former Robert Jeyes Library; and seven community halls in community management arrangements.

2, Commissioned services

It is also proposed that the services set out below will transfer to the Trust; however, as these are commissioned services. It will be a matter for the Council to decide on the scope and funding to be provided, which may change over time due to emerging priorities or changes to Government funding.

Healthy Lifestyles– a varied programme of health interventions including: smoking cessation; child weight management; Active Age (over 60s); exercise on referral; disability sport; community games; women in sport; and learn to swim (mostly public health or externally funded).

Active Age Centres – Park Active Age Centre in Dagenham is a dedicated base for older people’s activity programmes. Active Age Centre programmes are also delivered at various locations across the Borough.

3. Services that will not transfer to the Trust

It is proposed that the following services will not transfer to the Trust due to decisions made in the 2015/16 budget round, because they are time limited activities or for other reasons.

Broadway theatre - the Borough’s only dedicated performing arts venue providing a popular professional performance programme; participation and education programmes; home to Barking and Dagenham College’s school of performing arts and technical theatre; and a venue to showcase the talents of local community arts organisations.

Community halls - three community halls in direct council management and control: Galleon Hall, Scrattons Community Centre and Fanshawe Hall. A new community hall (Hedgecock Community Centre) is currently being built as part of a section 106 agreement in Longbridge ward.

Volunteer management - co-ordination. management and development of volunteering activities across the Adult and Community Services department.

Libraries - Home Library Service providing books and other support to housebound residents. This service will only continue if an alternative delivery arrangement can be introduced, which may be managed by the Trust.

Events – the division is co-ordinating the delivery of the events programme to celebrate the Borough’s 50th anniversary celebrations during 2015.

Armed Forces Covenant – the Culture and Sport division leads on the implementation of the Covenant for the Council.

Key features of the different management options

Option One: Advantages and disadvantages of in-house management

Advantages	Disadvantages
Council retains complete control of services and budgeting.	Large elements of discretionary services competing with statutory requirements and subject to cuts.
Supportive Members (portfolio holders) able to raise the profile of the service at a corporate level.	Council misses out on potential revenue savings from NNDR relief and VAT.
Council retains maximum flexibility regarding the scope and delivery of services.	Council retain liability for the operational performance of the services.
Council retains professional and operational expertise of culture and leisure services management and staff.	Council retain liability for the capital maintenance costs associated with the facilities.
Workforce remains within the local government framework.	Availability of council capital uncertain and often allocated on an annual basis.
Use of prudential borrowing to invest in facilities.	More difficult to demonstrate it is the best option due to lack of competitive process (if rigorous options appraisal not undertaken).
Cross departmental working resulting in efficiencies and savings and joined up services for customers.	Burden of large fixed central establishment costs and high employment costs.
Contribution to the Council's overall economies of scale.	Invest to save projects dependent on availability of in-house resources.
Ability to respond quickly to new initiatives, such as weight management and smoking cessation programmes, and to shape services to meet emerging council priorities.	Council misses opportunity to improve management of the service by accelerating decision making processes and providing greater autonomy for staff.
	No requirement for long term planning.

Option Two: Advantages and disadvantages of transfer to a new trust

Advantages	Disadvantages
<p>Significant savings on NNDR costs.</p> <p>Savings from the different treatment of VAT.</p> <p>Generally improves the council's overall position in relation to partial exemption threshold for VAT.</p> <p>Greater financial and managerial autonomy.</p> <p>Potential benefits from additional external funding opportunities.</p> <p>Opportunities for considerable community and staff involvement in the management of services.</p> <p>Benefits of having a single issue focus.</p> <p>Freedom from local government framework and decision making.</p> <p>Benefits of local focus.</p>	<p>Council loses direct control of service.</p> <p>New trust may not be able to demonstrate track record of expertise to potential customers and investors</p> <p>Difficulty in recruiting trustees of suitable expertise and calibre.</p> <p>Difficulty in attracting significant capital investment.</p> <p>Complex set up and transfer process. 9 – 12 months and set up costs of £100,000.</p> <p>Council retains ultimate liability for the operational performance and capital liabilities of the services.</p> <p>Transfer to new trust involves formal transfer of staff.</p> <p>Potential for links to be lost to other council services.</p> <p>Less ability to make support cost savings compared to an existing trust.</p> <p>Overheads of council's central services not transferred to trust and so will be spread over fewer services.</p>

Option Three: Advantages and disadvantages of transfer to an existing trust (NPDO)

Advantages	Disadvantages
<p>Significant savings on NNDR costs.</p> <p>Savings from the different treatment of VAT.</p> <p>Greater financial and managerial autonomy.</p> <p>Expertise and experience of management and staff of existing trust</p> <p>Potential benefits from additional external funding opportunities.</p> <p>Opportunity for considerable community and staff involvement in the management of services.</p> <p>Benefits of having a single issue focus.</p> <p>Potential greater opportunity to attract capital investment.</p> <p>Council likely to be able to transfer more operational risk over to existing trust.</p>	<p>Council loses direct control of services.</p> <p>May be a danger of conflict of interests and 'leakage' of surpluses between existing trust and LBBD trust.</p> <p>Difficulty in recruiting trustees of suitable expertise and calibre.</p> <p>Lengthy and complex procurement and transfer process. Up to 18 months and set up costs of c£150,000 - £200,000.</p> <p>Transfer to new trust involves formal transfer of staff.</p> <p>Potential loss of local focus.</p> <p>Impact on central support services.</p> <p>Existing trust could be geographically remote from the council.</p>

Option Four: Advantages and disadvantages of a private management contract

Advantages	Disadvantages
<p>A commercial approach to management and income maximisation.</p> <p>Competitive bidding process means a council can demonstrate value for money and potentially reduce its subsidy.</p> <p>Significant access to development capital.</p> <p>Transfer of some risk and stable revenue funding (if long term contract is in place).</p> <p>Savings through economies of scale particularly on support costs such as IT, payroll, human resources and marketing.</p> <p>A partnership approach to service improvement with a planned programme of investment and development.</p> <p>Council has greater certainty of cost and ongoing revenue subsidy.</p> <p>Long term contract with performance guarantees.</p>	<p>Council loses direct control of services.</p> <p>Council's central services overheads are spread over fewer services.</p> <p>Lengthy procurement process and can be costly.</p> <p>No scope for revenue savings through NNDR relief and VAT treatment.</p> <p>Inflexible contracts – changes to services to meet emerging needs will come at a price.</p> <p>Restricted investment (if contracts are short).</p> <p>Contractors focused on income generation at the expense of social objectives – if not emphasised in contracts.</p> <p>Transfer to private contractor involves formal transfer of staff.</p>

Cabinet

16 February 2015

Title: Pay Policy Statement 2015/16	
Report of the Cabinet Member for Central Services	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: Martin Rayson, Divisional Director Human Resources and Organisational Development	Contact Details: Tel: 020 8227 3113 E-mail: martin.rayson@lbbd.gov.uk
Accountable Divisional Director: Martin Rayson, Divisional Director Human Resources and Organisational Development	
Accountable Corporate Director: Chris Naylor, Chief Executive	
<p>Summary:</p> <p>Under the terms of the Localism Act 2011 the Council must agree before the start of the new financial year a pay policy statement covering chief officer posts and above. The Act sets out matters which must be covered under the policy.</p> <p>The draft Pay Policy Statement for 2015/16 is included at Appendix A.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is asked to recommend the Assembly to approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2015/16 as set out at Appendix A to the report, for publication on the Council's website with effect from 1 April 2015.</p>	
<p>Reason(s)</p> <p>Under the terms of the Localism Act 2011 the Assembly must agree a pay policy statement in advance of the start of each financial year. Cabinet are being asked to recommend this statement to Assembly on 24th February 2015</p>	

1. Introduction and Proposal

- 1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior staff (chief officers) to be agreed by all Councillors at an Assembly meeting, before the beginning of each financial year. This policy is timetabled to go to Assembly on 24th February 2015.
- 1.2 The Council produced its first pay policy statement for the 2012/13 financial year and this document follows the same format. The definition of "chief officers" covers

the Chief Executive, Corporate Directors and Divisional Directors. The matters that must be included in the pay policy statement are a council's policy on:

- The level and elements of remuneration for each chief officer.
- The remuneration of its lowest-paid employees (together with its definition of "lowest-paid employees" and its reasons for adopting that definition).
- The relationship between the remuneration of its chief officers and other officers.
- Other specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.

1.3 The Localism Act defines remuneration widely, to include not just pay but also charges, fees, allowances, benefits in kind, increases in/enhancements of pension entitlements, and termination payments.

1.4 The pay policy statement:

- Must be approved formally by the Council (Assembly) meeting itself
- Must be approved by the end of March each year
- Can be amended in-year
- Must be published on the Council's website (and in any other way the Council chooses)
- Must be complied with when the Council sets the terms and conditions for a chief officer.

1.5 The new Chief Executive will review the senior management of the Council to ensure it is fit for purpose. This pay policy statement will be amended in year, if changes are made to the structure and pay rates outlined in it. .

2. Financial Issues

Implications completed by: Jon Bunt, Chief Finance Officer

2.1 There are no additional budget pressures caused by the agreement of the Pay Policy Statement, as this reflects the current position on pay.

3. Legal Issues

Implications completed by: Fiona Taylor, Head of Legal and Democratic Services

3.1 This report outlines our obligations with regards to senior officer pay and in particular in relation to the information to be provided pursuant to section 38 of the Localism Act.

4. Other Implications

- 4.1 **Risk Management** – There are no risks attached to this statement as attached as it describes the current position.
- 4.2 **Contractual Issues** – This statement makes no changes to employees' contractual position.
- 4.3 **Staffing Issues** – The staffing issues are fully explored within the main body of the report.
- 4.4 **Equalities Issues** – Our approach to pay is based on the use of job evaluation to determine the salary for individual roles, eliminating the potential for any bias in the process.
- 4.5 **Service Issues** – The ability to deliver effective services is dependent on having the right staff at different levels. We must have an approach to pay that enables the Council to recruit the right people and also motivates them to perform. The pay policy seeks to support that aim.

Background Papers Used in the Preparation of the Report: None

List of appendices:

Appendix A – Pay Policy Statement 2015/16

This page is intentionally left blank

LONDON BOROUGH OF BARKING AND DAGENHAM

PAY POLICY STATEMENT 2015/16

1. Introduction – Requirement for Council Pay Policy Statement

- 1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement to be agreed by members before the beginning of each financial year. The Act does not apply to local authority schools. This document meets the requirements of the Act for the London Borough of Barking and Dagenham. This Pay Policy Statement covers the 2014/15 financial year.
- 1.2 The provisions of the “Act” require that councils are more open about their own local policies and how their local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks councils to follow three principles when publishing data they hold: responding to public demand; releasing data in open formats available for re-use, and, releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.

2. Pay and Reward Principles

- 2.1 The Council recognises that if it is to serve its communities well and deliver the objectives in the Corporate Delivery Plan, it needs to be able to attract and retain talented people at all levels of the organisation. The Council’s People Strategy describes the actions we will take to ensure that we have

“the right people, with the right skills in the right places, with the right kinds of management and leadership, motivated to perform well”

- 2.2 One of the things that we must get right if we are to achieve this is our approach to reward for staff at all levels.
- 2.3 Whatever their role, the Council seeks to ensure that every member of staff is valued and remunerated on a fair and just basis. Our approach to pay is designed to ensure:
- Pay levels are affordable for the Council, at a time when we are making some very difficult decisions about spending on services to the community;
 - We can demonstrate fairness and equity in what we pay people at different levels and in different parts of the Council; and
 - Pay is set at levels which enable us to recruit and retain the quality of staff we need to help us achieve our objectives at a time of financial hardship.

- 2.4 The Council remains committed to being part of the local government national pay negotiation structure (overseen by the National Joint Council). The Council has also committed to pay all its employees in substantive posts an annual salary, which equates to at least £9.20 per hour.
- 2.5 Pay levels are determined through a job evaluation system. For staff at PO6 and below we generally use the Greater London Provincial Council job evaluation system. For posts at PO7 and above we use the HAY job evaluation system. Pay point 49 (£43,802) is at the top of PO6 and bottom of PO7. Each system assesses the relative “size” of the role against a range of criteria, relating to its complexity, the number of resources managed and the knowledge required to undertake the role.
- 2.6 Pay rates are generally set against the national pay spine agreed by the National Joint Council, although there are local pay points at the top of the LBBD pay scale.

3. Defining “Chief Officers”

- 3.1 The implementation of savings plans has seen a reduction in the number of “chief officer” posts year on year. At the start of the 2015/16 financial year, the Council has within its structure the following Chief Officers:

- Chief Executive (Head of Paid Service)
- Corporate Director of Adult and Community Services
- Corporate Director of Children’s Services
- Director of Growth
- Director of Public Health
- Chief Finance Officer (Section 151 Officer)
- Head of Legal and Democratic Services (Monitoring Officer) (0.5fte)
- Divisional Director - Human Resources and Organisational Development
- Divisional Director - Regeneration
- Divisional Director - Housing Strategy and Advice
- Divisional Director - Housing Management
- Divisional Director - Asset Management and Development
- Divisional Director - Environment
- Divisional Director - Strategic Commissioning and Safeguarding
- Divisional Director - Complex Needs and Social Care
- Divisional Director - Education
- Divisional Director - Culture and Sport
- Divisional Director - Adult Social Care
- Divisional Director - Commissioning and Partnerships

4. Accountability for Chief Officers Pay

- 4.1 The pay arrangements for chief officers are overseen by a Panel (called the JNC Salaries and Conditions Panel) appointed by the Council’s Assembly.

- 4.2 The Council's constitution sets out the responsibilities and composition of the Panel and states:

JNC Salaries and Conditions Panel - consisting of the Leader (who shall be Chair), the Deputy Leader(s) of the Council, the relevant Portfolio Holder(s) and two non-Cabinet councillors (selected by the Chief Executive, in consultation with the Leader, from a pool of four non-Cabinet councillors appointed by the Assembly), to consider and make final decisions in relation to:

- (a) salaries and conditions for JNC officers (including the Chief Executive)
- (b) the grading of any new JNC posts in line with Council policy; and
- (c) senior management (JNC) structures / reorganisations.

5. Current Pay Policy and Base Pay Rates

5.1 Setting Salary Levels

- 5.1.1 Chief Officer roles are evaluated using the HAY job evaluation system. Spot salary levels were set for Chief Officer roles in 2008. There is a commitment to review salary levels every three years. In undertaking reviews, account is taken of the market, particularly the market in London.
- 5.1.2 In 2008 salaries were set at the top of the third quartile in comparison with equivalent roles in London at that time. This reflected the fact that whilst the London Borough of Barking and Dagenham is one of the smaller boroughs in terms of population, it is a community that faces significant challenges and therefore the view was taken that we needed to attract a good choice of senior staff with the appropriate skills and experience.
- 5.1.3 Divisional Directors' salaries were reviewed in December 2010, following structural changes made in preparation for the 2011/12 financial year. Corporate Directors' salaries have not been reviewed since 2008. A recent benchmarking exercise suggests that in most cases the salary levels for Corporate Directors and Divisional Directors are around the median level for posts around London and it is appropriate to pay at that level or just below, given the size of the borough, the state of the employment market and the pressure on LBBDD budgets.
- 5.1.4 The Council is contractually obliged to apply nationally agreed pay awards for Chief Officer grades. The first pay award for a number of years was agreed at the beginning of February, as set out below:

"Agreement has now been reached on rates of pay applicable from 1 January 2015. The individual salaries and salary scales of all officers within scope of the JNC Chief Officers of Local Authorities should be increased by two per cent on guaranteed FTE basic salary of £99,999 or less [as at 31 December 2014]. This pay agreement covers the period to 31 March 2016.

5.2 Chief Executive

- 5.2.1 The new Chief Executive started with the Council on 1st February 2015. It was agreed during the appointment process that the salary for the post would be £165,000.

5.3 Chief Officer Pay Range

5.3.1 The Chief Officer pay range was last reviewed and amended in 2013. The current pay range is as follows:

CO1	£80,314
CO2	£91,558
CO3	£101,196
CO4	£108,661
CO5	£120,000
CO6	£131,757

5.3.2 It is appropriate for there to be some differentiation in pay levels at Chief Officer level because of the differing amounts of risk and responsibility being carried at that level.

5.3.3 The table below sets out the salaries of the chief officer posts referred to in paragraph 3.1 above:

Position	Post Status	Grade of Post	Salary cost to LBB (excl. on-costs)
Chief Executive (Head of Paid Service)	Full time	Individual spot salary	£165,000
Corporate Director, Adult and Community Services	Full time	CO6	£131,757
Corporate Director, Children's Services	Full time	CO6	£131,757
Director of Housing	Filled by interim manager, pending recruitment exercise	-	-
Director of Growth	<i>Vacant</i>		
Director of Public Health	Full time	Individual spot salary	£90,000
Chief Finance Officer (Section 151 Officer)	Full time	Individual spot salary	£111,898
Head of Legal and Democratic Services (Monitoring Officer)	0.5 fte - shared with Thurrock Council	CO2	£45,779
Divisional Director, Human Resources and Organisational Development	Full time	CO2	£91,558
Divisional Director, Regeneration	Full time	CO2	£91,558

Divisional Director, Housing Strategy and Advice	Full time (currently vacant)	CO2	£91,558
Divisional Director, Housing Management	Full time (currently vacant)	CO2	£91,558
Divisional Director, Asset Management and Development	Full time (currently vacant)	CO2	£91,558
Divisional Director, Environment	Full time	CO2	£91,558
Divisional Director, Strategic Commissioning and Safeguarding	Full time	CO4	£108,661
Divisional Director, Complex Needs and Social Care	Full time	CO2 + market supplement (see paragraph 7.4 for further details)	£101,558
Divisional Director, Education	Full time	CO2	£91,558
Divisional Director, Culture and Sport	Full time	CO2	£91,558
Divisional Director, Adult Social Care	Full time	CO2	£89,763
Divisional Director, Commissioning and Partnerships	Full time	CO4	£108,661

5.3.4 The structure proposed in Housing has provisionally been agreed and is as follows:



However, the new Chief Executive is reviewing the role of Divisional Director, Asset Management and Development in particular. An update to the pay policy statement will be provided should the structure be amended.

6. Shared Posts

- 6.1 Where posts are shared, regular payments are made between the respective Councils to meet the salary payments and on-costs.

7. Contingent Pay

- 7.1 The Council pays its Chief Officers a spot salary. There is no element of performance pay, nor are any bonuses paid. No overtime is paid to Chief Officers. There are no lease car arrangements.
- 7.2 The Chief Finance Officer receives a monthly honorarium, which is the equivalent of £8,002 per year, to reflect the particular challenges of the role as we drive forward budget savings and renegotiate our contract with Elevate.
- 7.3 The Head of Legal and Democratic Services also receives a monthly honorarium, which is the equivalent of £9,449 per year, to reflect the additional work undertaken on the contract for legal services with Brentwood District Council and the additional income earned by the Council as a consequence.
- 7.4 The Divisional Director, Complex Needs and Social Care receives a market supplement of £10,000 to recognise the challenges of recruiting in this market.

8. Pensions

- 8.1 All Council employees are eligible to join the Local Government Pension Scheme. The Council does not enhance pensionable service for its employees either at the recruitment stage or on leaving the service, except in certain cases of retirement on grounds of permanent ill-health where the strict guidelines specified within the pension regulations are followed.

9. Other Terms and Conditions

- 9.1 Employment conditions and any subsequent amendments are incorporated into employees' contracts of employment. Chief Officer contracts state:

"Where adopted by the Council for your employment group and unless otherwise indicated in this statement, your terms and conditions of employment are as set out in the NJC (National Joint Council) for Local Government Services otherwise called the "Green Book". These terms and conditions may be supplemented by agreements reached collectively at the Greater London Provincial Council and at the Council's Employee Joint Consultative Committee."

- 9.2 The Council's employment policies and procedures and terms and conditions are reviewed on a regular basis in the light of service delivery needs and any changes in legislation.

10. Election Expenses

- 10.1 The fees paid to Council employees for undertaking election duties vary according to the type of election they participate in and the nature of the duties they

undertake. All election fees paid are additional to Council salary and are subject to normal deductions for tax.

- 10.2 Returning Officer duties (and those of the Deputy Returning Officer) are contractual requirements but fees paid to them for national elections / referendums are paid in accordance with the appropriate Statutory Fees and Charges Order.

11. Termination / Severance Payments

- 11.1 Employees who leave the Council, including the Chief Executive and Chief Officers, are not entitled to receive any payments from the Council, except in the case of redundancy or retirement as indicated below.

11.2 Retirement

- 11.2.1 Employees who contribute to the Local Government Pension Scheme who elect to retire at age 60 or over or who are retired on redundancy or efficiency grounds over age 55 are entitled to receive immediate payment of their pension benefits in accordance with the Scheme. Early retirement, with immediate payment of pension benefits, is also possible under the Pension Scheme with the permission of the Council in specified circumstances from age 55 onwards and on grounds of permanent ill-health at any age.

- 11.2.2 The Council will consider applications for flexible retirement from employees aged 55 or over on their individual merits and in the light of service delivery needs.

11.3 Redundancy

- 11.3.1 Employees who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on their actual salary. The standard London Borough of Barking and Dagenham redundancy scheme applies to Chief Officers. The scheme was amended in November 2011 and a maximum of 45 weeks of actual pay is payable depending on length of service. This scheme may be amended from time to time in accordance with the Council's Constitution

11.4 Settlement Agreements

- 11.4.1 Where an employee leaves the Council's service in circumstances which are, or would be likely to, give rise to an action seeking redress through the Courts from the Council about the nature of the employee's departure from the Council's employment, the Council may settle such claims by way of settlement agreement where it is in the Council's interests to do so. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Should such a matter involve the departure of a Director or the Chief Executive it will only be agreed following external legal advice that it would be lawful and reasonable to pay it.
- 11.4.2 The government has published a response to the consultation about provisions in the Small Business, Enterprise and Employment Bill which will enable the recovery of exit payments when high earners return to the same part of the public sector within 12 months of leaving. These provisions are intended to ensure that the

taxpayer is not paying out large sums in redundancies only to incur the cost of re-employing the same person in a similar role elsewhere.

- 11.4.3 Once finally agreed, we will reflect these provisions in our own terms and conditions.

12. Fairness

- 12.1 It was agreed that as of 1 January 2013, no permanent member of the Council's staff should be paid less than £9 per hour (excluding those on apprenticeship schemes). This supports the Council's ambition to raise average household incomes and believes this to be an important statement in terms of pay fairness. The Council has also agreed that this should apply to all agency staff working on Council assignments. From 1 January 2015, this minimum rate has increased to £9.20 per hour.
- 12.2 Based on this figure, the Council's pay multiple - the ratio between the highest paid employee, the Chief Executive and lowest paid employee - is 1:9.8 (1:8 in 2014/15, when we had a shared Chief Executive in post).
- 12.3 The ratio between the Chief Executive's salary level and the median earnings figure for all employees in the Council is 1:6.8. The median earnings figure is for all employees as at 1st January 2015 was £24,027 pa.
- 12.4 Across London the average ratio between the highest and lowest salaries is 1 to 5.65, based on an average Chief Executive salary of £183,135 and a median gross pay figure for all staff of £32,400.

13. Any Additional Reward Arrangements

- 13.1 There are none in place.

If there are any enquiries about these arrangements please apply to Martin Rayson, Divisional Director, Human Resources and Organisational Development (martin.rayson@lbbd.gov.uk)

CABINET

16 February 2015

Title: Implementing the Equality and Diversity in Employment Policy	
Report of the Cabinet Member for Central Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Martin Rayson, Divisional Director of Human Resources and Organisational Development	Contact Details: Tel. 02 08227 3113 Email: martin.rayson@lbbd.gov.uk
Accountable Divisional Director: Martin Rayson, Divisional Director HR & OD	
Accountable Director: Graham Farrant, Chief Executive	
<p>Summary</p> <p>The Council has in place a policy on Equality and Diversity in Employment and amendments to that policy have recently been agreed by the Council's Corporate Management Team (CMT). The policy ensures that the legal duties of the Council are fulfilled, but also supports the commitment to have a workforce that is representative of the community.</p> <p>There is under-representation in relation to a number of protected characteristics. The report focuses in particular on representation of people from the local black and minority ethnic (BME) community, people with disabilities and LGBT people who face particular issues around sexual orientation.</p> <p>A number of positive actions are proposed that might be taken to increase representation of under-represented groups, at all levels of the workforce, and annual targets against which progress can be measured.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <p>(i) Agree the following targets as part of the Council's Equality and Diversity in Employment Policy:</p> <p>(a) That recruitment in any one year reflects the breakdown of the working population in the Borough;</p> <p>(b) To achieve an annual 10% increase in 2015/16 to 2017/18 in the proportion of the workforce from the BME community (i.e. a 2.7% increase in 2015/16 on the baseline of 27%, that is increasing the current figure of just under 1000 to around 1030);</p> <p>(c) To reduce the number of staff who do not declare whether they have a disability or not by 30% in 2015/16, in order for a suitable target to be</p>	

set for future years to increase the number of people with disabilities working in the organisation.

- (ii) Support a campaign to promote tolerance of all nine groups recognised as “protected characteristics in the Equality Act 2010” equally.

Reason(s)

To support the ambition of the Council to employ a workforce that is representative of the community it serves.

1. Introduction and Background

1.1 The Council must ensure that it complies with the requirements of the Equality Act 2010, which imposes a duty on public authorities and other bodies when exercising public functions to have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Please note that there are separate provisions for schools and these will be matters for school governing bodies. Officers and members will continue to encourage school governing bodies to set the highest standards around equality and diversity.

1.2 The “protected characteristics” are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race (including ethnic or national origins, colour or nationality)
- religion or belief
- sex
- sexual orientation

1.3 Over and above that though, the Council recognises the importance of having a positive approach to equality and diversity, if it is to meet the needs of the community effectively in this diverse Borough. Our Equalities and Diversity in Employment Policy sets out the following ambitions for the Council as an employer:

- ensure that its employment practices do not discriminate against any group or individual on any unjustifiable grounds;
- make the profile of its workforce at all levels as representative of the Borough's population as possible;
- monitor its employment processes by relevant protected characteristics and take action to address inequalities that are apparent;

- promote a culture of fairness and respect in all its employment policies, procedures and practices;
- provide appropriate training for employees on equality issues;
- protect its employees from harassment and investigate all claims of harassment that are made;
- respond appropriately to the particular needs of employees, including those relating to religion or culture, sexual orientation, age etc.
- develop the Council's reputation as a progressive and fair employer and as a result reduce the likelihood of any legal action against the Council.
- ensure that our working practice remains in line with all legal requirements.

1.4 One of the specific actions in the current Single Equalities Scheme relates to the make-up of our workforce as follows:

*** To ensure the development of an effective and diverse workforce that is representative of the communities served by the Council.**

Our staff need to reflect the diversity of the local people in Barking and Dagenham and be equipped to be able to integrate all equalities considerations into their day to day work. Where we are reducing our workforce we need to ensure that the process is fair and not discriminatory.

Action: Develop workforce targets, using the information from the workforce profile reports and local demographic data, to identify actions and initiatives to:

- achieve a more representative workforce at all levels within the organisation including the percentage of women, BME and disabled staff in management posts
- recruit and retain more people from the local community, especially into difficult to recruit to posts"

2. Current Data

2.1 On a quarterly basis we gather data on the workforce, (currently age, disability, ethnicity and gender but which will be extended to cover all the protected characteristics where information is provided by the individual). This is reported to the Council's Equality Group and to the Employee Joint Consultative Committee (EJCC) and shared with the Trade Unions and Staff Support Networks.

2.2 What this does show is that there is under-representation in the workforce from many of the protected characteristics. On age, the Council does have an older workforce than other organisations of equivalent size (which is not unusual in local government). There is a higher proportion of female (60.7%) to male staff (39.3%), which is equally represented in the professional grades PO1-6, there are proportionately more men (66.05%) in terms of the overall workforce at management level PO7 and above.

2.3 The Council does have a high proportion of women in the most senior management positions (above 50%), but in some service areas, they are not well-represented at management levels.

Ethnicity/Gender

- 2.4 What our data shows is that whilst the proportion of staff from the BME community has risen steadily over the last ten to fifteen years, it still remains below the overall percentage in the local working-age population (46.1% in 2014 census projections).
- 2.5 The table overleaf shows the percentage of BME staff in each grade in the Council at the end of the first quarter of 2014/15. The overall percentage of BME staff in the workforce is 27.25%, which is well short of the percentage in the local working population. The imbalance is more significant at senior levels in the organisation, PO7 and above. It also shows the males/female split across grades. Overall the majority of the workforce is female, which is usual in local authorities. This Borough's 60:40 split is higher than in most local authorities. Women occupy nearly 50% of the most senior roles in the Council (Divisional Directors and Directors). They predominate in grades Sc1 to PO6, but only fill 39% of the positions above PO7 and below Divisional Director.
- 2.6 The local population mix has been changing quite rapidly over the last few years and the Council does tend to have a fairly static workforce. Whilst turnover is not unusually low overall (around 10-15%), the churn tends to be among the same group of staff and we have a significant proportion who have been employed by the Council for many years. This impacts on our ability to change the profile of the workforce.
- 2.7 The mix of apprentices reflects concerns about the performance of young white males in Education and entry into employment (75% of NEETS are white males). In terms of gender, one of the issues is that the job areas in which apprenticeships are offered are in housing and environment (area services, repairs and maintenance, landscaping), which tend to have a larger male contrast. By contrast, apprentices in childcare are 100% filled by females. The group managing the apprentice programme want to find ways to avoid stereotyping and address the other challenge, around getting young people from all parts of the community to apply.

Workforce Profile – 1st Quarter (April to June 2014)

Grade Bands			BME employees			Gender					
						Female			Male		
			Total	% of all employees in grade bands	% of all BME Employees	Total	% of all employees in grade bands	% of all female employees	Total	% of all employees in grade bands	% of all male employees
Chief Officers	15	0.42%	2	13.33%	0.2%	7	46.67%	0.32%	8	53.33%	0.57%
PO7-13 *	118	3.28%	23	19.49%	2.3%	46	38.99%	2.10%	72	61.02%	5.12%
PO1-6 *	516	14.35%	170	32.94%	17.0%	309	59.89%	14.13%	207	40.12%	14.71%
Scale 4 - SO2	1,320	36.73%	288	21.82%	28.9%	732	55.45%	33.47%	588	44.55%	41.79%
Scale 1a – 3	916	25.49%	256	27.95%	25.7%	751	81.99%	34.34%	165	18.01%	11.73%
Apprentice grades	61	1.70%	6	9.83%	0.6%	23	37.70%	1.05%	38	62.29%	2.70%
Other grades	648	18.03%	252	38.89%	25.3%	319	49.23%	14.59%	329	50.77%	23.38%
Total employees	3,594	% of all Council employees	997	N/A	100%	2,187	N/A	100%	1,407	N/A	100%
			27.74% of all Council employees			60.85% of all Council employees			39.15% of all Council employees		

2.8 The second table shows the ethnicity and gender of staff recruited in the last two years. At a senior level recruitment activity has been very limited. What we can see is that a higher percentage of BME staff are being recruited, which will impact on our overall workforce mix.

Council Starters (October 2012 to July 2014)							
All Starters							
Grade Bands	No. of starters	% breakdown starters	% Male	% Female	% White/British	% BME	% breakdown of all Council BME employees
Chief Officer's	1	0.11	0.00	100.00	0.00	100.00	0.19%
PO7 - PO13	11	1.26	72.73	27.27	90.00	10.00	2.15%
PO1 - PO6	93	10.69	41.94	58.06	50.54	49.46	15.89%
Scale 4 - SO2	214	24.60	52.80	47.20	66.35	33.65	28.69%
Scale 1a - 3	233	26.79	32.62	67.38	66.95	33.05	27.94%
Apprentice grades	108	12.41	46.30	53.70	81.48	18.52	0.65%
Other grades	210	24.14	40.95	59.05	88.10	21.90	24.49%
Total	870	100.00					100%
BME % of all Council employees = 27.86%							

Disability

2.9 The proportion of disabled staff (3.5%) is low compared with local community. The information we have is based on that provided by employees on a voluntary basis when they join the Council; there is no requirement to provide the information and some staff have chosen not to disclose this. 1,347 of our staff (37.4%) have chosen not to disclose whether or not they have a disability. Whilst we will continue to take steps to recruit more staff with disabilities, we do first want to get an accurate picture of the number of staff with disabilities working in the Council.

3. Recruitment Audit

3.1 In 2014 we undertook an audit of recruitment activity to understand why there was a significant drop-out of people from the BME community through the process. As a consequence of the audit a number of actions are being taken, including the following:

- Review job descriptions and person specifications to assure they reflect the real needs of the role
- Run "removing unconscious bias" training programmes
- Ensure greater consistency in short listing and interview scoring
- Reviewing the application form to ensure it is fit for purpose
- Seeking to recruit to all Scale 1 to 3 vacancies via our job-shops
- Advertising all vacancies through the job-shop

3.2 One of the actions was to update our Equalities & Diversity in Employment Policy which is attached at Appendix 1 for Cabinet to agree. This report sets out roles and responsibilities and the actions we might take to ensure the Policy becomes a reality.

4. Addressing The Issues

4.1 In the sections below, we have set out the action that we might take to address the concerns raised by the data available. As our Equalities and Diversity in Employment Policy also indicates, it is possible to take “positive action” where “they reasonably think that people who share a protected characteristic suffer a disadvantage connected to that characteristic”. This action can specifically relate to recruitment activity, but we have to avoid any action which might be seen as “positive discrimination” or “affirmative action”.

4.2 What we propose is that we set an overall target that all new recruitment over any one year should broadly be representative of the community in terms of the protected characteristics. We will review this at the end of 2015/16 financial year.

BME in the Workforce

4.3 In terms of increasing representation from the BME community, it is proposed to set an overall target to increase by 10% per year, beginning in 2015/16. At the end of three years we will review the target, based on our success and the position at that time. Whilst the gap in representation is large at the moment, we believe this is realistic target, based on the current level of turnover and the actions that can reasonably be taken.

4.4 Equality law does allow for “positive action” before or at the application stage in a recruitment process. We have shared information with other London councils which faced similar challenges around the make-up of the workforce. The actions proposed are set out below. They reflect the “positive action” that has been successful in other organisations:

- Ensuring posts are advertised in places that the BME community will look, e.g. the Trumpet newspaper published every Friday, or ensure the community gets used to looking on the Council’s website for vacancies with the Council.
- Work with groups active in the BME community to identify and overcome any recruitment barriers.
Work with the job-shops to host job fairs where we can sell the Council as an employer and explain where to access details of vacancies and the recruitment process.
- Target failed applicants for council jobs using Igrasp to invite them to personal statement workshops.
- Ensure there is at least one member of the recruitment panel from outside the service area. We will initially do this in those areas where statistics show there is a large percentage drop-out through the recruitment process.

4.5 Positive action does allow an organization to choose to appoint a candidate from an under-represented group where there are two candidates of equal merit. This is rather subjective and is open to challenge at an employment tribunal. We will advise managers that this provision exists, but recruiters must consult HR before it is used and there needs to be clear, demonstrable evidence to justify this.

People With Disabilities in the Workforce

- 4.6 We will continue to work to get a better understanding of the percentage of people in the workforce with a disability and understand what barriers may remain to people with disabilities gaining employment with us. The proposal is to initially set a target to increase the proportion of the workforce who declare whether they have a disability or not and then to set a target to increase the number of people with disabilities in the workforce.
- 4.7 The Council is a “two-ticks” employer and as such guarantees an interview to anyone with a disability who meets the minimum criteria for the job in any recruitment exercise.

Campaign of Tolerance

- 4.8 The Leader will be asked to give his support to protected characteristic campaigns, emphasising tolerance and the value of the diverse mix in our workforce.

Local Recruitment

- 4.9 We wish to encourage applications for roles at all levels in the organisation from people who live locally. We are currently working through the job shop to create talent pools of local people on which we can draw for roles up to Scale 3. We will look to take other measures to promote roles at all levels to local people (including those on senior manager scales) and identify and overcome any barriers to them applying for roles with us. We will include on adverts a statement that we “encourage in particular applications from people living in the Borough.”
- 4.10 We believe that this addresses the unfortunate perception or/prejudice that disadvantaged people are only good for semi-skilled and lower graded posts. The Council needs to reach out to qualified/experienced BME and other underrepresented people/residents in the borough when recruiting into senior positions. Arguably, the borough’s educational/skills profile may show that a sizeable number of our borough residents travel to other destinations including the City and Canary Wharf for highly skilled jobs.
- 4.11 Secondly, the financial benefits including economic regeneration of recruiting from within our borough cannot be overlooked.

5. Representation At All Levels

- 5.1 It is important to remember when considering “positive action” not just to look at under-representation in terms of the overall workforce but whether this applies equally across all areas e.g. there is much higher proportion of female to male staff but not at management level. Preferential consideration should not be given to one under-represented group before another or those with statutory rights e.g. pregnant employees or disabled people.
- 5.2 We plan to introduce a new approach to talent management during 2015. We will come forward with proposals for a targeted learning and development programme for talented individuals in our workforce and we want to encourage all talent and so will

focus on any barriers to under-represented groups being in a position to compete for senior vacancies when they become available. This may include, specific positive actions for specific underrepresented groups, including the use of internship, apprenticeships, job carving, etc. and “spot the talent” or “future leaders programme” to support and target, fast track BME, women, disabled people into appropriate roles and positions in the Council. We will also consider bespoke support and training for BME men and women to address the current gaps in senior Management roles in the Council.

- 5.3 Review and monitor the participation of underrepresented staff on corporate projects/programmes to ensure sufficient exposure to high profile roles and projects in the Council, thus giving BME staff and other underrepresented groups the chance to develop the prerequisite skills and experiences to compete fairly for senior positions.
- 5.4 The Council has recently re-established a mentoring programme (in conjunction with other London boroughs) as part of our overall Leadership & Management Development Programme. We will look to focus the coaching and mentoring on under-represented groups (BME, men and women) in order to assist in overcoming any barriers for these managers in progressing to senior positions.
- 5.5 We want to have a diversity-proof talent pipeline in place, which over time will deliver results (and the experience of organisations is that this is a long-term programme). We will introduce these initiatives in the 2015/16 financial year, once we have completed forthcoming restructuring related to savings plans.
- 5.6 We have established arrangements to try and redeploy where possible employees whose posts are deleted a result of budget restraints or changing organisational requirements, or who cannot continue in their post because of disability, or ill-health reasons. This covers permanent employees, those on fixed-term contracts and apprentices. We have been looking at ways of maximising redeployment, including setting up a Redeployment Panel and are currently reviewing those arrangements.

6. Leadership and Additional Support

- 6.1 In order to deliver this policy there will need to be strong leadership from members of CMT. All our staff attend equality and diversity training and all staff engaged in recruitment will undertake training which embraces equality in recruitment. Leadership is required to ensure that everyone in the organisation understands the significance of equality and diversity in terms of the vision and priorities of the Council and our ability to deliver effective customer service.
- 6.2 We will organise structured focus group discussions to enable us to secure sufficient coalition of all stakeholders, not just underrepresented groups in the Council. Winning the hearts and minds, and the active participations of the underrepresented staff and their managers is critical to turning positive actions into tangible success.
- 6.3 In addition, the capacity to support the Council’s desire for a greater focus on this area, is extremely limited. Resources allocated to equalities and diversity work has reduced over the last few years as a consequence of the need to make savings. The resources currently available are operating at full capacity. Although equality and diversity is a matter for all staff and managers (reflected in the mandatory training

programmes that we run) if we wish to take the actions outlined in this paper there is a need for additional capacity.

- 6.4 We will need additional resource to undertake some of the activities listed above and ensure that we can achieve the targets set out in the document. We will explore in advance of the next financial year how we can bring those additional resources to bear on this work.

7. Monitoring Progress

- 7.1 It is proposed to report progress to Cabinet on a six-monthly basis. The Council's Equality and Diversity Group will review the actions being taken on a more frequent basis.
- 7.2 EJCC should continue to receive quarterly information on the make-up of the workforce and consider any actions necessary based on that data.

8. Financial Implications

Implications completed by: Carl Tomlinson, Finance Group Manager

- 8.1 Delivering the targets and actions outlined in the report will require funding outside existing HR budgets. Appropriate funding will be identified to support delivery activity.

9. Legal Implications

Implications completed by: Chris Pickering, Principal Solicitor

- 9.1 The policy and actions proposed ensure that that the Council complies with the requirements of the Equality Act 2010 including the Public Sector Equality Duty. However the Council recognises the importance, from a customer service perspective, of having a workforce that is representative of the community it serves and the actions here support that priority.

10. Other Implications

- 10.1 **Customer Impact** – The quality of services to the customer will be enhanced if the Council has a workforce which is representative of the community.
- 10.2 **Equalities Impact** – These are set out in the paper.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix 1** - Equalities and Diversity in Employment Policy

Equalities and Diversity in Employment Policy



Contents		Page
1. Introduction	Council Policy	3
2. General		4
	Employee's Responsibilities	5
	Manager's responsibilities	5
	Human Resources	6
4. Key employment areas	Appointment and selection	6
	Learning and development	7
	Pay and reward	7
	"Positive action"	7
	Trade Unions	8
	Under-represented employee support networks	8
5. Equalities and diversity in the workplace	Discrimination, bullying and harassment	8
	Employing disabled people	9
	Workplace issues	9
	Workplace targets	9
6. Monitoring		10
Appendix A	List of key employment documentation	11
Appendix B	"Two-Tick" Employer Accreditation	12

Doc. Name	Equalities and Diversity in Employment Policy			
Doc. location:	Human Resources and Organisational Development			
Author:		Owner:	Approving body:	
Neil James		Neil James	CMT	
Date:	Version:	Amended by:	Change / Reason for Change:	Approval status:
23 July 2014	1	Neil James	Original draft	Draft
29 July 2014	1a	Neil James	Amendment - positive action	Draft

1. Introduction

Council Policy

1. The Council is an equal opportunity and Investors in People (IIP) accredited employer and wholeheartedly supports the principle of equalities and diversity in employment.

The aim of this Policy is to ensure that no job applicant or employee receives less favourable treatment and that they are given the assistance needed to attain their full potential. Our employment processes and conditions will be free from discrimination and every effort will be made to remove any unnecessary and unjustifiable barriers to employment, training and promotion.

We believe that it is in the Council's best interests and all those who work for it, to value and respect the diversity of every individual and to give equal opportunity to progress within the organisation.

2. The Council must also ensure that it complies with the requirements of the Equality Act 2010, which imposes a duty on 'public authorities' and other bodies when exercising public functions to have due regard to the need to:
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The "protected characteristics" are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race (including ethnic or national origins, colour or nationality)
- religion or belief
- sex
- sexual orientation

3. The Policy supports the Council's corporate objectives, as set out in its overall strategy and Single Equality Scheme 2013-2016 and aims to:

- ensure that its employment practices do not discriminate against any group or individual on any unjustifiable grounds;
- make the profile of its workforce at all levels as representative of the Borough's population as possible;
- monitor its employment processes by relevant protected characteristics and take action to address inequalities that are apparent;
- promote a culture of fairness and respect in all its employment policies, procedures and practices;
- provide appropriate training for employees on equality issues;
- protect its employees from harassment and investigate all claims of harassment that are made;
- respond appropriately to the particular needs of employees, including those relating to religion or culture.
- develop the Council's reputation as a progressive and fair employer and as a result reduce the likelihood of any legal action against the Council.
- ensure that our working practice remains in line with all legal requirements.

2. General

1. The Policy is delivered through the Council's employment strategies, policies and procedures, which have been developed in consultation with key stakeholders, including managers, trade unions and employee representatives.
2. The Council's employment policies and procedures are regularly reviewed and updated to ensure that they comply with the latest legislation, "case law" and "best practice". These are published and made available for managers and employees on the Intranet pages or from Human Resources. A list of the key employment documents is attached at Appendix A.
3. The Council's employment policies and procedures apply to all employees directly employed by the Council and are recommended to schools with delegated authority for staffing matters, as "Best Practice".

3. Roles and responsibilities

Managers and employees

1. All managers and employees have a responsibility to ensure that they comply with the principles of equality and diversity whilst employed by the Council and in the provision and delivery of services.

2. Managers must also ensure that others engaged to work or provide services on behalf of the Council, including agency workers, consultants and volunteers etc are made aware of and comply with the principles of equality and diversity.
3. Managers and staff are required to comply with the arrangements detailed in this Policy, and the supporting employment policies and procedures and will be responsible for their own behaviour.

Employee's responsibilities

Employees are required to:

- Comply with and actively promote the Council's equalities and diversity policies
- Treat members of the local community, service users and colleagues with respect, fairness and equality
- Value the diversity of individuals and must not discriminate, bully or harass anyone on any grounds
- Undertake mandatory and any other relevant equalities and diversity training as and when required
- Comply with the Employees Code of Conduct and Disciplinary Rules

Manager's responsibilities

Managers are required to:

- Set standards and ensure compliance with and actively promote the Council's equalities and diversity policies
- Ensure that employees are made aware of and comply with the Council's equalities and diversity policies and undergo relevant training
- Ensure that any others engaged by or on behalf of the Council are made aware of and comply with the equalities and diversity policies, including:
 - Agency workers
 - Consultants
 - Contractors
 - Trainers and training providers
 - Volunteers and work experience
- Treat members of the local community, service users and colleagues with respect, fairness and equality
- Value the diversity of individuals and must not discriminate, bully or harass anyone on any grounds
- Investigate any complaints of discrimination or unfair treatment in accordance with the relevant Council employment policies and procedures
- Ensure that they apply policies and procedures consistently and that decisions are taken on the basis of clear, objective and justifiable criteria
- Undertake mandatory and any other relevant equalities and diversity training as and when required
- Comply with the Employees Code of Conduct and Disciplinary Rules

Human Resources

4. Human Resources have a responsibility to promote effective equalities and diversity in employment practice through the development of policies and procedures and the provision of advice and support. This includes:
 - Training on equalities and diversity in employment and guidance on changes to legislation
 - Learning and development initiatives to help deliver agreed equalities aims and objectives
 - Consulting managers and staff on employment issues and providing mechanisms to feedback e.g. Staff Attitude Surveys and Focus groups
 - Advice for managers on reasonable adjustments for disabled employees and Access to Work
 - Support for managers when investigating matters through the formal stages of the employment procedures
5. Human Resources will monitor the application of employment policies and procedures and provide workforce data to help with setting equality objectives and developing strategies for continuous improvement.

4. Key employment areas

1. Equalities and diversity is integral to every aspect of employment practice and the following details the key principles that must be applied.

Appointment and selection

2. All recruitment and selection decisions for appointment to the Council will be made on the basis of clear and justifiable job-related criteria.
3. This applies to all permanent or temporary posts and secondments, except for “acting-up” appointments where there is a requirement that the post-holder “act-up” into a post.
4. Everyone involved in the recruitment and selection process must complete the specified equalities and diversity training, and comply with the arrangements set out in “The Recruitment Process – A Guide for Managers”.
5. The arrangements for appointing to posts when restructuring, or redeploying employees who cannot continue in post, are set out in the:
 - “Redundancy Procedure (including Assimilation Process)”
 - “Redeployment Arrangements”

Learning and development

6. The Council's "People Strategy" is aimed at equipping staff to effectively fulfil the roles required of them and sets out how this will be achieved. The aim is to ensure that we have:

"The right people, with the right skills in the right places, with the right kinds of management and leadership, motivated to perform well."

7. The "Learning and Development Plan" sets out how resources will be used to ensure that all staff get fair access to learning and development in order to be effective in their role now and to develop themselves for the future.

Pay and reward

8. The Council is committed to ensure equal pay for employees and that every member of staff is valued and remunerated on a fair and just basis, as set out in its annual Pay Policy Statement.

9. It remains committed to being part of the local government national pay negotiation structure (overseen by the National Joint Council). Pay levels are determined through an established job evaluation system, as follows:

- Employees at PO6 and below - Greater London Provincial Council (GLPC)
- Employees at PO7 and above - HAY

10. The Council has also committed to pay all its employees in substantive posts an annual salary which equates to at least £9 per hour; this is above the London Minimum Wage.

"Positive action"

11. The Council may decide to take "positive action" under the Single Equality Scheme to address under-representation in particular areas or across the Council in terms of particular groups. "Positive action" is not the same as "positive discrimination" and it is important to understand the difference i.e.:

- a) "Positive discrimination" is unlawful except in limited, specified circumstances e.g.:
- i) To redeploy an employee who is pregnant or on statutory adoption or maternity or additional paternity leave and at risk of redundancy i.e. who is without a post after the assimilation or selection process; or
 - ii) Where there is a genuine occupational qualification (GOC) for a person from a specific group or protected characteristic for the role, (e.g. in a women's refuge); or

- iii) Where a disabled employee can no longer continue in their post and it is agreed as reasonable adjustments to move them into another
 - b) “Positive action” involves initiatives to attract, recruit and retain people from under-represented groups and examples may include:
 - Advertising posts in targeted publications or media
 - Employee development schemes e.g. mentoring and shadowing
 - Outreach work e.g. to encourage people to apply for posts
12. If a manager wishes to take “positive action” for their particular service area, they should seek advice first from their HR Business Partner, so a clear case can be agreed. Managers need to be aware of the risks associated with “positive action” and the potential for complaints to an Employment Tribunal.

Trade unions

13. The Council recognises trade unions for the purpose of collective bargaining and values their role in helping it to meet its strategic objectives in relation to equalities and diversity.
14. It also respects the rights of employees to choose whether or not they wish to belong to a trade union. No employee or job applicant will be given preferential treatment, discriminated against or victimised on the grounds of membership or non-membership of a trade union.

Under-represented employee support networks

15. The Council has supported the setting up of employee support networking arrangements for under-represented groups, and consult with them on matters relating to equalities and diversity in employment.
16. The networks provide employees from under-represented groups with a representative voice on issues affecting them and an opportunity to share their experience and provide support to colleagues.

5. Equalities and diversity in the workplace

Discrimination, bullying and harassment

17. The Council is committed to providing a working environment where individuals are treated with fairness, dignity and respect and is free from all forms of discrimination, bullying and harassment

18. Employees are encouraged to report any incidents of discrimination, bullying or harassment they experience or witness so the Council can investigate these through the relevant procedure and resolve the matter where possible.
19. Any employee who is found to have discriminated against or bullied or harassed a work colleague or customer of the Council will be subject to disciplinary action, up to and including summary dismissal.

Employing disabled people

20. The Council has adopted the Social Model of Disability and will continue to work to remove barriers so that disabled people are able to fulfil their potential and fully participate in society.
21. The Council is a Department for Works and Pensions accredited “Two Tick” employer who demonstrate that have and continue achieved five commitments relating to the employment of disabled people, as detailed at Appendix B.
22. It also has a statutory duty to make “reasonable adjustments” so a disabled person has the same access to everything that is involved in getting and doing a job as a non-disabled person, as far as is reasonable.

Workplace issues

23. The Council has established procedures for dealing with workplace issues which follow the ACAS statutory Code of Practice for Disciplinary and Grievance Procedures, as well as case law and “best practice”.
24. The “Grievance Resolution Procedure” is open to all employees to raise genuine workplace grievances and have them dealt with fairly, consistently, promptly and objectively, with a view of trying to achieve an agreed resolution
25. The “Disciplinary Procedure” is designed to ensure that there are fair and objective arrangements for dealing with disciplinary issues in the workplace and try to help employees to improve unsatisfactory conduct and behavior.

Workforce targets

26. One of the key objectives in the Council’s Single Equality Scheme is to ensure the development of an effective and diverse workforce that is representative of the community served by the Council.

27. To help achieve this aim, the Council will establish targets around the employment of under-represented groups but this will not impact on its statutory duty to recruit the best person for a job, based on job-related criteria.

6. Monitoring

1. The Equality Act 2010 placed a legal duty on public sector employers including the Council, to publish information annually about their workforce relating to the “protected characteristics” and which is available on the Council’s website.
2. The Council will continue to review its employment policies, procedures and practices to ensure that they conform to the standards in this document and to monitor the diversity of its workforce.
3. The workforce monitoring will be shared with Members, management, and staff representatives and where necessary, further action recommended.

Appendix A

Other key employment documents:

- “The Recruitment Process – A Guide for Managers (2013)”
- “Staff Charter”
- “Learning and Development Plan”
- “People Strategy”
- “Pay Policy Statement 2014/2015
- “Employees Code of Conduct”
- “Disciplinary Procedure and Rules”
- “Grievance Resolution Procedure”
- “Secondment Arrangements”
- “Redundancy Procedure (including Assimilation Process)”
- “Redeployment Arrangements”
- “Re-engagement of Former Council Employees”
- “Employee Volunteering Policy”
- “Use of Volunteers within the Workplace”
- “Statutory Right to Request Flexible Working”

Appendix B

“Two-Tick” Employer Accreditation

The accreditation is awarded to employers who demonstrate to the Department for Work and Pensions (Job Centre Plus) that they have achieved, and are committed to, continually achieving 5 commitments relating to the employment of disabled people.

The 5 commitments are to:

- Interview all disabled applicants who meet the minimum criteria for the job
- Ensure a mechanism is in place to discuss, at any time, but at least once a year, with disabled employees what can be done to ensure that they can develop and use their full abilities
- Make every effort to ensure that when employees become disabled, they stay in employment
- Take action to ensure that all employees develop the appropriate level of disability awareness needed to make these commitments work
- Conduct an annual review on what has been achieved and plan ways to improve on them. This is reported to the Department of Work and Pensions

The award of the accreditation is reviewed annually when the employer has to demonstrate to Job Centre Plus what action it has taken to meet the 5 commitments - this is an ongoing commitment.

The retention of the 'Positive about Disability' Two Ticks symbol is one of the Councils employment priorities in the Action Plan for our Single Equality Scheme 2013 to 2016.

It is one of the ways the Council demonstrate its commitment to creating 'an environment, which encourages disabled people to seek and maintain employment with us'.

London Borough of Barking and Dagenham
Call direct on 020 8215 3000

Out of hours emergencies only
Phone: 020 8594 8356
Fax: 020 8227 3470
Email: 3000direct@lbbd.gov.uk
Web: www.barking-dagenham.gov.uk

We have tried to make sure that this information is correct at the time of going to print. However, information may change from time to time.

You must not copy this document without our permission © 2011 London Borough of Barking and Dagenham.

Date: 31 July 2014
Version: 1 Review date: 31 July 2015



This page is intentionally left blank

CABINET

16 February 2015

Title: Procurement of an Alternative Education Provision Service for Year 11 Children	
Report of the Cabinet Member for Education and Schools	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: David Larbi (Inclusion officer ; Alternative Provision)	Contact Details: Tel: 020 8227 2327 E-mail: david.larbi@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 concerns the need to tender for an Alternative Education Provision (AEP) for Year 11 children, which will then identify a provider to deliver this service from September 2015 for a period of up to five years (a three year contract with provision to extend for a further two years).</p> <p>Under the Education Act 1996 the Council is under a duty to provide alternative education for children and young people that are of compulsory school age and have entered the authority with no allocated school place or for those children who require some form of alternative provision outside the mainstream setting.</p> <p>This service is, and will continue to be, funded entirely from the Dedicated Schools Grant (DSG) High Needs Block (HNB).</p> <p>The current contract will expire on 31 August 2015. To ensure continuity of service and enable the timely recruitment of teachers, the new contract must be in place prior to the end of May 2015.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Agree for the Council to proceed with the procurement of a contract for an Alternative Education Provision (AEP) for a period of five years (three years with an option to extend for a further two years dependent upon funding and satisfactory performance) in accordance with the strategy set out in this report; (ii) Delegate authority to the Corporate Director of Children's Services, in consultation with the Cabinet Member for Education and Schools, the Chief Finance Officer and the Head of Legal and Democratic Services, to award and execute the contract and other documents on behalf of the Council following the appointment of a 	

provider; and

- (iii) Indicate whether Cabinet wishes to be further informed or consulted on the progress of the procurement and the award of the contract.

Reason(s)

To enable the Council to discharge statutory duties and to assist the Council in achieving its Community priority of “Enabling social responsibility - Ensure children and young people are well-educated and realise their potential, whilst ensuring that every child knows that they are a part of, and have a responsibility to contribute to building a strong, empowered and cohesive community.

1. Introduction and Background

- 1.1 Under the Education Act 1996 the Council is under a duty to provide alternative education for children and young people that are of compulsory school age and have entered the authority with no allocated school place or for those children who require some form of alternative provision outside the mainstream setting.
- 1.2 This report requests approval to tender for an Alternative Education Provision (AEP) for Year 11 children, which will then identify a provider to deliver this service from September 2015 for a period of up to five years (a three year contract with provision to extend for a further two years)
- 1.3 The previous procurement exercise was approved by the Executive Meeting held on 22 December 2009. An open tender was used to identify a provider; the service was advertised on 9 March 2010. Lifeline were the successful organisation and were awarded the contract commencing 1 September 2010. This contract will expire on 31 August 2015. To ensure continuity of service and enable the timely recruitment of teachers, the new contract must be in place prior to the end of May 2015.
- 1.4 Following an evaluation of the service, in addition to working towards achieving in Maths, English and IT, the provider will be asked to work with students to achieve a qualification in science.

2. Proposed Procurement Strategy

2.1 Outline specification of the works, goods or services being procured.

The service will provide an alternative education provision for year 11 pupils who are unable to attend school. The service will provide 25 hours education per week, for 29 weeks for 30 pupils who have been referred for the following reasons:

- New to Barking and Dagenham
- Lack of school place

The service will aim to provide tailored support around a pupil’s needs, both educationally and more widely (including any special educational needs which may not have been adequately identified and met).

Due to the size of the venue – the maximum number of pupils that can be

accommodated is thirty (30). The current provider delivers from two classrooms each providing space for up to fifteen (15) pupils to be educated.

The service will be expected to deliver a series of academic performance targets. In summary these are as follows:

- Functional Skills Maths L1/L2 equivalent: 80% pass of those entered
- GCSE English/ or equivalent: 80% pass of those entered
- GCSE IT/ or equivalent: 80% pass of those entered
- Entry Level subjects: 80% pass at Entry Levels 1/2/3
- Basic Adult skills (Numeracy/Literacy): 80% pass
- Possibly part GCSE ICT or Citizenship (Where appropriate):60% pass the qualification
- Attendance: 85%
- Progression: 85%
- Those progressing into training, education or employment target: 85% of total cohort

Records will be maintained of final destinations to avoid this cohort becoming NEET (Not in Employment, Education or Training).

2.2 Estimated Contract Value, including the value of any uplift or extension period.

The contract value will be £190,000 per annum (£950,000 for the life of the contract including the extension period).

2.3 Duration of the contract, including any options for extension.

Three years with an option to extend for a further two years (five years in total).

2.4 Is the contract subject to the (EU) Public Contracts Regulations 2006? If Yes, and contract is for services, are they Part A or Part B Services.

Yes the contract will be subject to the (EU) Public Contracts Regulations 2006. The service is a Part B Service.

2.5 Recommended procurement procedure and reasons for the recommendation.

We are seeking to identify a provider to deliver an alternative education service which will deliver academic and vocational qualifications for year 11 learners in accordance with European and Council Procurement Rules.

The value of the Service will be in excess of the threshold for application of the Public Contracts Regulations 2006 (the Regulations). It should be noted, however, that this Service is classified as a Part B Service under the Regulations and not subject to the full application of the Regulations. Accordingly the procurement shall be undertaken in accordance with the requirements of the Regulations for Part B Services and the Council's Contract Rules and Code of Practice.

The conditions of contract to be entered into between the Council and the successful tenderer are yet to be agreed and Legal Services shall advise on the

implications thereof upon receipt of instructions.

In deciding whether to award contract, the Council must comply with the principles of administrative law including taking into account all relevant considerations, the outcome of the valuation of each of the tenders and their financial implications. In particular in order to comply with the Council's fiduciary duty and duty to ensure Best Value, the Council must be satisfied that the tenders represent value for money for the Council.

Interested parties will be invited to tender on the basis of a compliant open tender process. Tenderers will be given distinct details on price/quality and criteria weightings. All submissions will be evaluated against a pre-determined evaluation criterion of quality 40% and price 60%.

Stage one of the Procurement exercise

Method statements and cost to be evaluated against the following criteria

- Service Delivery 40%
- Management & Staffing 10%
- Evaluation 20%
- Communication 10%

The evaluation panel will include representation from the following areas:

- Head of Specialist Alternative Provision
- Inclusion Officer - Alternative Provision
- Head teacher
- Commissioning Officer
- Member of the SAP Management Committee

Tenders will be made aware of all criteria and sub criteria in advance.

Each method statement question response will be marked in accordance with the scoring matrix set as scoring evaluation 0-5. Submissions will score marks where the proposed solution is adjudged to correspond with the criteria description in the scoring matrix. Any bidder and/or scores a 0, 1, 2 on any of the quality assessment will be disqualified from the process.

Each submission will be scored by members of an Evaluation Panel using the objective evidence and the professional judgement of the members of the Evaluation Panel. Following the panel's evaluation, moderation will take place in which each evaluator's score is compared with the score of other evaluators and a consensus view will be taken to agree the scores to be awarded – the 'moderated' score.

Each Bidder's overall score for each question will be calculated by adding all questions scores to produce a final score for the technical (quality) section in respect of the applicable Core Criteria (technical) weighting of 70%.

Scoring evaluation	Score
Excellent response, fully meets and expands upon the expected requirements	5
Good response, meets the expected requirements and requires no additional information	4
Satisfactory response and generally meets requirements, may require additional clarification or information	3
Does not meet the expected standard, would require significant further clarification or additional information	2
Unsatisfactory response, has not addressed the question/ method statement, suggests the supplier would have difficulty meeting Council standards	1
No response to the question or the response is highly inaccurate.	0

Stage two of the Procurement exercise

Once bids have been evaluated against the criteria listed above, the highest scoring prospective partners will be invited to visit LBBB to attend a Presentation and interview session.

A maximum of three of the highest scoring providers will be put forward to this stage stage.

There will be a total of 20% allocated for this stage.

Evaluation of cost

The cost element of the tender will be evaluated as follows:

1. What is the total price quoted; this should be a fully inclusive cost without the need for additional charging.
2. Please include a breakdown of what is included in this cost.
3. Details of what is included in the quotation and any additional required functions that will not be done by you should be clearly outlined.

Costs scoring

Core Criteria - Price

The Bidders price and financial information will be marked in accordance with the scoring methodology set out in this section

The pricing responses will be scrutinised and any concerns for deliverability of the pricing section i.e. low market cost abnormalities will be raised with the Bidder and detailed explanation sought. Where the Bidder cannot provide a credible explanation of costing, the Council reserves the right to reject that tender.

The total tender figure for the work submitted by each bidder will be scored on the extent to which they compare to the Bidder submitting the lowest tender figure. The lowest tender submitted will score full marks based upon the 60% core criteria weighting. The other bidders will be scored according to the following calculation:

Bidder A Score = (Lowest Tender figure/Bidder A Tender Figure) x 60% (the core weighted percentage).

The contract will be awarded on the basis of the most economically advantageous tender meaning the tender offering the best overall value for money will be selected.

Expected Tender Timeline

Cabinet Approval	16 February 2015
Advertise and send out tender pack	1 March 2015
Receive tenders back	13 April 2015
Presentation and Interview sessions	23 April 2015
Approval and award of contracts	11 May 2015
Recruitment of teachers	18 May 2015
Contract commences	1 September 2015.

2.6 The contract delivery methodology and documentation to be adopted.

Service to be delivered by an external provider. Documentation to be adopted will be the Council's standard terms and conditions.

2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract.

Outcomes - The identification of a new provider with the ability to deliver GCSE's will contribute to the Councils drive to increase the number of children in Further Education, Employment or Vocational qualifications.

Savings - Prior to this provision being delivered by the current provider; the cohort of young people being supported would have been placed at Barking College at a considerably higher cost than currently being spent. To deliver through Barking College would cost approximately £7000 per child, equivalent to an overall cost of approximately £210,000.00 for 30 young people. In addition, the previous original contract value for the delivery of this service was £209,940 per annum. This saving should be further considered within the context of the current growing child population and, thus, increasing demand.

2.8 Criteria against which the tenderers are to be selected and contract is to be awarded

Overall quality/price weighting: Quality 40% / Price 60%.

The contract will be awarded on the basis of the most economically advantageous tender meaning the tender offering the best overall value for money will be selected.

2.9 How the procurement will address and implement the Council's Social Value policies.

Under the Education Act 1996 the Local Education Authority is under a duty to provide education for children and young people that are of compulsory school age. In addition where pupils have been excluded or for some other reason are unable to

attend School under section 19 (1) of the above mentioned Act the Local Authority is under a duty to make alternative arrangements in respect of any children that cannot attend School.

This provision will improve education opportunities for young people by providing alternative education placements outside of the usual settings.

This service will ensure that the Council is able to meet their statutory duties under the Equality Act 2010 and to ensure the provision of equality of access to the curriculum for all children including disabled children and those with special educational needs.

3. Options Appraisal

3.1 The following options have been considered:

Option 1 - The Council takes over the running of the service

This option would mean sending young people to Barking College at a cost of approximately £7000 per person.

Option 2 - Let the current service contracts expire and do nothing

This was not an option as the Local Education Authority is under a duty to provide education for children and young people that are of compulsory school age.

Option 3 - Access an open framework/collaboration

At the time of submitting this report, there are no active open frameworks or collaborative contracts that Children's Services is aware of that would be accessible to the Council. In fact the current Provider has been approached by other Local Authorities enquiring if they can purchase places on this service.

Option 4 - Tender the service

Going out to tender enables us to advertise this opportunity widely and award the contract on the basis of the most economically advantageous tender meaning the tender offering the best overall value for money will be selected.

3.2 Previously this cohort of young people would have been placed at Barking College at a considerable higher cost than that paid currently.

3.3 It has been identified that schools do not have the capacity to support all new arrivals onto their roles. It is felt that this flexible option helps the Council to meet its statutory duty of providing education to all children.

4. Waiver

Not applicable

5 Equalities and other Customer Impact

- 5.1 This service will be available to all year 11 young people. This is to enable the Council to fulfil its obligation to provide education to all children of statutory school age.

6. Other Considerations and Implications

- 6.1 **Risk and Risk Management** - The procurement exercise will assist in assessing the financial stability of any prospective provider. Credit checks will be made and once financial stability has been established the main risk will be the quality of the service to be delivered. Tenderers ability will be assessed during the tender and will cover areas such as: experience, management, equality and safeguarding.

Once a provider has been chosen and approval given, written contractual arrangements will contribute to ensuring a quality service. The contract will be monitored by Council Officers who will liaise with the Councils Legal Team in order to resolve any contractual issues that arise during the life of the contract. Quarterly monitoring meetings will be conducted with providers having to complete and submit monitoring forms before any monitoring meeting.

- 6.2 **TUPE, other staffing and trade union implications** - There will be no TUPE implications for Council staff as the current service is not delivered by the Council. There will be possible TUPE implications for the current external provider Lifeline. TUPE details supplied by the current provider will be included in the tender pack.

The process follows is described below:

1. The incumbent provider will be requested to provide TUPE information to the Council before the tender commences;
2. The advert and tender documentation will clearly state that TUPE may apply;
3. The Council will make it clear to tenderer that TUPE issues will need to be dealt with between the incumbent provider and any new provider;
4. At all stages of the procurement process providers will be made aware that they should obtain their own independent legal advice in relation to TUPE.

- 6.3 **Safeguarding Children** - The chosen provider will be required to conform to all the Councils local safeguarding procedures. These will be explicitly dealt with in the contract which will be drafted by the Council's Legal Department.

- 6.4 **Property / Asset Issues** - This service is delivered from The Vibe, Becontree Avenue, Dagenham. A licence will be issued under the terms of the agreement; however the council will reserve the right to revoke that licence.

7. Consultation

- 7.1 Consultation will take place through the circulation of the cabinet report. The draft report after being circulated to the relevant group manager, Divisional Director and the Divisional Director for Commissioning and Safeguarding will be sent to the Councils Legal, Finance and Corporate Procurement Team for comment

- 7.2 The draft report will then be put forward at the procurement Board meeting on 12

January 2015, before being sent to Cabinet on 16 February 2015.

- 7.3 Following approval by the Corporate Procurement Board the cabinet report will be sent out for further consultation to the required consultees as listed at the beginning of this report.

8. Corporate Procurement

Implications completed by: Euan Beales, Category Manager, Elevate East London

- 8.1 The services to be procured are classified as Part B and as such are not required to adhere to the mandated requirements as set out in EU Legislation.
- 8.2 Within the report the evaluation criteria split has been outlined as 40% quality and 60% price, in this instance and if the specification of requirement is tight enough then the recommended split would be 70% Price and 30% quality.
- 8.3 The route as described in this report is sound and can be justified, and I fully support the recommendations.

9. Financial Implications

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

- 9.1 Resources will be from the Dedicated Schools Grant (DSG), High Needs Block (HNB). The total budget for 2014/15 is £26.8m including agreed carry forward allocation with Schools' Forum of DSG £2.4m. Any over/underspends will be contained within the DSG for 2015/16 and subsequent years.

10. Legal Implications

Implications completed by: Daniel Toohey, Principal Corporate and Commercial Lawyer

- 10.1 This report is seeking permission to tender the contract for the Provision of Alternative Education for Year 11 Children.
- 10.2 The service to be procured in this report is classified as a Part B service under the Public Contract Regulations and therefore not subject to the strict tendering rules in the Regulations. 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 procuring the contracts.
- 10.3 The report sets out in paragraph 2.5 the tender timetable for the procurement of this service. The contract is to be advertised in March 2015 with a view to appointing the successful bidder and awarding the contract in May 2015. The EU Treaty principles noted above generally encourage the advertisement of contracts in a manner that would allow providers likely to be interested in bidding for the contracts identify the opportunity and bid for the contracts, should they wish to do so.

- 10.4 In keeping with Regulation 30 this report stipulates in clause 2.5 the evaluation criteria to be used in assessing the tenders. The evaluation will be on a quality:cost ratio of 60:40.
- 10.5 In line with Contract Rule 47.15, Cabinet can indicate whether it is content for the Chief Officer to award the contract following the procurement process in consultation with the Chief Finance Officer.
- 10.6 In deciding whether or not to approve the proposed procurement of the contract, Cabinet must satisfy itself that the procurement will represent value for money for the Council.

Background Papers Used in the Preparation of the Report: None

List of appendices: None

CABINET

16 February 2015

Title: Options for Providing Support to Vulnerable Residents	
Report of the Cabinet Member for Adult Social Care and Health	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Mark Tyson, Group Manager, Integration and Commissioning	Contact Details: Tel: 020 8227 2875 E-mail: Mark.Tyson@lbbd.gov.uk
Accountable Divisional Director: Glynis Rogers, Divisional Director of Commissioning and Partnerships	
Accountable Director: Anne Bristow, Corporate Director of Adult and Community Services	
<p>Summary</p> <p>In 2014, the Government indicated its intention to cease funding through the Revenue Support Grant local emergency support services. As a result, Cabinet, as part of its budget deliberations at its meeting on 16 December 2014, asked for an options paper.</p> <p>Since then, and following considerable lobbying, the Government has now announced (in February 2015) continuing funding at a reduced level in 2015/16.</p> <p>This paper sets out proposals for a number of short term measures. These, if approved, will continue at a reduced level a local emergency support scheme, whilst investing in some key BanD Together initiatives to accelerate system change.</p> <p>A wider review of how the local 'safety net' provisions can be improved is under way and a further report will be presented to Cabinet in the Summer.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Agree the continued funding of a Local Emergency Support Service, at a reduced level of £300,000 for 2015-16, using the additional Revenue Support Grant in the local government financial settlement issued on 3 February 2015; (ii) Agree to the funding of the development of the CommunityConnect knowledge platform to support the Community Checkpoints model being developed and to agree to waive the Council's Contract Rules for this pump priming in recognition of the development work that has already been completed on this initiative; (iii) Agree that a fixed term post be established to accelerate progress on the development of alternative proposals for a local safety net; 	

(iv) Delegate authority to the Corporate Director of Adult and Community Services, in consultation with the Cabinet Member for Adult Social Care and Health, the Head of Legal and Democratic Services and the Chief Finance Officer, to award:

- The contract with Harmony House for one year from 1 April 2015 by a waiver under the Council's Contract Rules.
- Funding towards the development of CommunityConnect knowledge platform for not more than £80,000 and to waive the Council's Contract Rules accordingly.

Reason(s)

The proposal is intended to assist the Council in continuing to support its most vulnerable residents. Through the initiatives to support vulnerable residents and the grants through the LESS fund residents will be enabled to sustain tenancies, meet immediate crisis and be signposted and supported to address the issues that they are facing. In doing so the fund contributes to the achievement of the Council's priority to:

Encourage Civic Pride by

- Building pride respect and community cohesion across our borough
- Promote a welcoming, safe, and resilient community
- Build civic responsibility and help residents shape their quality of life

Enable social responsibility by

- Supporting residents to take responsibility for themselves, their homes and their community
- Protecting the most vulnerable, keeping adults and children healthy and safe.

1. Introduction and Background

1.1 In the current climate of austerity residents in Barking and Dagenham continue to face significant challenges. The new vision of "One Borough; One Community; London's growth opportunity" and associated priorities have been developed to reflect the changing relationship between the Council, partners and the community and to seek to address the challenges together.

1.2 Barking and Dagenham has seen a significant overall population increase of 13.4% to 185,911 (2011 Census). This is 22,000 more people since 2001, including a 50% increase in 0 – 4 year olds. 30% of the population are children, placing a huge pressure on school places, housing and social care including on workloads across key agencies working with the borough's families. The borough is also more ethnically diverse than it has ever been. The population is projected to rise from 190,600 in 2012 to 229,300 in 2022. This is a 20.3% increase and is the second largest in England after Tower Hamlets.

1.3 The borough is the 7th most deprived in London and 22nd most deprived nationally which is also reflected in the relatively poor standard of health. London's Poverty profile shows that when compared with other London boroughs Barking and

Dagenham still has significant challenges. For the following indicators, Barking and Dagenham is in the 4 worst boroughs in London:

- Child Poverty
- Unemployment
- Low pay by residence (household)
- Landlord and mortgage repossessions
- Lack of qualifications at 19
- Limiting long-term illness

<http://www.londonpovertyprofile.org.uk/>

- 1.4 Across the Borough there are a range of initiatives that seek to enable residents in these challenging times to take responsibility for themselves, their homes and their community. These include: Housing and homelessness support, advice through the Citizen's Advice Bureau, Council services and other partners, discretionary housing payments, employment support initiatives, adult and children social care payments, children's centres and a wide range of other initiatives.
- 1.5 Within this context the authority with its partners is seeking to address the challenges to the borough's most vulnerable residents. The proposal outlined in this report seeks to join some of the current initiatives that are in place to develop a more robust approach. The current initiatives are outlined below.
- 1.6 The Strategic Welfare Reform Group within the Council has been seeking to look at the impact of the welfare reforms on residents and will continue to do this, particularly as Universal Credit is rolled out in Barking and Dagenham in June 2015.
- 1.7 The BanD Together initiative has been established with key voluntary sector providers in the borough to seek to coordinate the support to residents in the borough in tackling the complex issues that face the borough. The initiative has established a Strategic Leadership Board to take the initiative forward in partnership with partners, including the Council. To support this the London Borough of Barking and Dagenham has identified funding for a PO1 post, hosted by Barking and Dagenham Council for Voluntary Service to coordinate their initiatives including:
 - Supporting Community hubs
 - Information and referrals
 - Events and celebrations
 - Identifying need and evidencing impact
- 1.8 In parallel with the BanD Together initiative the Council is developing, with partners a Community Checkpoints and Champions initiative. Community Checkpoints are any building or organisation that is willing to support local people to access Barking and Dagenham information and services. Each Checkpoint will have at least two people (Community Champions) who have been trained and assessed in providing information and guidance for using our Community portals (not necessarily full time). Each checkpoint will be able to provide access to the Council and other websites and guidance for residents on how to use the Community portal. Each checkpoint will be linked to a community hub, will be locally accredited and receive

Community Network information and training. The plan is to identify 50 Community Checkpoints by December 2015.

- 1.9 In addition Community Resource has developed an initiative called “CommunityConnect” which currently seeks to connect people with local services. It provides information around advice, direct support and groups and networks. There are approximately 80 service or groups/activities listed, which are regularly checked and updated. Below is the link to the current website:

<http://www.communityconnect.today/>

- 1.10 Another part of the range of support has been the Local Emergency Support Service locally, which has been funded through the delivery of new local provision to replace the Department for Work and Pensions’ Community Care Grants and Crisis Loans. This change was part of the Government’s overall policy of localism.
- 1.11 The funding was distributed to upper tier authorities on the basis of historical Crisis Loan and Community Care Grant demand and spend data by local authority area.
- 1.12 From April 2013, local authorities could therefore set up their own local welfare schemes or choose other ways of providing flexible help. The Department for Work and Pensions paid the amount that would have been available for Community Care Grants and Crisis Loans for the remainder of the current spending review period (i.e., to 2015) to local authorities through grants under section 31 of the Local Government Act 2003 for 2013/14 and 2014/15.
- 1.13 In Barking and Dagenham it was felt that the voluntary sector had the necessary skills and experience to deliver such a service so the Council advertised for interested parties to deliver a Local Emergency Support Service (LESS) for residents (18+) experiencing extreme financial hardship in the borough. The contract for the provision of the service was put in place April 2013 - March 2015.
- 1.14 Following completion of the procurement process the contract has been awarded to Harmony House, a local community interest company. Harmony House are the lead organisation but have a sub-contractual relationship with the Barking and Dagenham Citizens Advice Bureau (CAB). For local residents requiring emergency support Barking and Dagenham CAB is the access point for help and advice.
- 1.15 As with the previous model adopted by the DWP, decisions about applications were made away from the point of application. Applicants were contacted and informed about the outcome of their application. In addition this model enabled the CAB to support residents facing financial challenges by offering debt advice and support as well as addressing the immediate crisis.
- 1.16 Over the 21 months of the contract to December 2014 the LESS in Barking and Dagenham has:
- Awarded grants to 5502 individual residents or families
 - Awarded grants totalling £1,195,919
- 1.17 As part of the Spending Round 2013, the Government provided for a number of areas of local authority spending, including local welfare provision, to be funded

from within Revenue Support Grant, rather than being the subject of separate grants. Central Government intended that, from April 2015, local welfare provision would be funded from general grant to Local Government, instead of an identifiable sum being made available specifically for this purpose. Local authorities would continue to decide what local provision to provide and at what cost, as the view was that they are best placed to understand the needs of their local communities. However additional funding to do this would be removed.

- 1.18 This decision was challenged in judicial review proceedings by members of the “Keep the Safety Net” campaign which have now been settled. The Government committed to making a fresh decision as to how local welfare provision should be funded in 2015/16 and ran a consultation over 6 weeks to which it received 5,603 responses.
- 1.19 The Final Local Government Finance Settlement for 2015-16 was announced on 3 February 2015. This Settlement provides an additional £74M to upper-tier authorities to recognise that councils have asked for additional support, including continuing support for local welfare needs. This is included in the additional Revenue Support Grant to the authority of £415,000.
- 1.20 The Cabinet meeting of the 16 December 2014 was asked to approve the end of the Local Emergency Support Scheme (LESS) from 2015/16 following potential withdrawal of Central Government funding for the service as detailed in paragraph 2.4 of the Cabinet report or agree a further allocation from reserves for a revised scheme to be delivered.
- 1.21 Cabinet requested that an options paper for the continuation of the Local Emergency Support Service in Barking and Dagenham be brought back to Cabinet early in 2015 for consideration. This report considers the continuation of the Local Emergency Support Service in a wider context and contains related proposals.

2. Proposal and Issues

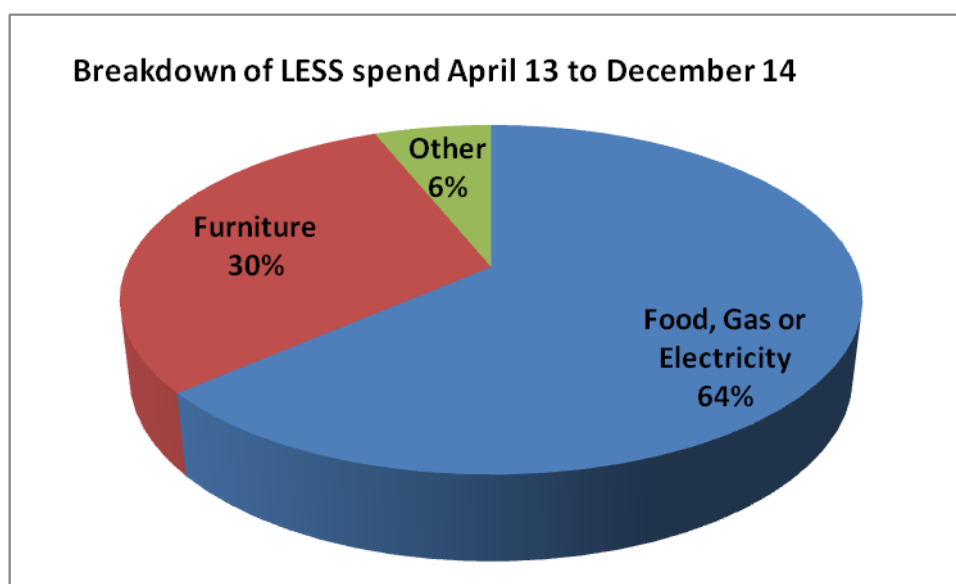
- 2.1 The proposal is to fund from the additional Revenue Support Grant in 2015/16 the following:
 - A reduced Local Emergency Support Service for one year;
 - A fixed term Commissioning Manager post to accelerate progress on the development of responses to welfare reforms including BanD Together initiatives;
 - The pump priming of “CommunityConnect” to develop an online information and advice hub that will be available through the Community Checkpoints and other websites.

To fully fund all the proposals will require £430,000. The £15,000 shortfall can be met from the Adult and Community Services budgets for 2015/16.

- 2.2 In addition the Strategic Welfare Reform group will bring a report reviewing the range of welfare benefits available, including the LESS, back to Cabinet in the Summer with options for consideration once the impact of Universal Credits and continued austerity in the borough is becoming clearer.
- 2.3 Due to the lateness of the Central Government decision it will not be possible to retender the Local Emergency Support Service for April 1 2015 and so officers are

recommending that the current providers continue to deliver the service for one year within a reduced cost window through the award of a one year contract.

- 2.4 The current model, as outlined at 1.13, is based on a grant fund per annum to residents of £750,000 and the cost of delivering the current service model is £140,000. Through this model in 2013-14, 2737 residents were funded, with an average grant of £229 and up to the end of December in 2014-15 2194 residents have been funded.
- 2.5 The model delivered has sought to promote dignity rather than create dependence for residents facing financial hardship by providing grants and seeks through the CAB to direct residents to the most appropriate fund in their individual circumstances as well as signposting to debt advice, money management courses and encouraging the opening of a savings account with Liberty Credit Union.
- 2.6 The chart below shows the different forms of support provided. The greatest demand has been from residents needing a contribution for food, gas or electricity to see them through an immediate hardship. To date the Local Emergency Support Service has provided money for food, gas and electricity to 2,539 residents, who otherwise would have had to go without. The Local Emergency Support Service provide supermarket vouchers for food, so people do not feel stigmatised and can choose the food they want.



- 2.7 The proposed funding from the additional revenue support grant resource to continue a reduced service is for a grant fund for residents of £210, 000 and a delivery cost of £90,000. It is recognised that the scheme management costs require too high a proportion of the funds available. However, identifying lower cost solutions cannot be achieved between now and 1 April 2015. They will however be central to the approach designed for April 2016. If Cabinet agrees this level of funding for one year officers will work with the current providers to ensure the best service possible within the budget. This will include:

- Consideration of the staffing and hours of the current delivery model

- A review of the criteria for applicants to ensure the reduced fund is having the maximum impact.
- The continued signposting and referral of applicants to other funds and support to help them develop financial resilience.
- Continuing to explore the most cost effective way of furnishing properties where people are taking up unfurnished tenancies to continue to support tenancy sustainment.

- 2.8 The reduction of the grant fund by £540,000 and the delivery fund by £50,000 will impact on residents. With regard to the delivery and accessibility of the service the providers will work with partners to ensure online applications are utilised and appropriate supporting evidence submitted. It will not be possible to maintain the same level of open access for the service within the reduced funding allocation and therefore potentially the grant assessment time will increase, although this will be mitigated where possible by working differently.
- 2.9 In relation to the grant fund officers with the provider will monitor the criteria and applications in the first two months of 2015-16 and further revise the fund as necessary to ensure provision throughout the year. However it will not be possible to fully mitigate the reduction in the number and size of the grants to residents. In addition there will not be the same resilience within the fund to respond to disaster situations that may occur locally.
- 2.10 The fixed term proposed fixed term post will be for 1 year at an indicative cost of £50,000 including on costs to:
- Ensure that the Council is coordinating its initiatives internally and with partners in response to the current challenges face by residents.
 - Review the LESS fund in relation to other welfare schemes to align and ensure a robust process.
- 2.11 For the “CommunityConnect” to be developed to the stage where it can provide the knowledge platform an initial pump priming investment of approximately £80,000 will be required.
- 2.12 The CommunityConnect provides individuals and practitioners with a single tool that takes account of multiple or complex needs and delivers relevant and accurate signposting to appropriate services including benefits, local agencies and other support organisations. Once developed this would be accessible through the Community Checkpoints and to frontline staff across the borough and it is considered that it has the potential to significantly decrease the time currently required in supporting residents to access the right services and support. It would be of particular value to non specialist staff and/or volunteers.

3. Options Appraisal

- 3.1 The following options for the additional revenue support grant were considered:
- a) Option 1 – Do nothing allowing the current contract for the LESS to cease on 31 March 2015.
This would mean that there would be no local provision for LESS for residents facing particular financial hardship. *Not Recommended.*

- b) Option 2 – Retender the LESS commission for April 2015.
This is not possible within the timescales that have been given by Central Government and would mean that a viable scheme would not be in place for April 1 2015. *Not Recommended.*
- c) Option 3 - Fund the LESS to the full level of the additional revenue support grant.
This would mean that the options proposed to sit alongside the LESS fund for 2015/16 to ensure the wider benefit would not be achieved. *Not Recommended.*
- d) Option 4 – Fund the LESS at the level previously provided by Central Government.
In light of the pressure on Local Government finances this was not deemed possible, and whilst this might be optimal, measures can be put in place to mitigate some of the impact by continuing with a reduced scheme. *Not Recommended.*
- e) Option 5 – Fund: the LESS at £300,000 total; a fixed term post in Integration and Commissioning and part pump prime “CommunityConnect” to develop an online information and advice hub.
This is the preferred option for maximising the impact of the time limited funding through the additional revenue support grant. **Recommended.**

4. Consultation

- 4.1 This report was requested by Cabinet on the 16 December 2014. Within the timescales officers have consulted with the current providers and local authority staff to consider the impact of the changes to the service. It was also considered by the Strategic Welfare reform group on the 19 January 2015.
- 4.2 There has been ongoing consultation on the LESS in relation to other welfare benefits programme and advice through BanD Together and the local welfare reform group that Harmony House and the Citizen’s Advice Bureau attend as standing partners.

5. Financial Implications

Implications completed by: Roger Hampson, Group Manager Finance, Adult and Community Services

- 5.1 The proposal in this report is to continue the Local Emergency Support Service in 2015/16 at a total cost of £300k, including the contract for the service with Harmony House and grants to residents. In addition it is proposed to fund one fixed term post for a year (£50k) and provide pump priming funding of £80k for CommunityConnect. This cost can largely be met from additional Revenue Support Grant announced on 3 February 2015 of £415,000 within the Final Local Government Finance Settlement. The shortfall in funding of £15k will be met from the Adult and Community Services budget.
- 5.2 As the level of funding beyond 2015/16 is unclear, during the coming year, the Strategic Welfare Reform Group will develop options for 2016/17 and beyond. The

cost of any proposed scheme may need to be funded from offsetting savings across the Council unless additional funding becomes available from Central Government later in the year.

6. Legal Implications

Implications completed by: Kayleigh Eaton, Contracts and Procurement Solicitor

- 6.1 Part of this report concerns the possible award of a contract for a Local Emergency Support Service in Barking and Dagenham, directly to the current provider, Harmony House.
- 6.2 Legal Services note that the proposed contract is not subject to the Public Contracts Regulations 2006 (“the Regulations”) meaning that there is no legal requirement to competitively tender this contract in the Official Journal of the European Union.
- 6.3 Contract Rule 28.5 of the Council’s Contract Rules requires that all contracts with an estimated value of £50,000 or more must be subject to a competitive tendering process. However, Contract Rule 6.5 advises that a chief officer may issue a waiver of any of the Contract Rules where the contract value is below £500,000.
- 6.4 The report author and responsible directorate are advised to keep Legal Services fully informed. Legal Services will be on hand and available to assist and answer any queries that may arise.

7. Other Implications

- 7.1 **Risk Management** – The maintenance of a Local Emergency Support Service at a lower level of funding than from 2013-15 will have the following associated risks:

Challenges and Risks	Opportunities and Mitigating Factors
Reduced number of residents funded with rent deposits	Frontline staff will be advised of changes in the fund level and criteria will be revised as appropriate.
Reduced level of funding for furniture to help sustain new tenancies	The service provider will continue to work with voluntary sector and businesses to achieve the most economically viable options for the provision of furniture and white goods.
Reduced funding to deliver the service therefore less accessible	Further work will be done to look at the use of online applications and referrals via professionals and key times for staffing the service will be identified to minimise impact.
Residents unable to access support when needed	The development of CommunityConnect and the Community Checkpoints will widen the information and locations where residents will be able to access information and support.

- 7.2 **Contractual Issues** -The contract for the LESS ends on March 31 2015. The contract for the service is currently for £140,000 and the grant funding to residents administered through the scheme is for £750,000. The proposed new contract will be for one year, 2015-16, for a reduced amount of £90,000 for the delivery of the service and £210,000 in grants to residents.

Further to the announcement of the additional revenue support grant on 3 February, the funding for the contract will be for the totality of this fund.

The contract performance will be monitored through meetings, reports, performance improvement and escalation where necessary. The standard Council terms and conditions are proposed.

Delivery of the expected and required services with maximum utilization of the resources, ensuring that at all times appropriate service delivery is available within the contract.

- 7.3 **Staffing Issues** - The reduced funding for the delivery of the service will require the providers to reduce staff hours.
- 7.4 **Corporate Policy and Customer Impact** -An impact assessment has been completed for this report considering the potential impact of the reduced funding through the LESS in relation to race, gender, disability, sexuality, faith, age and socio economic deprivation and is attached as appendix 1.

In addition the provider will deliver the service in line with the Council's policies and ensure that information is suitable protected and funding is targeted in line with the community strategy in supporting residents to take responsibility for themselves.

- 7.5 **Safeguarding Children** - This proposal will continue, in a reduced way, to support vulnerable families in crisis and through funding to furnish new tenancies with basic equipment that helps tenancy sustainment. However the reduction in the fund will put pressure on other service budgets, which will be mitigated in part by the development of the CommunityConnect online site and the Community Checkpoints.
- 7.6 **Health Issues** - The proposal will impact positively on health issue in supporting people with rent deposits and furniture to sustain new tenancies who might otherwise not have accommodation. In particular some of our most vulnerable residents are supported in this way.
- 7.7 **Crime and Disorder Issues** - This proposal will continue to fund vulnerable residents in crisis to meet their basic needs such as food. This potentially reduces petty crime in the borough.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix 1 : Equalities Impact Assessment

Equality Impact Assessment

Section 1: General information

- 1a) Name of the savings proposal:
Local Emergency Support Service
- 1b) Services Area:
Adult and Community Services
- 1c) Divisional Director:
Glynis Rogers
- 1d) Name and role of officer/s completing EIA:
Arabjan Iqbal, Commissioning Manager - Market Development.

Section 2: Information about changes to the services

2a) In brief please explain the proposals and the reason for this change

The Local Emergency Support Service (LESS) in Barking and Dagenham provides grants to residents in crisis for various reasons. Grants range from £40 for food or fuel through to £1,000 for furniture for a new tenancy.

The Local Emergency Support Service is one of a range of options by which local residents can be supported in times of extreme hardship and need. Referrals are taken from Council frontline staff, the local voluntary sector and directly through the Citizen's Advice Bureau. In each case other emergency support services available are considered in conjunction with the referral.

Funding from Central government is being removed and this EIA looks at the impact of a reduced scheme being funded by the Council.

The contract for the provision of the service, 1 April 2013 to 31 March 2015, is with Harmony House. They are the lead organisation and have a sub-contractual relationship with the Barking and Dagenham Citizens Advice Bureau. Central Government is proposing to remove this funding from April 1 2015.

The Cabinet on 16 December 2014 asked for a further report on options for continuing the Local Emergency Support Service from 2015/16 following the

confirmed removal of the funding for the Local Welfare Provision by Central Government in order to continue, although in a reduced way, a fund for residents in hardship. This report considers the recommended option for the fund and the associated implications for Barking and Dagenham as this service is essential for the wellbeing of residents.

2b) What are the equality implications of your proposals

This EIA is being conducted to consider the impact of a reduction of the fund, rather than a removal. The Council will continue to fund this service, for one year in the first instance, in a reduced way. However a reduction in funding will still impact on the most vulnerable.

The model currently delivered has sought to promote dignity rather than create dependence for residents facing financial hardship by providing grants and seeks through the CAB to direct residents to the most appropriate fund in their individual circumstances as well as signposting to debt advice, money management courses and encouraging the opening of a savings account with Liberty Credit Union.

The revised model will look at the criteria to access the service as well as looking at better ways of working across the welfare streams. Proposals are currently being worked up with the providers to increase other forms of access to the service including telephone and internet support.

Section 3. Equality Impact Assessment.

With reference to the analysis above, for each of the equality strands in the table below please record and evidence your conclusions around equality impact in relation to the savings proposal

<p>Race</p> <p><i>Identify the effect of the policy on different racial groups</i></p>	<p>Will the change in your policy/ service have an adverse impact on specific ethnic groups?</p> <p><i>Please describe the analysis and interpretation of the evidence to support your conclusion</i></p> <p>According to the 2011 Census just over half (50.5%) of the population in Barking and Dagenham are from Black and Minority Ethnic (BME) groups.¹ The largest single BME category in Barking and Dagenham is Black African at 15.4% of the population. The next largest is Other White (7.8%), followed by Pakistani (4.3%), Bangladeshi (4.1%) and Indian (4.0%). Black/Black British categories make up 20.0% of the population, and are the largest non-White group, followed by Asian/Asian British (15.9%).</p>
---	---

¹ BME includes White Irish, Gypsy and Irish Traveller, and Other White categories

Service monitoring by ethnicity April-December 2014

ETHNIC GROUP	Total	% of applications
Asian/Asian British: Bangladeshi	51	1.8
Asian/Asian British: Chinese	3	0.1
Asian/Asian British: Indian	33	1.2
Asian/Asian British: Pakistani	41	1.5
Asian/Asian British: Other Asian	24	0.9
Black/African/Caribbean/Black British: African	286	10.2
Black/African/Caribbean/Black British: Caribbean	124	4.4
Black/African/Caribbean/Black British: Other Black	29	1.0
Mixed/multiple ethnic groups: White and Asian	3	0.1
Mixed/multiple ethnic groups: White and Black African	41	1.5
Mixed/multiple ethnic groups: White and Black Caribbean	86	3.1
Mixed/multiple ethnic groups: Other Mixed	30	1.1
Other ethnic group: Arab	7	0.3
Other: Any other ethnic group	161	5.8
Traveller – Romany	2	0.1
Traveller - White Irish	5	0.2
White: English/Welsh/Scottish/Northern	1819	65.0
White Irish	11	0.4
White Other	42	1.5

The data for the service between April – December 2014 (above) shows that the service is accessed by all groups within the community and is reflective of the proportional make up for each group. White, (English, Welsh, Scottish, Northern Irish, and British) and African (Black, African, Caribbean, Black, British) respectively make up 65.4% and 20.3% of the individuals that accessed the service. This shows that based on population data there is a proportionately higher usage of the service by the White British community.

However the service is accessed across by residents across the demographic profile of the borough and therefore a reduction in this service will therefore have a **negative impact** on the all ethnic groups, particularly African (Black, African, Caribbean, Black, British).

<p>Disability</p> <p><i>Identify the effect of the policy on different disability groups</i></p>	<p>Will the change in your policy/ service have an adverse impact on disabled people?</p> <p><i>Please describe the analysis and interpretation of the evidence to support your conclusion.</i></p> <p>The 2011 census indicated that 30,460 people described themselves as having a long term health problem or disability which limits their day-to-day activities either a little (14,876) representing 8% of the population or a lot (15,584) representing 8.4% of the population.</p> <p>A snapshot from May to December 2014 shows the breakdown of applicants in receipt of Disability Living Allowance, (DLA), or Personal Independence Payment (PIP).</p> <table border="1" data-bbox="331 763 932 1048"> <thead> <tr> <th></th> <th>% of applicants</th> </tr> </thead> <tbody> <tr> <td>Not working and not receiving DLA/PIP</td> <td>94.1</td> </tr> <tr> <td>Starting work</td> <td>0.6</td> </tr> <tr> <td>Not working and in receipt of DLA/PIP</td> <td>5.2</td> </tr> </tbody> </table> <p>The data in the table above shows that 5.2% of applicants between May to December 2014 were in receipt of DLA/PIP. This reflects the number of people that are claiming the DLA/PIP however it does not reflect the total number of people who described themselves as having a long term health problem or disability which limits their day-to-day activities.</p> <p>The provider estimates that the number of applicants who have approached the LESS may identify themselves as having a long term health problem or disability which limits their day to day activities is around 50%. This would therefore mean that a higher proportion of people with disabilities have been supported by the service and therefore a reduction in the service would have a negative impact on people with disabilities.</p>		% of applicants	Not working and not receiving DLA/PIP	94.1	Starting work	0.6	Not working and in receipt of DLA/PIP	5.2
	% of applicants								
Not working and not receiving DLA/PIP	94.1								
Starting work	0.6								
Not working and in receipt of DLA/PIP	5.2								

<p>Gender</p> <p><i>Identify the effect of the policy on different gender(inc Trans) groups</i></p>	<p>Will the change in your policy/ service have an adverse impact on men or women?</p> <p><i>Please describe the analysis and interpretation of the evidence to support your conclusion</i></p> <p>The 2011 Census shows that 48.5% of the local population are male and 51.5% are female.</p> <p>The LESS data shows that between April – December 2014 the breakdown by gender of applicants is shown as</p> <ul style="list-style-type: none"> • 48% male • 52% female <p>This is reflective of the population breakdown for the borough therefore there is no particular impact on the reduction of this service on gender.</p>
--	---

<p>Sexual orientation</p> <p><i>Identify the effect of the policy on members of the LGB community</i></p>	<p>Will the change in your policy /service have an adverse impact on gay, lesbian or bisexual people?</p> <p><i>Please describe the analysis and interpretation of the evidence to support your conclusion</i></p> <p>There is no information LGB community requesting welfare support services as this is not monitored; however as these services are available to all residents irrespective of their sexual orientation; it is anticipated that there will be negative impact in terms of sexual orientation on accessing financial support in an emergency.</p>
--	--

<p>Religion and belief / those of no belief</p> <p><i>Identify the effect of the policy on different religious and faith groups</i></p>	<p>Will the change in your policy /service have an adverse impact on people who practice a religion or belief?</p> <p><i>Please describe the analysis and interpretation of the evidence to support your conclusion</i></p> <p>According to the 2011 Census the people living in Barking and Dagenham identify themselves to be predominantly Christian (56.0%). Those with no religion make up 18.9% of the population and 13.7% are Muslim. The remaining 11.4% includes those who prefer not to say (6.4%), Hindu (2.4%), Sikh (1.6%), Buddhist (0.5%), other religions (0.3%) and Jewish (0.2%).</p> <p>There is no information regarding the religion or belief of people requesting emergency support , however given the demographic characteristics of the residents accessing the service and 81% of residents in the census stated they had a faith it is likely that there this service will have a negative impact on people with the full range of religions and beliefs locally.</p>
--	--

<p>Age</p> <p><i>Identify the effect of the policy on different age groups</i></p>	<p>Will the change in your policy/ service have an adverse impact on specific age groups? <i>Please describe the analysis and interpretation of the evidence to support your conclusion</i></p> <p>There are 185,911 people living in Barking and Dagenham based on the latest population estimates, of whom 10.4% (19,321) are aged 65 plus.² Barking and Dagenham has the highest proportion of children aged 0 to 4 years and 0 to 14 years in England with one in four of the population under the age of 15, and one in ten under the age of five years.³</p> <p>The data for April- December 2014 shows that the service is accessed by all age groups; however the age group with the largest number of applications are for 20-49 years old making up 78.3% of the applications.</p> <table border="1" data-bbox="445 792 946 1084"> <thead> <tr> <th>Age</th> <th>LESS Applicants (%)</th> </tr> </thead> <tbody> <tr> <td>18-19</td> <td>2.7</td> </tr> <tr> <td>20-29</td> <td>30.2</td> </tr> <tr> <td>30-39</td> <td>27.2</td> </tr> <tr> <td>40-49</td> <td>20.9</td> </tr> <tr> <td>50-59</td> <td>14.4</td> </tr> <tr> <td>60+</td> <td>4.6</td> </tr> </tbody> </table> <p>The borough is among the four worst boroughs for half of the poverty indicators in the London Poverty Profile. Child poverty in the borough for 2013 runs at 30.2% as compared to Child Poverty for London of 23.5%.</p> <p>Working towards reducing child poverty is particularly important in Barking and Dagenham. Comparative assessments of neighbouring boroughs show that the child poverty figures for Havering (18.5%) and Redbridge (19.3%) are significantly lower when compared to Barking and Dagenham which is significantly higher at 30.2%.</p> <p>Although data is not collected on individual children the data for LESS shows that there are:</p> <ul style="list-style-type: none"> • 35% of applicants with children • 65% of applicants without children <p>Although there are more applicants without children, the numbers of applicants with children generally have more than one child and are supported with basic items such as furniture and white goods, when being accommodated. A reduction in this service will have a negative impact on the children of the borough.</p>	Age	LESS Applicants (%)	18-19	2.7	20-29	30.2	30-39	27.2	40-49	20.9	50-59	14.4	60+	4.6
Age	LESS Applicants (%)														
18-19	2.7														
20-29	30.2														
30-39	27.2														
40-49	20.9														
50-59	14.4														
60+	4.6														

² Mid-2012 Population Estimates (ONS, 2013)

³ Public Health Annual Report 2012

<p>Socio-economic</p> <p><i>Identify the effect of the policy in relation to socio economic inequalities</i></p>	<p>Will the change in your policy /service have an adverse impact on people with low incomes?</p> <p><i>Please describe the analysis and interpretation of the evidence to support your conclusion</i></p> <p>The London Poverty profile demonstrates the heightened levels of deprivation in Barking and Dagenham.</p> <p>Barking and Dagenham was the London borough hit hardest by the recession⁴. In the updated Index of Multiple Deprivation (2010), Barking and Dagenham continues to be in the bottom 7% of most deprived boroughs. In a population weighted ranking of its areas (LSOAs' rank of average rank), the borough is ranked 8th worst in England⁵</p> <p>In Barking and Dagenham a total of 12,370 residents have been claiming out of work benefits for one year or more. This represents 10.4% of the working age population, compared to the London figure of 7.3%. Over the last 10 years the rate in the borough has consistently been at least 3% higher than the London figure. Almost 6,000 residents have been claiming for five years or more. More recently there has been a rise in people in work who are in poverty as wages are lower than the living wage.</p> <p>When Barking and Dagenham is compared to other London boroughs across the series of indicators reported by the London Poverty Profile, it is amongst the worst four boroughs for 10 (almost half) of the indicators, this is summarised in the table below⁶: Further comparisons have been made with both Havering and Redbridge to give a local perspective. In all the comparisons Barking and Dagenham remains the borough with the highest percentage across all indicators.</p>
---	--

⁴ London's Poverty Profile- Reporting on the recession, New Policy Institute Maclnnes, Parekh and Kenway 2010 www.londonpovertyprofile.org.uk

⁵ JSNA <http://www.barkinganddagenhamjsna.org.uk/Section5/Documents/Section%205%202013-edition.pdf>

⁶ Health and Wellbeing Board 250314 - London Poverty Profile 2013 <http://moderngov.barking-dagenham.gov.uk/documents/g7091/Public%20reports%20pack%20Tuesday%2025-Mar-2014%2018.00%20Health%20and%20Wellbeing%20Board.pdf?T=10>

Indicator	LBBB	London	Havering	Redbridge
Percentage of children in poverty (2012)	30.2	23.5	18.5	19.3
Modelled Percentage of unemployment (July 2013 – June 2014)	11.2	7.4	6.4	7.7
Percentage of low pay by residence (those paid under the London living wage, 2011-2013)	27	20	19	20
Landlord repossession (per 1,000 households) for 2011Q4 to 2012Q3	23.5	14.0	9.1	11.8
Mortgage repossession orders (per 1,000 households buying homes with mortgage)2010/11	15	8	6	8
Percentage of childhood obesity 2013/13	26.3	22.4	20.5	22.9
Percentage of people with a limiting long-term illness or disability (limited daily activity), 2011	8.4	6.7	8.2	7.0
19 year olds lacking level 3 (equivalent to A-levels) qualifications, 2013	47	37	42	27
Percentage of people receiving Job seekers allowance. Claimant count 13 th November 2014	3.6	2.6	2,1	1.9
Proportion claiming out of work benefits (may 2014)	13.7	9.6	8.5	7.9
Percent of household claiming LHA(Local Housing Allowance), 2013	48	27	39	34

The percentage of households claiming Local Housing Allowance, (LHA), in 2013 is the highest for Barking and Dagenham (48%) when compared to both London (27%) and neighbouring boroughs of Havering (39%) and Redbridge (34%). This means that just under half of the boroughs population is in receipt of LHA based on this data. As applicants that are eligible for support under LESS would also be eligible for support from the LHA, (Housing Benefit) there is a direct correlation.

Due to the multiple indices above in relation to Barking and Dagenham residents it is clear that the borough has a significantly higher number of people on low incomes. The LESS funding is targeted at these residents and referrals are made by agencies that work primarily with people on lower incomes with the CAB, LBBB housing services and the Job Centre being the highest referral agencies.

Based on the information above a two thirds reduction in the LESS fund will have a **negative impact on people on low incomes.**

<p>Other</p> <p>Identify if there are groups other than those already considered that may be adversely affected by the policy e.g. Carers</p>	<p>Will the change in your policy /service have an adverse impact on any other people (e.g. carers/ socio-economic wellbeing) <i>Please describe the analysis and interpretation of the evidence to support your conclusion</i></p> <p><u>Carers</u> In Barking and Dagenham there are at least 16,201 carers. The Government's national carers' strategy, Carers at the heart of 21st-century families and communities⁷, and Recognised, valued and supported: the next steps for the Carers Strategy⁸, includes amongst others the following priorities;</p> <ul style="list-style-type: none"> • Carers will be supported so that they are not forced into financial hardship by their caring role • Supporting carers to remain mentally and physically well <p>Although data on carers is not collected for this service, given the number of carers identified in the borough a reduction in the service will have a negative impact on carers in the borough.</p> <p><u>Prison Discharges</u> Between April and December 2014 the service has supported 56 vulnerable individuals who have left prison and potentially reduced re-offending behaviour in this cohort due to the delays in accessing benefit payments on discharge.</p> <p>A reduction in the service could potentially lead to re-offending behaviour as the individual waits for welfare payments to come through for food and gas and electricity. With the other vulnerabilities associated with the offenders, this may also result in an increase in associated negative behaviours such as anti-social behaviour.</p> <p>A reduction in the LESS service will have a negative impact on prison leavers and remove a support at a time when the individual could be support to have a positive outcome</p>
--	---

<p>Staff</p> <p>Identify if there are any staff groups that maybe adversely affected by the policy</p>	<p>Will the change in your policy /service have a particular adverse impact on staff from any of the equalities categories? <i>Please describe the analysis and interpretation of the evidence to support your conclusion</i></p> <p>Not applicable</p>
---	---

⁷ Carers at the heart of 21st-century families and communities 2008
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/136492/carers_at_the_heart_of_21_century_families.pdf

⁸ Recognised, valued and supported: Next steps for the Carers Strategy 2010
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/213804/dh_122393.pdf

Section 4: Equality Impact Assessment Action Plan

Please list in the table below any adverse impact identified and, where appropriate, steps that could be taken to mitigate this impact.

If you consider it likely that your proposal will have an adverse impact on a particular group (s) and you cannot identify steps which would mitigate or reduce this impact, you will need to demonstrate that you have considered at least one alternative way of delivering the change which has less of an adverse impact. You will be required to provide updates on the actions until they are completed, so it is important they are SMART.

Adverse impact	Please describe the actions that will be taken to mitigate impact	Outcomes
<p>On people with the protected characteristics of: race, disability and socio-economic deprivation</p>	<p>Work with the current providers to support relevant referrals</p> <p>The Strategic Welfare reform group will look at the funding to residents through various sources to residents accessing support schemes</p>	<p>A reduced number of residents receive a service, but this is focused on those with greatest need</p> <p>Increased coordination of the support residents facing financial challenges receive</p>
<p>Reduced number of residents demonstrating the protected characteristics funded with rent deposits</p>	<p>Frontline staff will be advised of changes in the fund level and criteria will be revised as appropriate</p>	<p>Residents will be signposted to the most appropriate funds, to seek to mitigate the impact</p>
<p>Reduced number of residents demonstrating the protected characteristics receive furniture or rent deposits to help sustain new tenancies</p>	<p>The service provider will continue to work with voluntary sector and businesses to achieve the most economically viable options for the provision of furniture and white goods</p>	<p>Impact of the fund maximised</p>
<p>Reduced funding to deliver the service therefore less</p>	<p>Further work will be done to look at the use of online applications and referrals</p>	

accessible	via professionals and key times for staffing the service will be identified to minimise impact.	Access to the fund improved
------------	---	-----------------------------

Section 5: Future Review and Monitoring.

<p>Please explain how and when the impact of these changes will be reviewed</p> <ul style="list-style-type: none"> • The LESS contract will be monitored on a quarterly basis, and part of the monitoring will be the number of rejections and where residents have been signposted • The Council’s strategic and Local Welfare Reform Groups will look at the impact of all funds to residents to ensure maximum benefit for residents.
--

This page is intentionally left blank

CABINET**16 February 2015**

Title: The Care Act 2014	
Report of the Cabinet Member for Adult Social Care and Health	
Open Report	For Information
Wards Affected: All	Key Decision: No
Report Author: Glen Oldfield, Care Act Project Officer	Contact Details: Tel: 020 8227 5796 E-mail: glen.oldfield@lbbd.gov.uk
Accountable Divisional Director: Ian Winter, Care Act Programme Lead	
Accountable Director: Anne Bristow, Adult and Community Services	
<p>Summary</p> <p>The Care Act 2014 is of considerable scale and impact and is the biggest package of reforms to adult social care in the last 60 years.</p> <p>This report explains the rationale behind the reforms, gives an overview of the thrust of the Act and its main provisions, highlights the impact of the Care Act for the Council and our partners, and outlines our approach to implementation. The report also spells out implications for areas of corporate policy and the latest financial position.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to note the impacts of the Care Act 2014 on the Council.</p>	
<p>Reason(s)</p> <p>The Care Act 2014 imposes significant legislative change on the Council and requires major changes to both policy and service delivery.</p>	

1. Background and context

1.1. The Care Act 2014 is the most comprehensive overhaul of social care since 1948, it consolidates and modernises all social care law into a single framework replacing a fragmented catalogue of legislation that was developed somewhat piecemeal. When the Care Act becomes operational from 01 April 2015 the following pieces of primary legislation will be repealed or disapplied:

- National Assistance Act 1948
- Health Services and Public Health Act 1968
- Local Authority Social Services Act 1970
- Chronically Sick and Disabled Persons Act 1970

- Health and Social Services and Social Security Adjudications Act 1983
- Disabled Persons (Services, Consultation and Representation) Act 1986
- National Health Service and Community Care Act 1990
- Carers (Recognition and Services) Act 1995
- Carers and Disabled Children Act 2000
- Health and Social Care Act 2001
- Community Care (Delayed Discharges etc.) Act 2003
- Carers (Equal Opportunities) Act 2004
- National Health Service Act 2006¹

1.2. As well as consolidating the legislation, the Care Act 2014 seeks to bring social care law into the 21st Century. The Act enshrines in legislation and statutory guidance modern adult social care policy and practice. There is a new focus and direction for social care which centres on prevention, wellbeing, and personalisation. The main provisions of the Act are summarised in section 2 of this report.

1.3. The Care Act 2014 builds upon the Health and Social Care Act 2012 with the intention to strengthen integration between health and adult social care. It also responds to recent scandals such as Winterbourne View, the failures of Mid-Staffordshire NHS Trust, and the collapse of Southern Cross (a major provider of residential and nursing care) to which new duties regarding safeguarding vulnerable adults, raising care quality standards, and managing provider failure relate.

1.4. The Care Act 2014 also takes up the recommendations of the Dilnot Commission (2011) which proposed to help people with modest wealth and end unlimited care costs by putting in place a cap on the amount a person will pay for care in their lifetime. To achieve this, a package of funding reforms will come into effect from April 2016. Further information about these is set out in section 3 of this report.

1.5. Part one of the Care Act 2014, which covers care and support law, comprises 80 sections of primary legislation. In addition, 23 sets of regulations (secondary legislation) provide further definitions, explanatory notes, criteria, and legal duties which must be followed or applied in implementing the Care Act 2014. Further, the statutory guidance which accompanies part one of the Act consists of more than 400 pages of in-depth detail to implement the law and 9 technical annexes that describe specific processes, charges, or rules.

1.6. The statutory guidance was only finalised in late October 2014 leaving local authorities a very short period of time to implement a large package of reforms. With the majority of part one of the Act becoming operational from 01 April 2015 implementation is not only demanding and challenging.

2. Main provisions of the Care Act (April 2015 changes)

2.1. The Act introduces a number of new concepts into legislation as well as imposing new statutory duties and extending others.

2.2. At the heart of this legislation is a general duty on the Council to promote integration with health services and health related services. A key mechanism for achieving this is through the Better Care Fund (BCF). Our local plans for the BCF were agreed at

¹ As set out in Annex I of the Care and Support Statutory Guidance

the Health and Wellbeing Board on 09 September 2014 and have now achieved full approval at a national level.

- 2.3. The Act also introduces the concept of 'wellbeing' and requires councils to have regard to this in designing and arranging all services – not only adult social care services. Alongside a requirement to prevent, reduce or delay the need for more intensive care services.
- 2.4. A wide range of changes are being made as to how individuals will access care and support and what local authorities are expected to do in terms of supporting residents. A new national eligibility criteria is introduced together with detailed requirements on how decisions are made and communicated. All individuals and carers will have the right to a personal budget. Attached at Appendix 1 is a summary of how the Care Act 2014 will affect individual residents.
- 2.5. The Act will put the Safeguarding Adults Board on a statutory footing and for the first time enshrines in legislation a duty for partner agencies to co-operate with the local authority (see also paragraph 4.6).
- 2.6. Whilst the main funding reforms will not come into force until April 2016 there are some financial matters that must be addressed this year. Elsewhere on this agenda are detailed reports on deferred payment agreements and a revised charging policy.
- 2.7. Another new area of legislation places responsibilities on local authorities to work with regulators and large providers of care and support to prevent business failure. Where there is a threat of business failure care; support providers must share commercial information with the Council and regulators so that plans can be made for continuing the care of their residents. In the event of provider failure Councils will have a temporary duty to meet the needs of individuals receiving care from that provider, this duty applies regardless of the person's needs, status or ordinary residence.

3. Changes from April 2016

The Care Act 2014 responds directly to the Dilnot Commission (2011) which concluded that social care funding was unfair and unsustainable. From April 2016 the Act will introduce the following funding reforms:

3.1. Cap on care costs

- 3.1.1. Over a number of years campaigners have agreed that it is unreasonable that those people who have saved throughout their lifetime may find themselves having to use all their accumulated savings to pay for care and support. The Government have accepted this view and plan to introduce a cap on care costs; whilst at the same time introducing the concept that everyone should meet their own costs for accommodation and board.
- 3.1.2. The BBC has produced a care cost calculator which provides an indication of how this might work for individuals. <http://www.bbc.co.uk/news/health-30990913>
- 3.1.3. The introduction of the cap on care costs and changes to financial thresholds will have major implications for individuals that currently pay for their care and support.

3.1.4. The primary legislation gives a high-level description of the funding reforms however the draft statutory guidance on these areas of the Care Act 2014 has not yet been issued to local authorities. We expect consultation on the draft statutory guidance to begin shortly. Until such time we have limited information on the detail of the funding reforms and their implications for the Council. This will be subject to a later report to Cabinet.

3.2. Appeals

3.2.1. From April 2016 appeals may be made against decisions taken by a local authority in respect of individuals' care and support. It will therefore be essential that needs assessment outcomes and eligibility determinations are sufficiently robust. Developing staff knowledge and application of the new assessment processes and eligibility criteria is key to avoid appeals once the mechanism is introduced.

3.2.2. As with the funding reforms the Department of Health has not yet issued the draft statutory guidance, this again means that we have limited information about what the appeals mechanism will cover and how the system will work.

4. Implications for the Council

Whilst the Care Act 2014 is principally focussed on adult social care functions there are implications for other directorates and service areas in meeting the duties and requirements of the legislation. The impacts across the authority are summarised below:

4.1. Workforce training and development

4.1.1. Because the new legislative changes are far more prescriptive about the assessment and care planning processes there are significant implications for council staff will need training and development to perform their roles in compliance with the law and in accordance with new approaches, processes, and in some cases IT systems.

4.1.2. A thorough needs analysis of training and development needs has been completed and this has led to the development of a three tier approach.

- **Tier 1** has already been delivered and comprised of briefings and activities to raise awareness of the changes giving an overview of the Act and its main provisions.
- **Tier 2** is designed to target the wider workforce focussing on changes to roles and responsibilities, the development of new local procedures, and changes to the adult social care pathway. This tier involves holding workshops on key subject matters (e.g. assessment, eligibility and care planning) and more specialist sessions for staff groups with unique roles.
- **Tier 3** is designed to test and refine learning from previous tiers and to road test newly developed processes and procedures. Learning will be through a rigorous simulation approach to identify and address issues as well as reinforce learning.

4.1.3. The Workforce Development Programme covers over **280 staff** across directorates including Housing, Children's, Legal, Finance, and staff from integrated teams and the NHS. We are also targeting 100 delegates from local providers in order to develop knowledge within the local care and support sector.

4.2. Housing

4.2.1. Housing plays a key role in the health and wellbeing of an individual, or households, in a number of ways. Homes that are well built, safe, warm and affordable, in attractive neighbourhoods and settings, are cornerstones to the physical and mental wellbeing of people. Decent and suitable accommodation can also be an important factor which enables and allows engagement in work, training and education as well as family and social relationships. Adaptations and modifications as well as housing related support services are also critical in enabling people to live as independently as possible whilst retaining control over their own lives.

4.2.2. The Care Act 2014 places great prominence upon housing services and states that the provision of suitable accommodation is an integral element of care and support. Suitability of living accommodation is defined by the Act as one of the principles of wellbeing and is one of the matters which must be taken into account as part of the duty on a local authority to promote wellbeing. Housing also has a central role to play in prevention, safeguarding, and in working in an integrated and cooperative environment.

4.3. Children's Services

4.3.1. The Care Act 2014 impacts on Children's Services in four key areas related to transitions of young people into the adult social care system. Those four areas are:

- Outcomes and wellbeing
- Assessment and planning
- Joint commissioning and personal budgets
- Information and advice

4.3.2. The work to align the transitions duties/requirements in the Care Act 2014 with complementary duties in the Children and Families Act 2014 is being taken forward through the Council's Transitions Strategy Group. Key pieces of work in this programme include:

- Developing capacity and competency in outcome focused support planning across children's and adults' services.
- Ensuring that the process for adults' needs assessment and care and Support plan for young people post-18 are aligned to the assessment and planning process for the care element of an Education and Healthcare Plan.
- Ensuring more effective use of personal budgets (from age 16) that lead to better outcomes for young people moving into adult service provision.
- Producing an indicative personal budget for adult care and support as part of the children's needs assessment.
- Ensuring there is a strategic approach to developing good information and advice for young people moving into adulthood.

- Strengthening the Local Offer by developing the provision of information and advice for disabled young people (aged 18-25) and those with special educational need and their families.

4.4. IT development

- 4.4.1. The range of legislative changes have significant IT implications which given the very short lead-in times are proving challenging for all IT system suppliers. Another round of changes will be required for 2016 and may also have short lead-in times. It should be noted that these changes impact not only on our electronic social care record system but also have implications for our web presence, financial systems and online applications.
- 4.4.2. Our current social care record system IT contract runs to April 2017. Officers are therefore now reviewing its ability to meet the future needs of both adult and children's social care.

4.5. Policy changes

- 4.5.1. The Care Act 2014 has required the Council to review its policies and practice in a number of areas to ensure compliance with the new legislative requirements. In addition to the two reports elsewhere on this agenda there have been previous reports to the Health and Wellbeing Board (see background papers at paragraph 12).
- 4.5.2. In March 2015 the Health and Wellbeing Board will consider reports as to how the Council will discharge its responsibilities to improve information and advice on care and support to local people. It will also consider a report proposing a revised Carers' Strategy.
- 4.5.3. Later, in May 2015, the Health and Wellbeing Board will be asked to consider not only the revised Health and Wellbeing Strategy but also a new strategy setting out the Authority's approach to the new prevention duty.

4.6. Safeguarding

- 4.6.1. The Care Act 2014 places Safeguarding Adults Boards (SAB) on a statutory footing. In light of this the SAB has been developing new governance arrangements based on a model that was agreed by the SAB in December 2014. Whilst the principles of how the SAB will be governed have been agreed there is much work in hand to consolidate those arrangements. The Cabinet Member for Adult Social Care and Health will be consulted as the Chair of the SAB along with other key stakeholders to refine and embed new and developing governance arrangements. This includes developing a new assurance framework, reviewing local safeguarding procedures and protocols, and compacts/agreements to ensure co-operation between agencies.
- 4.6.2. The SAB will also be responsible for producing an annual strategic plan to co-ordinate safeguarding activities and an annual report to demonstrate its impact and delivery of the annual strategic plan. The Council will therefore play a key role in producing these important documents with input from other SAB member agencies.

- 4.6.3. The guidance introduces a new relationship between the Chair of the SAB and the local authority chief executive bringing this into line with the arrangement for local safeguarding children's boards.

5. Implications for partner organisations

- 5.1. The Care Act 2014 has wide ranging implications for a number of partner agencies but most specifically for NHS organisations. These new provisions require not only action from individual NHS bodies but will also require both policy and commissioning alignment of partnership working to deliver the expected outcomes.
- 5.2. The Council's implementation team has offered support to partner agencies and the Health and Wellbeing Board has sought assurance from partner bodies about system readiness by means of a report to its February meeting.

6. Approach to implementation

- 6.1. Due to the scale and scope of the Care Act 2014 the Council has established a cross Directorate Care Act Programme Board chaired by the Corporate Director of Adult and Community Services to oversee implementation. This work is supported by a small programme team.
- 6.2. Wherever possible the Council has drawn on national and regional implementation work. Officers have actively participated in all the regional fora and led some workstreams. An example of this is the national communications materials.
- 6.3. The Department of Health in partnership with Public Health England have launched a public awareness campaign to help people understand the changes and spread key messages. The national campaign features radio advertising, door drops, newspaper and magazine features, and information provided to GP surgeries. A local communications plan has been developed to supplement those activities. To this end the Council is using a Department of Health toolkit to produce locally specific messages and materials.
- 6.4. Nevertheless, the lateness of regulations and detailed statutory guidance (which differed significantly from earlier drafts) means that the timetable and workload is extremely challenging.
- 6.5. It is anticipated that the Council will be able in all material matters to discharge its new responsibilities from 01 April 2015. However, some system development and work to fully embed the changes will require further work post-April to delivery efficiently.

7. Financial Implications

Implications completed by Roger Hampson, Group Manager, Finance

- 7.1. Following the Chancellor's Autumn Statement in December, the Department of Health (DH) has now published information providing additional details of specific grants and other funding streams to support the implementation of the Care Act 2014. In addition, some existing budgets within base are being refocused to support implementation as appropriate where the current activity directly impacts on the

delivery of the Care Act 2014. The Care Act Programme Board is working through the identification of implementation costs and allocating these against funding streams. Further details of these funding streams are provided below. Once this process is complete Members will be asked to make decisions about how those funding streams are to be spent for the purpose of implementing the Care Act 2014.

7.2. The major financial impact for local authorities as a result of the Care Act 2014 is from 2016/17 with the raising of ceilings where individuals will pay less towards their care costs, and the local authority will pay more. Further draft guidance is expected to be published shortly, and further financial modelling work then will be undertaken to estimate the likely impact on the Council. Provisionally, this is calculated at £4.5m; details of additional funding from central government may not be announced until after the General Election, possibly in December 2015.

7.3. One-off funding streams to support the implementation of the Care Act in 2014/15 are:

- DH Development Fund - £125k available to each local authority
- Allocation from Regional Training resources - £16k
- Call on departmental reserve already agreed by Cabinet - £500k.

7.4. Funding streams available in 2015/16 are:

- New Burdens Grants for early assessments (£331.1k), deferred payments (£230.5k), and for Carers (£211.1k)
- Social Care Capital grant of £508k of which £200k has been nominally allocated for IT aspects of the Care Act 2014
- Better Care Funding from the CCG of £513k subject to finalisation of the s75 agreement (including funding for Independent Mental Health Advocacy and Disregards for Guaranteed Income Payment for Veterans).

7.5. However pressure and demand for services and resources is impossible to determine. The pressure points are:

- Demand for assessments and services, and demand from carers given their new rights to services.
- Increased expectations for prevention and wellbeing services/interventions.
- From April 2016, demand for services from self-funders. Notably managing care accounts and supporting systems for the cap on care costs.

8. Legal implications

Implications completed by Dawn Pelle, Adult Care Lawyer

8.1. The legal implications for the authority will be immense if the Care Act 2014 processes are not adhered to. The statute requires written confirmation in a number of areas. Further there are clear processes which if not followed could lead to challenges by way of appeal when it is operative, or for now challenges in the High Court. This means that there has to be meticulous recording and documentation by staff as they will have to justify decisions they make in their assessments. All teams that will be working with the statute should have at least one copy of the Care Act Manual² as Community Mental Health Teams have the Mental Health Act Manual.

Staff should have strong knowledge of the Guidance even if they are not so with the actual statute. The workforce training and development programme set out in paragraph 4.1 is therefore crucial to successful implementation and good practice going forward.

9. Other implications

9.1. **Risk Management** - The Care Act implementation programme carries risk in several areas. Major risks include:

- Short timescales in which to deliver the reforms compounded by late issuing of statutory guidance
- Affordability of meeting the Care Act 2014 requirements
- Legal challenge due to non-compliance with regard to social care practice/procedure
- Implementing changes to IT systems by 01 April 2015
- Workforce capacity and skill

Risks are managed through the Care Act Programme Board through the Programme Risk Log which is reviewed regularly. Care Act 2014 implementation also features on the Corporate Risk Register to ensure oversight of risk and escalation of issues if needed.

9.2. **Corporate Policy** - Further to policy implications highlighted in section 5 of this report, the Care Act 2014 will require the Council to develop its approaches to commissioning. The statutory guidance on market shaping introduces new requirements that promote choice and control (personalisation), wellbeing, higher quality standards for services, and improved competency levels for commissioning. The guidance recommends that authorities develop strategies to demonstrate how the commissioning function aligns with legal duties, corporate plans, local needs analysis, and market intelligence in order to deliver outcomes for the individual and collectively. In light of this requirement a prevention strategy is being developed, it will be presented to the Health and Wellbeing Board for agreement in May 2015.

9.3. **Customer Impact** - A central tenet of the Care Act 2014 is to put the individual in control of decisions about their care and support and to achieve personal outcomes to that individual through care and support services (and universal service provision). Work to develop approaches to assessing need, managing transitions between children's and adult's services, and changes to how we will conduct financial assessments are examples of how implementing the Care Act will contribute to improving the overall customer experience.

9.4. **Health issues** - New duties around promoting wellbeing and taking steps to prevent and delay the onset of care and support needs will contribute the overall health of residents.

² Tim Spencer-Lane (Sweet & Maxwell, 22 Sept. 2014)

Public Background Papers Used in the Preparation of the Report

- Care Act Statutory Guidance
- Health and Wellbeing Board reports (09 December 2014, 29 July 2014, 11 February 2014)
- Care Act Programme Board documentation

List of appendices

- Appendix 1: Care Act Briefing

Introduction

This briefing focuses on how individual residents will be affected by the provisions of this new legislation from 01 April 2015.

The Care Act 2014 is the most comprehensive piece of social care legislation since 1948. It consolidates and modernises all social care law into a single framework.

As well as consolidating the legislation since that date it sets out a new focus for social care policy and practice. This starts with prevention, wellbeing and personalisation. In doing so it builds on the integration necessary to achieve these outcomes between health and adult social care. It also responds to the failures at Winterbourne View, Mid-Staffordshire NHS Trust, and the collapse of a major residential and nursing care provider and the need to provide for a stable market for vulnerable people. The Care Act also takes up the recommendations of the Dilnot Commission by placing a cap on the amount a person will pay for care in their lifetime.

At a practice level there a number of key changes to achieve the requirements of the legislation and a summary of these are set out on the pages that follow. With those practice changes in mind this briefing also sets out the key changes for the Council and a short summary of actions that are in place to implement the Care Act

Wellbeing

Wellbeing applies to us all. It is very individual. The Care Act defines it as:

- personal dignity (including treatment of the individual with respect)
- physical and mental health and emotional wellbeing
- protection from abuse and neglect
- control by the individual over day-to-day life (including over care and support provided and the way it is provided)
- participation in work, education, training or recreation
- social and economic wellbeing
- domestic, family and personal
- suitability of living accommodation
- the individual's contribution to society

What is different

- Wellbeing is about all aspects of the individual and their family, friends, social lives and hopes for the future
- It is a new requirement for the Council, and its partners. It impacts on policy, procedure, practice and services

What are we doing

- Applying the wellbeing principle in assessments of need
- Considering how all Council services demonstrate their contribution to wellbeing
- Developing the workforce (over 300 staff and 100 third sector partners) to apply wellbeing principles in care and support interactions

Prevention

Prevention is at the heart of every assessment and requires the direct cooperation of key partners and other areas of the council (e.g. leisure).

We will be setting out our prevention strategy in March 2015 on the basis that prevention starts with the individual and their family, friends and neighbourhood. It is based on the Council's principle of enabling social responsibility.

Where more help is needed, then the wider community, other organisations and the role of the Council will be combined to focus on **delaying** or **reducing** the impact of care needs. The intention is to enable people to remain in the community with friends and family for as long as possible.

What is different

- Prevention is essential in all information and advice
- It is a key part of the Health and Wellbeing Strategy
- We have a duty to reduce and delay the impact of care needs
- Duty applies to all council services, with support from care and support sector

What are we doing

- Developing a comprehensive prevention strategy based on the Council's priority of encouraging social responsibility
- Working with partners to reinforce the prevention responsibilities
- Working with the NHS and others to develop local provision of preventative support services
- Developing the workforce to identify the need for preventative support and to signpost to appropriate services

Information and advice

Information and advice must be available to everyone who may need care and support even if the local authority is not providing the care services. Information must:

- be accessible
- be clear about services and financial information and advice
- be clear about prevention services
- be available to individuals and carers
- set out our approach to assessment and eligibility
- cover the subject of keeping safe and safeguarding
- signpost to independent advocacy

What is different

- Information and advice is available to everyone - including those who pay for their care
- All those who enquire will need a personal and directed response
- The Council must co-ordinate local provision of information and advice
- The Council must ensure comprehensive financial advice is available about the costs of care and options for paying

What are we doing

- Developing a plan to ensure quality, access and appropriate content
- Developing IT systems, particularly our online presence
- Working with the Contact Centre and the Intake and Access Team to develop approaches
- Working across the Council, and with service users and local providers, to develop materials

Assessment

Assessment should start with what the individual and their carer can do and their expectations. It should not be based on available services only, or their ability to pay.

It must:

- start with the individual and their family or networks
- consider wellbeing and prevention at the outset
- be combined with health where needed
- include the individual's self assessment
- provide speedy and accurate financial assessment
- be joined up wherever possible, especially with the NHS

What is different

- Anyone, regardless of funds, can ask for an assessment
- Carers have a right to an assessment and subsequent services
- Must look at the wider family and social networks for support
- Outcomes of the assessment must be reported to the individual
- Assessments can be proportionate
- Consider fluctuating needs and look into the future

What are we doing

- Developing social care practice and IT systems to support practitioners
- Re-designing financial assessments for timely information about notional costs and contributions
- Working with the NHS and Joint Assessment and Discharge (JAD) Team to align processes

Eligibility

National eligibility criteria will be in place to ensure consistency. The criteria set a minimum threshold for adult care and support and individual carer support which all local authorities must meet. This means that eligibility is portable from place to place.

In summary, eligibility is determined by how well the individual can:

- look after themselves (food, washing, toileting, clothing)
- be Safe in their home and keeping the home habitable
- develop and maintain family or personal relationships to help avoid loneliness or isolation
- engage in work, training, education or volunteering (where appropriate)
- use local community or public facilities
- care for a child

What is different

- National eligibility for all
- Eligibility for carers
- People must be told of eligibility decision
- Achieves fair and consistent system

What are we doing

- Workforce development to ensure consistent approach to eligibility determinations – this includes integrated teams

Personal budgets

Personal budgets and direct payments are now set out in law giving people choice and control about how their care and support is provided. They must be offered to everyone. The individual may ask the Council to arrange their care and support.

Self-funders

Local authorities now have responsibilities to people who can pay for their care. This means providing information and advice, assessment, and advocacy. Funding reforms that come into effect from April 2016 will introduce a cap on care costs and care accounts to manage progress towards that cap. Self-funders can also ask for advice and options about their care costs.

Deferred payments

The borough must have a sound system for all individuals to defer their payments for residential or nursing care. This means that where they own a property they will not be required to sell it at that time (from April 2016 these costs will be capped). Full guidance is awaited and this is a complicated area of work.

What is different

- Personal budgets are now mandatory
- Self-funders are entitled to assessment, if eligible then they will need a notional personal budget and care account
- Deferred payments are available to all those who meet criteria

What are we doing

- Revising the Fairer Charging Policy to bring up to compliance with the Care Act
- Developing a new deferred payment agreement, and supporting systems
- Working with practitioners to ensure effective use of personal budgets and Direct payments
- Considering approaches for working with self-funders from April 2016

Safeguarding

The Care Act strengthens safeguarding of vulnerable adults in several ways:

- Under the Care Act Safeguarding Adults Boards are now statutory. The core membership of the Board is prescribed in the legislation.
- Partner agencies or persons have a duty to co-operate with the Council on safeguarding matters and to supply information upon request.
- Enquiries must be conducted by agencies where there is risk or suspicion of abuse or neglect.
- Serious Case Reviews have been given a statutory status in circumstances where there is serious neglect, abuse or death.
- Ensures peer challenge between board members.

What is different

- Duty on partners to report concerns
- Duty on Council to act, or ask others to act
- Stronger monitoring of all agencies' performance through the statutory Safeguarding Adults Board
- Must strategically plan safeguarding activities based on local priorities

What are we doing

- Re-organising the Safeguarding Adults Board (SAB) as a statutory body.
- Changing sub-groups of the SAB to reflect and support new arrangements
- Establishing principles of financial contributions from SAB members
- Outlining collective and individual responsibilities of SAB members and working on commitments and agreements to ensure performance and accountability

Individual advocacy

The Care Act sets out criteria for providing independent advocacy. These are:

- Where the person may have substantial difficulty being involved – tested by:
 - understanding relevant information
 - Retaining information
 - using, evaluating or 'weighing' the importance of information or choices
 - communicating their wishes or feelings (through whatever method)
- Advocates are to be used in:
 - supporting initial information
 - assessment of needs
 - safeguarding enquiries and reviews
 - care planning
 - care and support reviews

What is different

- Existing advocacy will not be sufficient for the new tasks
- Advocacy will be required at very early stages of service user involvement
- Advocates will need some training and accreditation

What are we doing

- Reviewing current use of existing advocacy
- Developing interim commissioning arrangements for 2015/16
- Working through longer term commissioning approach for independent advocacy
- Exploring training options for independent advocates

Outline of key terms

Wellbeing	This is about the individual and what most affects their life and feelings.
Prevention	This is about the practical steps that could delay, or reduce the need for more intensive services.
Information and advice	People must be offered information and advice regardless of their financial means to help them to make choices about the care and support that is best for them.
Advocacy	This means an advocate who can support the person to put forward their views, wishes and feelings, where this is needed.
Assessment	This means the way in which social workers and others will gather information about someone's needs and circumstances. Assessment of need is for both individuals and for carers.
Eligibility	This is nationally set out and determines who should receive services or personal budgets (also applies to carers).
Personal budgets	Must be offered to all, but individuals can ask the Council to arrange and/or provide care and support.
Care plan and review	This is the way in which the required services will be used and responsibilities of all those who are working with the individual. Annual reviews must be held and take into account changes in circumstances or need.
Deferred payments	The borough must have a sound system for all individuals to defer their payments for residential or nursing care. This means that where they own a property they will not be required to sell it at that time.

Contact:

Care Act Implementation Team

E-mail: Glen.Oldfield@lbbd.gov.uk

Telephone: 020 8227 5796

CABINET**16 February 2015**

Title: Care and Support Deferred Payments Scheme	
Report of the Cabinet Member for Adult Social Care and Health	
Open	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Rachel Boston, Care Act Finance	Contact Details: Tel: 020 8227 5837 E-mail: rachel.boston@lbbd.gov.uk
Accountable Divisional Director: Glynis Rogers, Divisional Director of Community Safety and Public Protection	
Accountable Director: Anne Bristow, Corporate Director of Adult and Community Services	
<p>Summary</p> <p>The Care Act 2014 brings in a right for a person in a care home who owns a property and has less than £23,250 in capital/savings (excluding the value of the property), to defer some or all of their care costs by having a charge placed on the property. This is intended to avoid the situation where individuals have felt forced to sell their homes to meet their care costs. These rules will change again in April 2016.</p> <p>The reports summarises the key changes introduced by the Care Act 2014 and sets out the proposed Care and Support Deferred Payment Scheme for the borough.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) note the introduction of national eligibility criteria for Deferred Payment Schemes to be introduced by all Councils; (ii) agree the Care and Support Deferred Payment Scheme policy as set out in Appendix 1; (iii) agree the Council applies the nationally-set maximum interest rate; (iv) agree the Council applies one-off set up administration fee of £500 and subsequent administration charges as incurred; (v) agree the use of online property sites and local newspapers, in the first instance, for determining whether there is sufficient equity to be eligible for the scheme. 	

Reason(s)

There is a legal requirement for the Council to implement the Care Act 2014. Sections 34 and 35 set out the requirement of the Council to offer a Deferred Payment Scheme.

1. Introduction and Background

- 1.1 The Council has run a Deferred Payment Scheme since 2003. The Care Act introduces a universal deferred payment scheme which comes into force in April 2015. This means a person entering a care home setting will not be required to sell their home in their lifetime to pay for their care and support costs. The individual can defer the care costs against their property; this representing a loan against the property.
- 1.2 From April 2015 the Act requires all local authorities to offer a deferred payment to a local resident entering a care home setting who meets the national eligibility criteria. The scheme being introduced is broadly similar to the Council's existing scheme except the Care Act 2014 allows the local authority to operate the scheme in such a way as to recoup its costs.
- 1.3 The report sets out the requirements of the Care Act 2014 in line with the Care and Support (Deferred Payments) Regulations 2014 and Care and Support Statutory Guidance 2014 and proposes how this will be implemented in Barking and Dagenham.

2. Proposal and Issues

- 2.1 The Council currently has a Deferred Payment Scheme under Section 55 of the Health and Social Care Act 2001. The current scheme allows an individual to defer their permanent care home setting costs against the property on the understanding that the Council will place a legal charge against their main home as security.
- 2.2 The Care Act 2014 (Sections 34 and 35) requires all Councils to put in place a deferred payment scheme which applies the national eligibility criteria or such schemes. The Care and Support (Deferred Payments) Regulation 2014 details how the deferred payment scheme is to be administered.

2.3 Service User Journey

The detail regarding Deferred Payment Scheme is in the body of the report however a summary of entering into the deferred payment agreement (DPA) is shown below:

- it is agreed the person's eligible care and support needs will be met through a placement in a care home;
- they own their own home and are offered information and advice on the Deferred Payments Scheme;
- the individual/ representative expresses an interest in the Deferred Payment Scheme;
- the person meets the deferred payments eligibility criteria;
- the equity limit in the property is agreed;
- the person enters into the deferred payment agreement;

- a legal charge is placed on the property;
- administration fees are charged for the set-up of the deferred payment agreement;
- interest charges are applied from the start of the deferred payment agreement and continues until the debt is recovered;
- the debt accrues against the property; quarterly statements are sent;
- the care and support in the care home is no longer required; the debt is paid to the Council.

2.4 **The provision of information and advice**

The local authority must provide information and advice to a person entering a care home and their family regarding the option to enter into a deferred payment agreement. The information is to include:

- the eligibility criteria to be offered a deferred payment agreement;
- advice that interest will be payable from the start date of the deferred payment agreement;
- advice that administration costs will be charged;
- advice that the person or their legal representative entering the deferred payment agreement has the right to seek independent financial advice.

2.5 A deferred payment agreement is to be offered where the person meets the following eligibility criteria:

- that the individual has eligible care and support needs that the Council determines will be met through a permanent care home placement;
- the individual has less than £23,250 in capital.
- the home meets the disregard criteria i.e. spouse or dependent is still resident in the property
- the person entering into the agreement has the capacity to do so.

The Council in offering a deferred payment scheme has to ensure:

- that the offer of a deferred payment agreement is sustainable both to the individual and Council;
- the Council can enter a legal agreement which allows the local authority to place a 'legal charge' on the property to safeguard the loan;
- the Council can obtain adequate security against the property; and
- the person entering the deferred payment agreement has the capacity to do so.

2.6 **Permission to refuse to offer a deferred payment agreement**

The Act provides the Council with the permission to refuse to offer a deferred payment agreement although the person may meet the national eligibility criteria. This can include:

- the Council being unable to obtain a first legal charge against the property;
- the person entering the deferred payment agreement does not agree with or is unable to adhere to the terms and conditions set out in the deferred payment agreement e.g. unable to obtain the right level of property insurance

- the person in the care home lacks capacity and there is no legally appointed representative to make the decision.

2.7 Discretionary deferred payment scheme

The Care Act 2014 allows the Council to exercise its discretion where the person may not meet the national eligibility criteria but offering a deferred payment would act in the interest of the person and the Council. This can include:

- the person entering a care home narrowly exceeds the upper capital limit however they are likely to reach below the threshold in a short period of time;
- where the person is required to meet their costs through other assets but the use of these assets may leave them with little or no accessible assets;
- the person's care and support will be provided in supported living and they wish to retain their main home and pay the associated care and accommodation costs from their deferred payment.

The proposal is the Council exercises its discretion to offer a discretionary deferred payment agreement where this will be in the interest of the person and enable the Council to meet its statutory duties.

2.8 Entering the Deferred Payment Scheme

To agree a deferred payment agreement with the person in the care home or their legal representative the Council has to ensure:

- all parties with a beneficial interest in the property have agreed to the legal charge to be placed against the property;
- the Council can obtain a first legal charge on the property or if there are other legal charges there is adequate security to safeguard the Council's interest.

2.9 Interest and Administration Charges

The new universal deferred payment scheme is intended to be cost-neutral to local authorities. The Care Act 2014 allows Councils to charge interest against the loan and administration fees for the setup and management of the DPA.

Interest Rates - The maximum interest rate that can be charged will be fixed by the Government. Where the Local authority decides to apply interest charges to those entering the deferred payment scheme:

- Compound interest will be charged.
- Interest will apply from the date upon which the individual enters into the Deferred Payment Scheme;
- The interest rate charged can be less but not more than the nationally set-maximum rate.
- The interest rate will change on the 1st of January and 1st July every year. Compound interest will be in line with these interest rate changes. The proposal is the Council applies the nationally set maximum interest rate.

Administration Fees - The Care Act allows the Council to recoup its administration costs for arranging any on-going expenses associated with managing the deferred

payment agreement. The administration costs and any subsequent expenses must not be more than the actual costs incurred by the local authority.

A set-up administrative fee will be charged which the person can pay before the start of the deferred payment agreement or this can be added to the accrued debt. The fee includes the costs of registering a charge with the Land Registry, staff, management and legal costs.

In April 2015 it is proposed the initial setup fee is £500; this fee will be subject to annual review. Prices will be made publicly available.

The Council can also charge for additional costs incurred during or at the end of agreement including costs associated with the revaluation of the property, costs of providing statements, removing legal charges and other costs associated with the deferred payment agreement.

2.10 Equity limit

The Act introduces an 'equity limit' as to the maximum amount that can be charged against a property. The Council can only offer a deferred payment agreement where there is sufficient equity in the property. The regulations and guidance prescribe how this needs to be calculated.

At the point the debt reaches the equity limit, the deferred payment agreement is terminated.

2.11 Property Valuations

To ensure that the Council's equity limit is robust, Councils will be required to obtain a property valuation. There are various methods that can be adopted such as:

- local knowledge and newspapers
- person/ family or legal representative obtaining a valuation;
- internet sites,
- in-house Valuers or Estate Agents
- land registry information

It is expected that all of the above methods are adopted depending at different times however it is proposed that in the first instance the Council uses property websites and local newspapers where recent valuations of the property or properties in the area provides a reasonable indicator of the property value.

This approach will minimise administration costs of the scheme benefiting both the Council and the individual.

3. Options Appraisal

- 3.1 The Council must introduce a Deferred Payment Scheme, there are limited opportunities to exercise legal choice and these options are in the report and summarised in this section. Members are asked to consider which options they may wish to exercise.

- 3.2 To consider recouping some administrative costs by charging a set up fee. It is recommended that Cabinet introduce the set-up fee charge.
- 3.3 Whether or not to charge the maximum interest rate set by Government or set a lower rate. It is recommended that Cabinet applies the maximum interest rate.

4. Consultation

- 4.1 The Deferred Payment Scheme has formed part of the wider Department of Health consultation on The Care Act 2014.

5. Financial Implications

Implications completed by: Roger Hampson, Finance Group Manager

- 5.1 The Department of Health New Burdens Grant included £231k for the implementation of Deferred Payment Scheme for Barking and Dagenham. The Deferred Payments element of the grant is for non collectable deferred payments, system development for information and advice and financial assessments, and legal support.
- 5.2 Detailed recommendations on this grant and other grants available to fund Care Act implementation costs in 2015/16 will be presented to the Health and Wellbeing Board for decision at its March meeting.

6. Legal Implications

Implications completed by: Dawn Pelle, Adults Legal Advisor

- 6.1 The Legal Implications of the Deferred Payments Scheme has been fully set out in the report and accords fully with the provisions in the Care Act 2014. This is a complex area as it affects not only finances but also ordinary residence. The entire tenet of the scheme relies on consent. Officers must be alert to any efforts to frustrate the offering of the scheme, for example from relatives reluctant to lose an inheritance.

7. Other Implications

- 7.1 **Risk Management** – The Universal Payment Deferred Scheme aims to minimise the risk to the Council in meeting the care and support needs of those in a care setting with the means to pay for their care and support. By ensuring that the Council can secure the first legal charge or a charge against the property which secures the care costs, the costs to the Council are significantly minimised.
- 7.2 **Corporate Policy and Customer Impact**- The customer impact for those eligible for the deferred payments scheme is set out in this report. The Council must introduce the scheme to comply with the Care Act. Consideration has been given to equality implications of implementation and no obvious impacts for any of the equality groups have been identified. As set out in the policy, the Council will provide information and advice to those entering care homes and ensure those entering an agreement have the mental capacity to understand the implications.

Public Background Papers Used in the Preparation of the Report:

- <http://www.legislation.gov.uk/ukpga/2014/23/contents/enacted>
- https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/315215/draft_regs.pdf
- http://www.local.gov.uk/web/guest/care-support-reform/-/journal_content/56/10180/6522542/ARTICLE

List of appendices:

- **Appendix 1** – Draft Care and Support Deferred Payment Scheme Policy (February 2015)

This page is intentionally left blank

APPENDIX 1

CARE AND SUPPORT DEFERRED PAYMENT SCHEME POLICY

Updated February 2015

London Borough of Barking and Dagenham Universal Deferred Payments

1.0 Introduction

- 1.1 The introduction of the Universal Deferred Payment Scheme means individuals entering a permanent care home setting will not be required to sell their home in their lifetime to pay for their care and support costs. The deferral of the costs represents a loan against the property.

2.0 Legislative Context

- 2.1 The Care Act 2014 introduces a universal deferred payment scheme which comes into force April 2015. This means an individual entering a care home setting will not be required to sell their home in their lifetime to pay for their care and support costs. Individuals can defer the care costs against their property; this being regarded as a loan against the property.

<http://www.legislation.gov.uk/ukpga/2014/23/contents/enacted>

- 2.2 The local authority must follow the Care and Support (Deferred Payments) Regulations 2014 that sets out the legal framework and details the local authorities' responsibilities and have regard of the Care and Support Statutory Guidance 2014.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/315215/draft_regs.pdf

- 2.3 The arrangements of the deferred payment agreement (DPA) can be retained until the termination of the such as the sale of the property whilst the person is still in the care home (the deferred payment providing a bridging loan) or until death of the person in the care home, with the amount becoming repayable from their estate.

3.0 Universal Deferred Payments

The Care Act 2014 (Sections 34 and 35) requires all local authorities to have in place a deferred payment scheme that can be offered to individuals entering a care home setting. The Care Act 2014:

- Requires Councils to apply the national eligibility criteria on entitlement to a deferred payment agreement;
- Allows Councils to charge interest and administrative fees;

- Requires both the individual and the Council to enter into a legal agreement, which will be legally enforceable;
- Provides Council's with some discretion regarding the offering of and the amounts that can be deferred against the property.

4.0 Barking and Dagenham's Deferred Payment Scheme

Barking and Dagenham's Deferred Payment Scheme will be consistent with relevant legislation and guidance, applying discretion where the Care Act 2014 allows such discretion to be applied.

The principles underpinning the scheme are:

- Those who can afford to pay a contribution towards their care should do so;
- Those who are eligible for the scheme and do not wish to sell their home are not forced to do so to fund the care home costs;
- Residents and family members are fully informed of the deferred payments scheme and the eligibility criteria to help them both plan for now and their future care and support needs;
- Ensure that the Deferred Payment Scheme is self-financing and sustainable both to the individual and the Council;

5.0 Information and Advice

The local authority must provide information and advice to persons entering a care home and their family regarding the option to enter into a deferred payment agreement. The information is to include:

- The eligibility criteria to be offered a deferred payment agreement;
- That interest will be payable from the start date of the deferred payment agreement;
- That that administration costs will be charged;
- The person or their legal representative entering the deferred agreement has the right to seek independent financial advice.

A deferred payment agreement should **not** be entered into unless the person or their legal representative has been provided with or sought information and advice regarding the Deferred Payment Scheme.

6.0 Mental Capacity

6.1 A person must have capacity to enter into a DPA.

Where the service user has capacity they can give consent for someone else to represent them or to advocate on their behalf. The Council will need to see written proof that the consent has been given. However, it will be the person in the care home who signs the deferred payment agreement.

6.1 Where a mental capacity assessment has been undertaken and concluded that the Service User lacks capacity:

- The person who enters the deferred payments agreement must be legally appointed to manage their financial affairs, for example a Deputy with appropriate Lasting Power of Attorney (proof is required)
- Where there is no legal representative a referral should be made to the Client Affairs Team for the relevant approach to be made to the Court of Protection to appoint a Deputy.

7.0 What care and support is covered by the scheme

The Deferred Payments Scheme will be offered to those who meet the eligibility criteria and require “care and support” needs, which will be met by a permanent placement in residential or nursing care or in supported accommodation (subject to specific criteria).

The deferred payments scheme cannot be offered to those persons whose stay in a residential and nursing home is either for respite or is of a temporary nature.

7.1 12 week disregard property disregard

To provide the person entering the care home and their family members the opportunity to consider the options available to them, the Council must disregard the person’s main home where they have assets less than the upper capital limit (excluding their main home) for the first 12 weeks in circumstances where:

- The person enters a care home for the first time; or

- The person has unexpectedly lost an alternative property disregard (e.g. The spouse or other qualifying relative has died or is no longer resident in the home)

7.2 This 12 week property disregard period is to be used to put in place all the arrangements to set up the deferred payment agreement.

8.0 Eligibility Criteria for to enter the Deferred Payment Scheme

8.1 All Councils must apply the national eligibility criteria. A deferred payment scheme is to be offered to a person who can provide adequate security for the debt and meets the following criteria:

- That the individual has eligible care and support needs that the Council determines will be met through a permanent care home placement;
- The individual has less than £23,250 in capital.
- The home does not meet one of the qualifying disregard criteria i.e. spouse or dependent is still resident in the property
- The person entering into the agreement has the capacity to do so.

8.2 Applying discretion to the eligibility criteria (Discretionary Scheme)

The Care Act allows the Council to exercise its discretion to offer a deferred agreement where the person may not meet all of the eligibility criteria and where a deferred agreement is the most sensible approach in all the circumstances, this can include:

- Where the person may be required to meet their costs through alternative assets but the use of their assets may leave them with no or little accessible assets;
- Consideration as to whether the person has any other accessible financial means to meet the costs of the care and support;
- The person's capital may narrowly exceed the upper capital limit of £23,250 however they are likely to reach below the threshold in a short period of time.

8.3 Permission to refuse entry into the Deferred Payment Scheme

The Council can refuse to offer a deferred payment agreement where the individual may meet the eligibility criteria however;

- The Council is unable to secure a first charge against the property;

- The person is seeking to place a top-up against the deferred charge; this is not an automatic refusal but should be guided by considerations of affordability, sustainability and availability of equity.
- The person does not agree with or is unable to adhere to the terms and conditions of the deferred payment agreement.

9.0 How much can be deferred:

9.1 The level of debt that can be deferred is determined by:

- The amount of equity the individual has available in the property to be used as security;
- The amount the person is contributing from their care costs from other sources such as third parties, or their savings.
- The total care costs including any top-ups that have been agreed as part of the care costs.

9.2 The actual amount deferred should be the individual's residential/ nursing costs including a top-up where applicable **less** any financially assessed contribution.

9.3 The person entering into the agreement is allowed to retain up to £144.00 of their net disposable income allowance. The increase of the personal expenditure allowance (PEA) to £144 per week takes into account that the person will have to maintain the property i.e. insurance costs, general maintenance and utility bills.

9.4 The person can retain less than the £144 per week and increase the contribution towards their care costs; thus reducing the deferred charge against the property.

9.5 On termination of the deferred payment agreement, if the person is still in the care home their personal expenditure allowance will reduce to the normal figure as prescribed by guidance.

10.0 Renting the Property

In some circumstances the person may wish to rent out their home during the course of their deferred payment agreement.

11.0 Obtaining Security

11.1 To enter into a deferred agreement with a person there must be adequate security to cover the costs of "care and support". Where the local authority is able to secure

a first legal charge against the property at the Land Registry; this should always be considered as adequate security.

Where there are co-owners or those with a beneficial interest in the property the Council must seek consent and agreement from all parties before the charge can be placed on the property.

- 11.2 The Council will place aim to obtain a first charge against the property. In some circumstances the Council may not be able to obtain a first charge (a mortgage may be outstanding), however the Council can still enter into a deferred payment agreement where it can assure itself there is sufficient value in the property to meet the care costs.
- 11.3 There may be occasions where the property search discloses the property is not registered with Land Registry. The Council is unable to enter into a deferred payment agreement at that time; the property will need to be registered. The Council can ask the person or their legal representative to register the property.

12.0 Determining Equity Limits

- 12.1 The Act introduces an 'equity limit' as to the maximum amount that can be charged against a property. In 2015/16 guidance and regulations sets the equity limit at the value of the property minus 10% minus a further £14,250.
- 12.2 The value of the property is the value of the person's share entering the care home less any outstanding loans/ mortgage on the property.
- 12.3 Local authorities **cannot** accrue further care costs where the person has reached their equity limit. Only interest and administrative fees can still be accrued until the debt is paid in full.

13.0 Property Valuations

- 13.1 To ensure that the Council's equity limits are robust, Councils will be required to obtain a property valuation. There are various methods that can be adopted such as:
- Local knowledge and newspapers
 - Person/ family or legal representative obtaining a valuation;
 - Internet sites,
 - In-house Valuers or Estate Agents
 - Land registry information

It is expected that all of the above methods are adopted at different times however it is proposed that in the first instance the Council uses property websites and local newspapers where recent valuations of the property or properties in the area provides a reasonable indicator of the property value.

13.2. This approach does not remove the individual's right to seek an independent valuation where it is felt the proposed valuation does not reflect the market value of the property. Please note that this will not be funded by the Council.

13.3 Where the person entering the deferred payment agreement and Council disagree with each other's proposed property valuation, in that circumstance a valuation will be applied that has been met with mutual agreement by both parties.

14.0 Applying Interest Rates and Administration Fees

14.1 Interest Rates

The maximum interest rate that can be charged will be fixed by Government.

Where the local authority decides to apply interest charges to those entering the deferred payment scheme:

- Compound interest will be charged.
- interest will apply from the date upon which the individual enters into the Deferred Payment Scheme;
- The interest rate charged can be less but not more than the nationally set-maximum rate.
- The interest rate will change on the 1st of January and 1st July every year. Compound interest will be in line with these interest rate changes.

14.2 Administration Fees

The Care Act 2014 allows the Council to recoup its administration costs for arranging any on-going expenses associated with managing the deferred payment agreement. The administration costs and any subsequent expenses must not be more than the actual costs incurred by the local authority.

A set-up administrative fee will be charged which the person can pay before the start of the deferred payment agreement or this can be added to the accrued debt. The fee includes the costs of registering a charge with the Land Registry, staff, management and legal costs.

In April 2015 the initial setup fee will be £500; this fee will be subject to annual review. Prices will be made publicly available.

The Council can also charge for additional costs incurred during or at the end of agreement including costs associated with the revaluation of the property, costs of providing statements, removing legal charges and other costs associated with the deferred payment agreement. These will be charged at actual costs as they incur.

15.0 Effective Date of Deferred Payment Agreement:

The deferred payment agreement will take effect once:

- The applicant or their legally appointed representative has signed the deferred payment agreement.
- The co-owner or other person with a beneficial interest has agreed to, and has signed the deferred payment agreement.
- Confirmation that the Council can secure adequate security against the property to cover the care costs.

The person entering into the deferred payment agreement has agreed to adhere to the terms and conditions of the agreement signed which includes:

- maintenance of the property to an acceptable standard;
- The property is adequately insured;
- Any outgoings associated with the property (e.g. Council Tax, insurance, utility bills) are paid in a timely fashion;
- That they understand their obligation to seek permission or notify the Council of any changes which will may result in a breach/ change or termination of the deferred payment agreement.

16.0 Terms and Conditions of the Deferred Payment Agreement

The Care and Support Guidance 2014 sets out the terms and conditions that are to be included within the agreements. Barking and Dagenham will be using the guidance to define the terms and conditions of the deferred payment agreement.

17.0 Contractual Responsibilities

Most if not all of the contractual responsibilities of the person will or should be specified within the terms and conditions of the deferred payment agreement. However the Council has contractual responsibilities whilst the agreement is in place which includes:

- Ensuring the individual or their financial representative receives timely written updates/ statements which must include the amount deferred including interest and administration charges and the available level of equity still available. It is intended the Council will send these statements quarterly;
- Undertaking systematic review of the property value once the deferred amount exceeds 50% of the security;
- Ensuring no further care costs are deferred against the property where the person has reached the equity limit or circumstances arise where it is no longer appropriate to continue to defer care costs against the property.

18.0 Termination of the Deferred Payment Agreement

18.1 A deferred payment agreement can be terminated by:

- The person whilst still in the care home or the person acting on their behalf after their death repays the loan in full through alternative means other than the sale of the property;
- The property (or form of security) is sold and the debt repaid;
- When the person dies and amount repaid of the local authority from their estate.

18.2 Other circumstances may arise where the Council may refuse to or cannot defer any further care costs against the property. These circumstances are set out below:

- Where the person total assets falls below the level of the means test and they become eligible for local authority financial support;
- The individual no longer requires care and support in a care home setting or supported accommodation;
- There has been a breach in contract and any attempts to resolve the breach have been unsuccessful;
- The property becomes disregarded for any reason e.g. the dependent in the home now means the property is to be disregarded.

In all the situations above the Council cannot demand payment; they are subject to the terms of the termination as set out in the contract.

- 18.3 In all cases parties must be given appropriate notice period that there is an intention to terminate the deferred payment agreement:

On intention to sell the property the person or their legal representative must provide the Council with 30 days written notice that this is to happen. The Council will be required to remove the legal charge from the property for the sale to proceed. In these circumstances the Council should request that the person provides a written undertaking from the person's solicitor that they will discharge the debt.

Where it is intended the Council will be terminating the deferred payment agreement, a minimum of 30 days advance written notice is to be provided to the person who has entered the deferred payment agreement setting out the reasons for the termination and an indication of how their future care costs will be met (if applicable)

19.0 Change in financial circumstances

The person or their legal representative must notify the Council in a change of their financial circumstances which may change the amount that can continue to be deferred against the property. This can include:

- Receipt of a new benefit or changes/increases to benefits.
- Changes/increases to income or expenditure
- If the Service User's capital or savings crosses one of the capital thresholds
- Changes to living arrangements (e.g. their partner moves to a care home)

20.0 Appeals and Complaints

Local Authority Social Services and NHS Complaints Regulations 2009, made under powers in Sections 113 to 115 of the Health and Social Care (Community Health and Standards Act) 2003.

If a Service User is dissatisfied with the way in which they have been treated during the financial assessment process, or the service that they have received, they

have the right to make a complaint to the Complaints Officer. The Council has a statutory complaints procedure to ensure that Service User's views and concerns are considered, dealt with and appropriately investigated.

If the decision is turned down and the service user is still not happy with the decision, the Local Government Ombudsman can be contacted.

21.0 Debt Recovery

If the service user does not pay the charges in full or in part and the debt remains unpaid, the Council has the right to seek collection of the debt under Section 69 (2) of the Care Act 2014.

Where the person dies the debt will become payable 90 days after death. If the Council has concluded that the necessary steps are not being taken to progress the sale of the property and the Council has taken steps to resolve the situation, the Council will commence legal proceedings. This may incur additional costs to the person who has entered the deferred payment agreement.

Section 70 of the Care Act also provides the local authority with the power to recover charges from a third party in circumstances where a person has deprived themselves of assets in order to reduce the care cost contribution payable.

22.0 Use of Financial Information and Privacy

Information will be collected to enable the set up of the deferred payment agreement. In accordance with the Data Protection Act 1998, this information will only be shared with other relevant agencies in accordance with the data protection principles/exemptions or with the written consent of the service users or their legal representative/advocate.

23.0 Policy Review

This policy will be reviewed in March 2016 and at least annually thereafter. This policy may also be subject to review at other times in response to case law, statutory amendment and Guidance from the Department of Health or other statutory organisations.

24.0 Further information

Further information can be obtained in relation to this scheme and other services offered by the authority on Barking and Dagenham's website.

This page is intentionally left blank

CABINET

16 February 2015

Title: Care and Support Charging Policy	
Report of the Cabinet Member for Adult Social Care and Health	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Rachel Boston, Care Act Finance	Contact Details: Tel: 020 8227 5837 E-mail: rachel.boston@lbbd.gov.uk
Accountable Divisional Director: Glynis Rogers, Divisional Director of Community Safety and Public Protection	
Accountable Director: Anne Bristow, Corporate Director of Adult and Community Services	
<p>Summary</p> <p>The introduction of the Care Act 2014 sets out a single legal framework for charging users for their care and support. The Act is being implemented in April 2015, with further changes focussing on the charging regime in April 2016. The Act still allows the Council to apply charges and where it does so, legislation and guidance requires the local authority to develop and maintain a charging policy.</p> <p>Barking and Dagenham's Fairer Charging Policy was last reviewed and updated in 2011. As the policy stands it would not be compliant with the Care Act 2014.</p> <p>The report identifies the key changes to the charging framework that would need to be made if the Council wishes to continue to levy charges as a result of the Care Act 2014.</p> <p>The key areas covered within the body of the report are:</p> <ul style="list-style-type: none"> • Informal Carers e.g. family • Services exempt from charges • Financial Assessments • Minimum Income Guarantee Disregard; • Income from disability benefits • Capital • Administration Charges • Notional Capital and Income <p>Appendix 1 includes Barking and Dagenham's proposed Care and Support Charging Policy which sets out how charges will be made for those in receipt of care and support services provided under the Care Act 2014.</p>	

Recommendation(s)

The Cabinet is recommended to:

- (i) Confirm that the Council will continue its current policy of charging for adult social care;
- (ii) Note the introduction of the Care Act 2014 as the new legal charging framework for care and support services provided under the Act;
- (iii) Agree that the Care and Support Charging Policy set out at Appendix 1 be implemented from 1 April 2015 for all new service users and implemented on a phased basis for all existing service users; and
- (iv) Delegate authority to the Corporate Director of Adult and Community Services, in consultation with the Cabinet Member for Adult Social Care and Health and the Chief Financial Officer, to put in place transitional protection in appropriate circumstances.

Reason(s)

There is a legal requirement for the Council to implement the Care Act 2014. Sections 14 and 17 set out the legal framework for charging for care and support services provided to an adult under the Care Act 2014.

1. Introduction and Background

- 1.1 The Care Act 2014 (Sections 14 and 17) introduces a single legal framework for charging for care and support which will come into force from April 2015. The Act gives local authorities the power to charge for care and support services to service users and carers.
- 1.2 Where the local authority charges it must follow the Care and Support (Charging and Assessment of Resources) Regulations 2014 and have regard to the Care and Support Statutory Guidance 2014 in determining its charging policy.
- 1.3 The current Fairer Contribution Policy takes into account the needs of local residents who might require care and support services, applying discretion within the policy where the legislation and guidance allows a Council to do so. The Care Act 2014 charging framework further limits that discretion.
- 1.4 The current policy was last reviewed in 2011. The revised Care and Support Charging Policy has been updated in line with the Care Act 2014. Draft regulations published in early February 2015 in respect of the sections of the Care Act 2014 coming into force in April 2016 suggest a further more substantial review of the charging policy will be required next year

2. Proposal and Issues

2.1 The Care Act 2014 requires the local authority's charging policy to ensure:

- a charge will be levied after a means tested financial assessment;
- that services users and carers are only charged what they can reasonably afford to pay;
- contributions do not exceed the costs of providing the service;
- after charges have been applied, service users will retain at least their basic income support or pension credit plus 25% as protected income.

2.2 Carers

Carers in Barking and Dagenham play a critical part in supporting people to remain healthy and independent for as long as possible. There is evidence to show that investment in carers and carers' services can reduce demand for more expensive health and social care services. The Care Act 2014 greatly enhances the rights of carers in relation to assessment of need, provision of support and information and advice.

At the 2011 Census, 16,200 people in Barking and Dagenham indicated that they provide some form of informal care, with 28% reporting that they provide weekly care totalling 50 hours or more. The current policy exempts carers in receipt of a carers service from charges as recognition of their valuable role in supporting the cared for person. It is proposed to maintain this position and provide carer's services free of charge from April 2015.

2.3 Services exempt from Charges

Services exempt from charges under the Care Act 2014 includes:

- service users who are diagnosed as suffering with any form of Creutzfeldt Jacob Disease (CJD);
- after care services provided to service users subject to Section 117 of the Mental Health Act 1983;
- the first six weeks of a person's care and support service or Intermediate Care services;
- community equipment and minor adaptations (under £1,000);
- service users in receipt of NHS continuing healthcare, living in their own home where the NHS is responsible for meeting all nursing and personal care needs;
- the needs and eligibility assessment and financial assessment for care and support.

2.4 Financial Assessments

The local authority must carry out a financial assessment to determine a person's contribution to care and support services. The Act now introduces the concept of a 'light touch' assessment' to be applied in these circumstances:

- where a person has significant financial resources, and does not wish to undergo a full financial assessment;

- where the local authority charges a small or nominal amount for a particular service and it would be disproportionate to carry out a financial assessment;
- when an individual is in receipt of benefits which demonstrate that they would not be able to contribute towards their care costs.

2.5 **Minimum Income Guarantee Disregard**

On undertaking a financial assessment to determine a person's contribution to their care and support the local authority must ensure they retain the minimum income guarantee disregard. The minimum income guarantee amount is equivalent to Income Support plus a buffer of 25%.

2.6 **Income from disability benefits**

The current policy is to take only 75% of disability related benefits into account when assessing an individual's ability to contribute towards their care and support. However the Care Act 2014 requires 100% of the income to be taken into account. There are a small number of exceptions to this general rule, namely:

- the mobility component of Disability Living Allowance and Personal Independence Payments; and
- Guaranteed Income Payments made to Veterans under the Armed Forces Compensation Scheme

However the care component of other disability related benefits is taken into account for the purposes of calculating how much an individual will have to contribute towards their care and support costs

Recognising that there are additional living costs associated with disability it is proposed that:

- a) A set flat-rate disregard (£5, £15, £25- see Section 10.3 of policy document) is applied according to the level of care component received as part of their disability related benefit.
- b) Where an individual can demonstrate that their disability related expenditure exceeds disregard applied an additional disregarded as per their expenditure will be applied.
- c) Where no disability benefits are in payment, individuals who can demonstrate that disability related costs are incurred will have a disregard applied.

At this stage detailed modelling of gainers and losers is not complete. Therefore it is recommended that delegated authority is given Corporate Director of Adult and Community Services, in consultation with the Cabinet Member for Adult Social Care and Health and the Chief Financial Officer, to put in place transitional protection in appropriate circumstances.

2.7 **Capital**

The Care Act 2014 sets out how capital is to be treated in the assessment:

- a. Any capital under £14,250 will not be taken into account
- b. If a person has between £14,250 and £23,250 then they will be assumed to have an income from this capital. This is known as tariff income and is not related to the actual income that may be earned or this capital. Currently this is set at £1 in every £250 above £14,250.
- c. If a person has more than £23,250 that person will have to fund their own care

The current policy does not apply tariff income rules but the Care Act 2014 no longer allows local authorities discretion to do this. It is estimated up to 50 individuals may be adversely affected by this legislative change. It is anticipated the capital limits will change in 2016.

2.8 Administration Charges

The Care Act 2014 has also introduced a new discretion. Where a person assessed as having eligible needs whose care and support would not be met in a care home setting but has savings over the £23,250 the local authority may:

- pay towards the cost of care and support;
- administer a fee for arranging the care and support where the person has requested the Council makes the arrangement. This fee is to cover the costs the Council incurs for making these arrangements.

The proposal is for the Council to usually apply a flat rate fee of £300 for making these arrangements but to exercise discretion in exceptional cases.

2.9 Notional Capital and Income

The Care Act 2014 defines the meaning of and how to treat notional capital and income. Where the person deprives themselves of their capital or income so as to pay less care costs, the Council can assume the notional income or capital within their financial assessment. Examples of this may be a person transferring their property to a family member simply to avoid care charges or by refusing to claim a benefit to which they are entitled.

3. Options Appraisal

- 3.1 The Council ceases to charge for care and support services, this would result in a loss of income of £1.883m.
- 3.2 The Council amends its policy on charging to comply with the Care Act 2014 and continues to levy charges. This is the recommended option.

4. Consultation

- 4.1 The Care Act 2014 has formed part of the wider Department of Health consultation.

5. Financial Implications

Implications completed by: Roger Hampson, Finance Group Manager

- 5.1 The 2015/16 Revenue Budget has been prepared on the basis that the Council will continue its Care and Support Charging Policy. In retaining the Care and Support Charging Policy, the Care Act (2014) and associated guidance removes some areas of discretion for calculating charges as described in this report; this is in order to promote greater equality between local authorities.
- 5.2 In order to comply with the regulation and guidance of the Care Act 2014 the new policy will be applied to new service users in 2015/16 and to existing service users as and when a financial reassessment is required.

6. Legal Implications

Implications completed by: Dawn Pelle, Adults Lawyer

- 6.1 The Legal implications have been set out clearly above in the report in relation to the Charging Regime under the Care Act 2014. All the relevant areas have been captured by the report and there is nothing additional to add to what has been set out within the body of the report.

7. Other Implications

- 7.1 **Risk Management** – There are different risks to the current option. Not to apply all the changes by April 2015 could lead to a loss of income to the Council, equally by deferring the changes it may be minimising a possible increase in bad debt as those who may be required to contribute for the first time or increase their contributions may not pay. The financial risk can only be properly assessed through financially modelling the impact of the Care Act 2014 charging framework changes.

- 7.2 **Corporate Policy and Customer Impact** - Implementation of the Care Act contributes to the vision and priorities of the Council to enable social responsibility where the person has control about how their care and support needs are met. An Equalities Impact Assessment (EIA) has been carried out to assess the impact of the policy on the protected groups under the Equality Act see Appendix 2. The EIA shows that the Council has paid due regard to the equality implications associated to the Care and Support Policy 2015.

The application of the flat rate disability related expenditure should have no disproportionate impact on those with a disability with the disregards being similar to current disregards applied. The Care and Support Charging Policy allows an individual to submit supplementary information to evidence their disability related expenditure above the flat rate disregard applied.

The application of the 'tariff income' affects a small minority of current services users. The numbers affected will be monitored to determine if any group is affected.

- 7.3 **Health Issues** - Under the Care Act 2014, charging for care and support directly affects some of the most vulnerable individuals whose health needs may be at risk. It is expected that individuals with disability benefits are using these benefits to help

support their health and wellbeing and/or meet their care and support needs. Reducing the level of available income may have an impact on how those needs are met but this cannot be quantified at this time.

Public Background Papers Used in the Preparation of the Report:

- <http://www.legislation.gov.uk/ukpga/2014/23/contents/enacted>
- https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/315215/draft_regs.pdf

List of appendices:

- **Appendix 1** - Draft Care and Support Charging Policy (February 2015)
- **Appendix 2** - Equality Impact Assessment

This page is intentionally left blank

APPENDIX 1

**CARE AND
SUPPORT
CHARGING POLICY**

February 2015

London Borough of Barking and Dagenham Fairer Contribution Policy

1.0 Introduction

- 1.1 The Fairer Contributions Policy is designed that the people of Barking and Dagenham pay a fair contribution towards the costs of their care and support provided under the Care Act 2014.
- 1.2 The Fairer Contributions Policy follows statutory legislation and guidance building in safeguards to reflect the needs of local residents.
- 1.3 The legislation and guidance requires all local authorities who will be applying charges for care and support provided in the community to develop and maintain a charging policy.

2.0 Legislative Context

- 2.1 From April 2015, Section 14 and 17 of the Care Act 2014 gives local authorities the discretionary powers to charge for care and support services to service users and carers.
- 2.2 Where the local authority applies the discretion to charge it must follow the Care and Support (Charging and Assessment Resources) Regulations 2014 and have regard of the Care and Support Statutory Guidance (October 2014) in determining its charging policy

3.0 Principles

The principles of the Care Act 2014 are embedded within Barking and Dagenham's charging policy:

- contributions will be determined by reference to both level of service and the service users' means and will be levied after a means tested financial assessment;
- individual financial assessments will ensure that service users and carers are only charged what they can reasonably afford to pay;
- contributions from service users and carers will be transparent and fair;
- contributions will not exceed the costs of providing the service;
- after charges have been applied, service users will retain at least their basic income support or pension credit plus 25% as protected income;
- an additional protection of £10 is available for those aged 85 and over.

4.0 Services Exempt from Charging

The following exemptions will apply to a Service User who meets the criteria below:

- service users who are diagnosed as suffering with any form of Creutzfeldt Jacob Disease (CJD).
- After care services provided to service users subject to Section 117 of the Mental Health Act 1983.
- up to the first six weeks of the care and support or Intermediate Care services.
- community Equipment and minor adaptations.
- service users in receipt of NHS continuing healthcare, living in their own home where the NHS is responsible for meeting all nursing and personal care needs
- the needs and eligibility assessment and financial assessment for care and support will continue to be provided free of charge.
- any other services which the local authority has a duty to provide through other legislation.

5.0 Non- Chargeable Services

There are a number of services that London Borough of Barking and Dagenham will continue to provide free of charge, this includes:

- 5.1 Information and advice including Benefit Maximisation and Guidance and Advocacy support provided via the Council.
- 5.2 Care and support services directly provided to the Carer to support them to undertake their carer's responsibilities. Barking and Dagenham continues to use its discretion to provide this service free however this is not to be confused with respite not delivered for the carer, for which the service user (not carer) will be charged (see section 7.2)

6.0 Standard Charge Fees- Flat rate fees and not subject to Financial Assessment

A flat rate contribution will apply for the services below:

- meals in a day centre
- the Cost of putting in place the care and support for a service user in certain circumstances

- administration costs for setting up a Deferred Payments agreement where applicable
- other care and support to which Barking and Dagenham services may apply flat rate charges e.g. cost of a day trip provided by the day service.

6.1 Section 14 (1b) of the Care Act 2014 allows where it has been determined the individual meets the need and eligibility but has savings above the upper capital threshold, the individual can request that the local authority helps to arrange their care and support. The local authority may apply a charge for arranging this care and support.

6.2 Where the local authority arranges the care and support in the circumstances specified above a flat rate charge will apply. The Council will have the discretion to apply the charge each time the local authority is asked to support the individual in arranging their care and support. The flat rate fee of £300 will usually apply from April 2015 but the Council will have to the right to exercise discretion in exceptional circumstances. This fee is subject to annual review.

7.0 Services included in the Care and Support Charging Policy

7.1 Non- Residential Care and Support Services

- Personal budgets and managed personal budgets including those paid through a Direct Payment.
- Homecare care
- Personal support
- Day Opportunities
- Council provided transport
- Services previously funded under Supporting People as part of a service to meet their needs under Fairer Access to Care Services.
- Respite services directly provided to the service user
- Non residential social care and support services provided to individuals in approved premises for offenders or prison.

7.2 Respite Services

Short term respite will be included as part of the service users Personal Budget and will be subject to charges under the Care and Support Charging Policy.

8.0 Representation

8.1 Service User consent

Where the service user has capacity they can give consent for someone else to represent them in managing their financial affairs, the Council will need to see written proof that the consent has been given. It is the responsibility of the Service User or their representative to notify the Council if the representative, or their details change in any way.

8.2 Service user lacks capacity

Where it is identified that the Service User does not have capacity and there is no legal representative, the financial assessment should not be completed with the Service User. A referral should be made to the Client Affairs Team for the relevant approach to be made to the Court of Protection to appoint a Deputy.

9.0 Financial Assessment Process

9.1 Financial Assessment

The Service User's financial circumstances will be considered at the time of the assessment of need. Each service user will be required to have a means tested financial assessment based on their income and expenditure in order to assess their ability to contribute towards the costs of their care and support services.

The Council will positively seek to complete a financial assessment for all service users unless they -

- a. are exempt as described under Section 4 of this policy; no contribution will be applied.
- b. are in receipt of a flat rate service only as per Section 6; a flat rate contribution applies.
- c. choose not to be financially assessed. Service users who choose not to be financially assessed will be required to pay the full costs of their care and support service; see Section 9.2.4
- d. Where a light touch assessment is appropriate and there is no need for the Council to obtain additional financial information from the service user or their representative.

A financial assessment will be undertaken at the earliest opportunity. A financial assessment form will be given to the service user by the social worker who will also

advise that there may be a contribution to the costs of the care and support. As part of the financial assessment, Service Users will be offered a full benefits check, advice and practical support to apply for benefits they might be entitled to claim.

9.2 Light Touch Assessment

A light touch assessment can take place where:

9.2.1 The individual has capital over the capital upper limit, currently £23,250; they can disclose that their capital is over the limit without disclosing further information. In these circumstances the contribution will be the full cost of the care and support. However no full benefits check, advice and support will be offered.

9.2.2 The Council can evidence that the service user is in receipt of benefits that demonstrate that they would not be liable to contribute towards their care and support costs.

9.2.3 A non-disclosure assessment will be applied where a Service User:

- refuses to complete a financial assessment; or
- fails to keep without reasonable notice pre-arranged meetings organised for the purpose of obtaining the necessary information for a financial assessment or review; or
- fails to provide proof of income, expenditure or assets within 28 days of the first request from the Council

In all of the above the service user will be charged the full costs of the care and support.

9.2.4 However in cases where the individual lacks capacity or is unable to provide the financial information, a provisional contribution will apply until a full financial assessment can be completed and a retrospective contribution applied-

10.0 Basis of the Contribution

Following national regulation and guidance the financial assessment is based upon the cost of the service, principles of the charging policy and the Service User's ability to pay under the financial assessment process.

10.1 Overview

The financial assessment is based on the services user's income, against which deductions will be made for allowable expenditure.

All service users, after paying for their social care services and housing costs will be left with a weekly amount not less than basic income support or Pension Credit Guarantee plus a 25% buffer and a proportion of their disability related benefits.

10.2 Calculation of Income

The following sources of income will be fully disregarded in the charging assessment;

- Mobility component of Disability Living Allowance and Personal Independence Payment
- Regular voluntary or charitable income
- Child Tax Credit
- War widows' supplementary pension
- A partner's disability related benefits
- Christmas bonus, winter fuel and cold weather payments
- Social Fund Payments
- Maintenance payments specifically relating to a child
- Child benefit.
- Earnings of the service users

This is not an exhaustive list

The following sources of income will be partially disregarded in the charge assessment;

- War disablement pension, war widows pension (£10 per week disregarded)

This is not an exhaustive list

10.3.1 Where the Council takes into account 100% of the disability related benefit within the financial assessment; disability related expenditure disregard should be applied. A flat rate disability disregard will be applied to their financial assessment as set out below:

- a. Disability Allowance and Personal Independence Payment lower rate care component- £5.00 disregard
- b. Attendance Allowance lower rate and Disability Allowance middle rate care component-£15.00 disregard
- c. Disability Allowance and Attendance Allowance higher rate care component- £25.000 disregard

10.4 Notional Income

In some circumstances a service user may be treated as having an income they may not actually have. These circumstances can include:

- Income the service user could claim but chooses not to;
- Income that has been applied for but not yet received;
- A person who has reached retirement age but has refused to draw down on the maximum annuity income available from their pension plan.

10.5 Welfare Benefits

As part of the financial assessment process, advice will be provided to service users regarding benefit entitlement. Assistance will be available to complete benefit applications should a potential entitlement be identified.

10.6 Capital

The value of capital and assets is as defined in the Care and Support (Charging and Assessment of Resources) Regulations (2014). Service users with capital above the upper capital limit of £23,250 (other than the value of their main home), are liable to pay maximum charge for services they receive. The capital limits will be reviewed annually in accordance with the regulation and guidance.

10.6.1 Capital includes, but is not limited to:

- Any savings account, Building society, bank deposit, Post office Savings bank, National savings etc. Investments, stocks, shares, unit trust, TESSAs, PEPs, ISAs, premium bonds etc
- The value of investment in property, building and land other than that occupied by the Service User
- Any capital held on the person who uses service's behalf by another party, Court of Protection, spouse/partner
- Any element of compensation payment awarded specifically for the costs of providing on-going aftercare.

10.6.2 Tariff Income

Capital under £14,250 is disregarded and income between £14,250 and £23,250 are assessed to determine tariff income. Tariff income is calculated on the basis that of every £250 above £14,250, the Council assumes £1 in income. This means a service user may contribute up to £36 per week.

10.7 Deprivation of assets

Only capital or that apportionment of the capital of the service user will be used within the financial assessment unless there is evidence to indicate that the service user has intentionally deprived themselves of a capital asset in order to reduce their contribution towards their services

Where the Council can demonstrate that the service user has deprived themselves of the asset so as to reduce their contribution, the Council may treat the service user as still having the asset. This may affect the amount the service user will be required to contribute to their services.

10.8 Equity Release Schemes

The most common form of Equity Release Scheme is a Home Reversion Scheme (HRS), where a home owner will transfer the ownership of all or part of their home to a commercial or "not for profit organisation. Depending on the terms of the HRS, the funds released may be translated into an annuity, or a combination of these. Other forms of equity release will be considered on an individual basis and income from the equity release may be considered in the financial assessment.

10.9 Household Expenditure

The following Household Expenditure may be allowed depending on the service user's circumstances;

- Rent net of housing benefits
- Mortgage net of income support or pension credit assistance
- Board and lodging (as defined and managed in CRAG)
- Council Tax net of Council tax benefit
- Building Insurance (and in exceptional circumstances contents)

- Essential service charges and ground rent net of assistance funding

10.10 Couples

When assessing one member of a couple it is in the Council's policy that all couples are offered a joint assessment to identify the most beneficial outcome, whilst noting that a spouse or partner is not obliged to disclose their resources, should they choose not to.

When assessing one member of a couple as a single person:

- 100% of solely owned and 50% of all jointly owned capital and savings will be taken into account (excluding the value of the main home).
- All assessable income appropriate to the service user will be considered (
- An allowance will be made for 50% of the couple's total joint basic household expenditure;
- The basic level of Income Support or Pension Credit Guarantee will be 50% or the couple's allowance plus 25% buffer; and
- An allowance will be made for service user's proportion of disability related expenditure where they receive a Disability Related Benefit

When assessed as a couple:

- The income and savings capital for the couple will be considered. If the spouse or partner is not willing to disclose this information, the service user will be assessed as a single person;
- An allowance will be made for 100% of the couple's basic household expenditure;
- The 'basic' level of Income Support or Pension Credit Guarantee will be that of a couple;
- The couple's assessed disposable income is then halved prior to considering any individual AA or DLA awarded;
- An allowance will be made for the service user's proportion of disability related expenditure.
- Where one or both of the couple are 85 and over an additional £10 disregard will be applied for each person 85 and over.

10.11 Shared Costs

If more than one person lives in the service user's home the additional costs relating to a disability or condition will be shared between the occupants whose needs contribute to the additional costs. The cost of providing domestic assistance or gardening, if allowed, may be attributed to all the adult occupants of the service user's home.

11.0 Contribution Period

11.1 The contribution period will commence

- At the point at their assessment where the service user or representative/advocate are notified that the individual may need to make a contribution to the cost of their care and support:
- All changes or cessation of service will apply from the Monday following the change or cessation occurs.

11.2 Applying the contribution:

The contribution will be the lesser of the service user's available income or the standard cost for the received services supplied subject to the Council's minimum charge of £5.

11.3 Direct Payments

Direct payments will usually be made net of any assessed service user contribution.

12.0 Review of Financial Circumstances

All Service Users have the right to ask the Council for a review of a contribution for have been assessed if they consider that they cannot pay it.

A re-assessment may be necessary for any one of the following reasons:

- a. An annual review
- b. The Service User requests a re-assessment
- c. A change in the Service User's financial circumstances
- d. There was an error or omission (on the part of the Service User or the Council) in the financial assessment
- e. A complaint is upheld

If a Service User's financial circumstances change, they must advise the Financial Assessment Charging Team as soon as possible, as this may affect their assessed contribution. Changes, which should be notified, include:

- Receipt of a new benefit or changes to benefits.
- Changes to income or allowable expenditure
- If the Service User's capital or savings crosses one of the capital thresholds
- Changes to living arrangements (e.g. the Service User or their partner moves to a care home, the Service User moves to another residence or the number of people in the Service User's household changes)

After a Service User has told the Financial Assessment Charging Team about changes in their financial circumstances or a review is made, a new financial assessment will be completed using the new information that is provided. If the revised assessment results in an increase in the weekly contribution, the Service User will be notified of the revised contribution and it will usually be backdated to when the Service User's circumstances changed. If the revised financial assessment results in a decrease in the weekly contribution, this will usually be backdated to the date that the Service User's circumstances changed.

13.0 **Annual Review**

All contributions will be reviewed each financial year to take into account increases to state benefits and service costs. Estimated assessments will be completed based on inflationary uplifts and the Service User will be asked to confirm whether the estimate is incorrect. If no confirmation is received, the estimated charge will be applied

For other components of the financial assessment, such as occupational pension, disability related expenditure, rent and Council tax, a percentage increase linked to the Retail Price Index (RPI) will be applied.

Changes resulting from the annual increase or the application of a revised minimum guaranteed income (protected income) will apply from the date assigned to these changes. An explanation and full details of the revised assessment will be sent to the service user, who will be asked to check the figures and contact the Financial Assessment team if they believe it is not an accurate representation of their circumstances.

The Financial Assessment Team can send a financial assessment review form which the service user can use to advise the Council of any changes to their circumstances. The service user also has the option to request a visit from a member of the Financial Assessment Team to assist in completing the form or undertake a financial review in more detail.

14.0 Waivers

A waiver is a request to set aside the assessed contribution. A waiver will only be issued where the Council decides this is the best way of delivering its statutory obligations.

If the social worker believes a waiver is appropriate they should refer the matter to a Group Manager in Adult and Community Services through their line manager. When the application is received, the Group Manager will consider the information and make a decision within 20 working days.

If a waiver is applied, the waiver will be subject to annual review or reviewed as the services users financial circumstances changes.

If the decision is in favour of the original decision and no waiver is applied, the service user will be liable to for any outstanding charges.

15.0 Appeals and Complaints

Local Authority Social Services and NHS Complaints Regulations 2009, made under powers in Sections 113 to 115 of the Health and Social Care (Community Health and Standards Act) 2003.

If a Service User is dissatisfied with the way in which they have been treated during the financial assessment process, or the service that they have received, they have the right to make a complaint to the Complaints Officer. The Council has a statutory complaints procedure to ensure that Service User's views and concerns are considered, dealt with and appropriately investigated.

If the decision is turned down and the service user is still not happy with the decision, the Local Government Ombudsman can be contacted.

16.0 Debt Recovery

If the service user does not pay the charges in full or in part and the debt remains unpaid, the Council has the right to seek collection of the debt under Section 69 (2) of the Care Act 2014. . If the Council has concluded that the necessary steps are not being taken to pay the debt and the Council has taken steps resolve the situation, the Council will commence legal proceedings This may incur additional costs to the person who has entered the deferred payment agreement.

Section 70 of the Care Act also provides the local authority with the power to recover charges from a third party in circumstances where a person has deprived themselves of assets in order to reduce the care cost contribution payable.

17.0 Use of Financial Information and Privacy

Information will be collected to enable the set up of the DPA. In accordance with the Data Protection Act 1998, this information will only be shared with other relevant agencies in accordance with the data protection principles/exemptions or with the written consent of the service users or their legal representative/advocate.

18.0 Policy Review

This policy will be reviewed in March 2016 and at least annually thereafter. This policy may also be subject to review at other times in response to case law, statutory amendment and Guidance from the Department of Health or other statutory organisations.

19.0 Further information

Further information can be obtained from:

CABINET**16 February 2015**

Title: Inspection of Arrangements for Supporting School Improvement	
Report of the Corporate Director Children's Services	
Open Report	For Information
Wards Affected: Not applicable	Key Decision: No
Report Author: Jane Hargreaves (Divisional Director Education, Youth and Childcare)	Contact Details: Tel: 020 8227 2686 E-mail: jane.hargreaves@lbbd.gov.uk
Accountable Divisional Director: Jane Hargreaves, Divisional Director of Education, Youth and Childcare	
Accountable Director: Helen Jenner, Corporate Director Children's Services	
Summary	
<p>Barking and Dagenham's arrangements for supporting School Improvement were inspected by Ofsted from 24 to 28 November – the first in the country to be inspected under the revised inspection framework published November 2014.</p> <p>This report informs Cabinet of the outcomes. The draft letter has been received from Ofsted and comments have been sent to Ofsted by the Director of Children's Services. A copy of the final letter from Ofsted will be circulated once it has been published.</p>	
Recommendation(s)	
The Cabinet is recommended to note the contents of the inspection report.	
Reason(s)	
This report provides Cabinet with an external judgment of the impact and effectiveness of the Council's arrangements for School Improvement.	

1. Introduction and Background

- 1.1 Barking and Dagenham's arrangements for supporting School Improvement were inspected by Ofsted in November 2014 under the Education and Inspection Act 2006. It was the first to be inspected under the revised November 2014 Framework. The revised Framework removes the single effective/ineffective judgment and replaces it with a narrative of evaluative comments under nine areas as set out in the inspection Framework and Handbook documents (see links under Public Background Papers).
- 1.2 Inspections are targeted based on Ofsted risk assessments. The reasons given verbally for the inspection concerned Ofsted performance, mainly below average

proportion of good and outstanding primary schools in July 2014 and progress in reading and writing KS1 to KS2 and in maths KS2 – KS4; plus local intelligence.

- 1.3 Her Majesty's Inspector (HMI) reported that of the fifteen inspections carried out since May 2013 only two local authorities had been found effective to date.
- 1.4 The report is published in the form of a letter to the Director of Children's Services with recommendations for action.

2. Process and Consultation with Schools

- 2.1 The inspection was in two parts – Week One – where three schools were inspected and additional questions asked about the local authority, and telephone calls to five good or outstanding schools to gather views on local authority performance and how the strengths of schools were being used.
- 2.2 The second week, based at Barking Town Hall covered interviews and scrutiny of documentation and data. Around 90 people were interviewed including 46 heads and governors and 5 elected Members; 35 schools were represented.
- 2.3 The focus of the evidence gathering judged what difference the local authority is making to outcomes in all schools and how effectively the local authority knows all schools as it acts as champion for all our children and young people.
- 2.4 Current themes high on the agenda are:
 - How the curriculum and spiritual, moral, social and cultural provision contributes to pupils' understanding of British values;
 - How effectively the LA follows up complaints relating to pupils' safety;
 - How actively and effectively the LA is brokering partnerships and school to school support.

3. Main Findings and Recommendations

- 3.1 The lead HMI was clear that if inspected under the previous framework arrangements would have been judged effective. The outcome letter will be circulated when published by Ofsted.
- 3.2 As is normal practice after any inspection, the local authority will draw up an action plan to address the recommendations. This will be shared with elected members, headteachers and governing bodies. As the draft outcome letter was received later than expected, there was insufficient time to submit the plan alongside the letter to meet Cabinet deadlines.
- 3.3 This report supports the priorities and direction of the Borough's Education Strategy with its two overarching objectives:
 - A place in a good or outstanding school or early years setting for every child or young person
 - Exceeding national standards and then London standards

- 3.4 It recognises the strength of the partnership between schools and the local authority and the shared drive to continue to improve outcomes for all our children and young people through the challenge and support we provide for each other.
- 3.5 The School Improvement Service welcomes the report and its findings and will include progress against recommendations in its annual report to Cabinet.

4. Financial Implications

Implications completed by Patricia Harvey (Group Manager Children's Services Finance)

- 4.1 There are no specific financial implications associated with the School Improvement Inspection that was undertaken in November 2014 by Ofsted. The local authority's action plan and recommendations will be addressed from existing resources.

5. Legal Implications

Implications completed by Lucinda Bell, Education Lawyer, for Fiona Taylor (Head of Legal and Democratic Services)

- 5.1 This is an updating report for Cabinet and its contents are to be noted only. No decision is required. The Authority is under a duty imposed by s13A of the Education Act 1996 to promote high standards and fulfilment of potential of children and young people in its area. HMCI may inspect an Authority's education function at an time under section 136(1)(b) of the Education and Inspections Act 2006. The inspection includes schools maintained by the Authority and those that are not so maintained.

6. Other Implications

- 6.1 **Risk Management** - Councils where School Improvement arrangements are deemed ineffective are subject to enhanced monitoring and inspection from Ofsted. This is not the case in Barking and Dagenham.
- 6.2 **Staffing Issues** - The inspection confirms the expertise and impact of the small core of school improvement staff and the quality of work they do in local schools.
- 6.3 **Corporate Policy and Customer Impact** - Narrowing the gap in attainment and ensuring that every child realises their potential is a key part of the Council's vision. In particular, this is addressed under both the encouraging civic pride and the social responsibility priorities. Strengthening school partnerships is also a priority project identified in the Corporate Delivery Plan.

This report endorses the priorities and direction of travel set out the Education Strategy approved by Cabinet in November 2014. The recommendations from the report will be used to help the Council to meet its objectives for Children and Young People.

- 6.4 **Safeguarding Children** - Whilst not a safeguarding inspection, the inspection followed up the LA handling of complaints as part of the process and evidence base.
- 6.5 **Health Issues** - Local authority support for promoting health and healthy life styles was considered as part of the evidence base used in forming the overall judgments.
- 6.6 **Crime and Disorder Issues** - LA support for pupils' spiritual, moral, social and cultural development was considered as part of the evidence base used in forming the overall judgments.

Public Background Papers Used in the Preparation of the Report:

- Framework for the Inspection of Local Authority Arrangements for Supporting School Improvement November 2014
<https://www.gov.uk/government/publications/framework-for-the-inspection-of-local-authority-arrangements-for-supporting-school-improvement--2>
- Handbook for the Inspection of Local Authority Arrangements for Supporting School Improvement November 2014
<https://www.gov.uk/government/publications/handbook-for-the-inspection-of-local-authority-arrangements-for-supporting-school-improvement--2>

List of appendices:

- **Appendix 1** - Inspection of LBBD Arrangements for Supporting School Improvement Outcome Letter – **to be circulated when published**

Cabinet

16 February 2015

Title: Debt Management Performance and Write-Offs 2014/15 (Quarter 3)	
Report of the Cabinet Member for Finance	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Steve Cooper, Head of Revenues	Contact Details: Tel: 07972003726 E-mail: steve.cooper@elevateeastlondon.co.uk
Accountable Director: Jonathan Bunt, Chief Finance Officer	
<p>Summary</p> <p>This report sets out the performance of the Council's partner, Elevate East London, in carrying out the debt management function on behalf of the Council and covers the third quarter of the year 2014/15. It also includes details of debt written off in accordance with the write off policy approved by Cabinet on 18 October 2011.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Note the contents of this report as it relates to the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of enforcement agents; and (ii) Note the debt write-offs for the third quarter of 2014/15 and that a number of these debts will be published in accordance with the policy agreed by Cabinet. 	
<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 good financial practice and adherence to the Council's Financial Rules to report on debt management performance and total debt write-off each quarter.</p>	

1. Introduction and Background

- 1.1 The Council's Revenues, Benefits, General Income and Rents Service is operated by the Council's joint venture company, Elevate East London LLP (Elevate). The service is responsible for the management of the Council's debt falling due by way of statutory levies and chargeable services. Debts not collected by Elevate are not included in this report such as parking and road traffic debt prior to warrants being granted, hostel and private sector leasing debt.
- 1.2 This report sets out the performance for the third quarter of the 2014/15 municipal and financial year and covers the overall progress of each element of the service since April 2014. In addition it summarises the debts that have been agreed for write off in accordance with the Council's Financial Rules. All write offs are processed in accordance with the Council's debt management policy agreed on 18 October 2011.

2. Performance and Issues

- 2.1 Set out in table 1 below is the performance for quarter three of 2014/15 achieved for the main areas of debt managed by Elevate.

Table 1: Collection Rate Performance – 2014-15 Quarter 3

Type of Debt	Annual Target	Target for Quarter 3	Performance	Variance	Actual collected £m
Council Tax	94.0%	81.3%	81.4%	+0.1%	47.196
NNDR	98.1%	81.7%	81.3%	-0.4%	49.028
Rent	97.20%	96.50%	96.51%	+0.01%	72.899
Leaseholders	97.50%	73.95%	76.76%	+2.81%	2.836
General Income	95.0%	80.00%	89.63%	+9.63%	62.277

Council Tax collection performance

- 2.2 Council Tax collection at the end of the third quarter was 0.1% above the target. Collection of Council Tax, from those in receipt of Council Tax Support (CTS) and with a sum to pay, so far this year stands at 69.3%. The Council has adopted the same CTS Scheme for 2014/15 as it administered in 2013/14 meaning that the calculation for any working age claimant is based upon 85% of the relevant Council Tax liability. The Council also adopted the following discretionary areas within the CTS Scheme:
- i. The ability to backdate working age claims to a maximum of three months.
 - ii. To disregard war widows and war disablement pension income.
 - iii. To adopt the extended payment scheme and align it with the main Housing Benefit scheme

Council Tax Arrears

- 2.3 By the end of the third quarter of 2014/15 £1,292,133 had been collected for previous years' arrears. The target is to collect £1.5m of arrears by 31 March 2015.
- 2.4 The collection of Council Tax arrears outstanding at the end of each financial year continues over subsequent years. The table below shows the percentage of collection since 2009/10. The charge year figure below is the in-year collection rate achieved by 31 March of each year.

Table 2: Council Tax Arrears Collection

As at 31 March 2014					
Council tax collection (percentage)					
Year	Charge year	Year 1	Year 2	Year 3	Year 4
2009/10	92.9	95.0	95.7	96.1	96.4
2010/11	92.9	95.0	95.6	96.0	
2011/12	94.1	95.7	96.3		
2012/13	94.6	96.2			
2013/14	94.1				

- 2.5 There has been an increase of 3.50% in collection between 2009/10 and 2013/14. This compares favourably to other similar London authorities. For example collection in Lambeth increased by only 1% during the same period and in Greenwich by 4.2%.

Changes and improvements

- 2.6 Enforcement action has been continued against those with arrears from 2013/14 and earlier years. Where appropriate, attachments to earnings or benefit are applied to a debtor's account. These are identified via a segmentation process which identifies those debtors receiving benefit or where we hold employers details prior to referral to enforcement agent action. This minimises the cases that are referred to the enforcement agent.
- 2.7 The payment arrangement procedure ensures that those requiring more time to pay are managed appropriately. Those that fail to adhere to the terms of the arrangement are quickly identified and recovery action is continued.

Business Rates (NNDR) collection performance

- 2.8 The NNDR collection rate at the end of the third quarter was 81.3%, which was 0.4% below the profile target. The annual target for 2014/15 is 98.1% compared to 97.57% in 2013/14. This increase in target reflects both the peer group performance and the additional investment in resources the Council has made in the NNDR team within Elevate.
- 2.9 The financial climate continues to have a detrimental effect upon businesses within the Borough making collection of Business Rates increasingly challenging.

- 2.10 Ratepayers are contacted as soon as they fall behind with payments in order to try and stop them slipping further into arrears and therefore avoid recovery action and additional costs.
- 2.11 Where recovery is required, debts are now being placed with two enforcement agents compared to only one in 2013/14. A third enforcement agent will also be used to try and effect recovery should the first placement of debts be unsuccessful.
- 2.12 Rates avoidance activity by certain companies is affecting the collection rate. The perception is that companies are exploiting loopholes in current legislation and in 2014/15, £420,000 of debt has already been identified as being uncollectable. These companies are claiming that empty properties that they own are being let for short periods of time and then vacated again, allowing them to claim empty exemptions. The government has recently conducted a survey of local authorities regarding this matter which LBBB has responded to and it is hoped that legislation will be amended to close this loophole. In the mean time Elevate is visiting empty properties on a regular basis so that evidence of avoidance can be obtained and the correct company be held liable. Elevate are also consulting specialised Business Rates solicitors to ascertain the feasibility of taking further legal action.
- 2.13 £220,000 of 2014/15 debt is also uncollectable due to companies being dissolved or going into liquidation. Between these and the rates avoidance cases over 1% of the current years debt is now identified as uncollectable.

Rent collection performance

- 2.14 At the end of the third quarter collection reached 96.51% exceeding the profile target of 96.50.
- 2.15 During the third quarter of 2014/15 various actions have been taken to improve performance in rent collection:
- i. The recovery processes have been improved to ensure that avoidable arrears are minimised with the procedures agreed between the Council and Elevate having been revised to prevent further arrears.
 - ii. Work has continued ensuring that new staff in the contact centre have been trained on rents so that they can ensure that callers are fully advised on their obligation to put rent payment first.
 - iii. Elevate has linked with the Job Shop and all early stage arrears letters now carry the details about how to get advice on obtaining employment or improving employment.

Reside collection performance

- 2.16 In addition to collecting for the Council tenancies, Elevate also collect the rent for the Barking & Dagenham Reside portfolio on behalf of the Reside Board. In the last quarter, the portfolio became fully let and the total value of the collectable debt increased. A number of issues in relation to the tenancies, which inhibited the ability to pursue debts, were resolved late into the quarter. This means that recovery action has now escalated to the service of legal notices and County Court hearing dates in order to bring about evictions. Collection has improved since Notices were able to be served and it is anticipated that this will result in improved rent collection performance through the rest of the financial year. At the end of the third quarter collection had reached 96.90%.

Leaseholders' debt collection performance

- 2.17 The leasehold collection target for 2014/15 is 97.5%, an increase of 5.7% on the 2013/14 target and reflective of previous strong collection performance. At the end of the third quarter collection reached 76.76%, which is 2.81% above profile target. Elevate has achieved this ongoing improvement by maintaining a rigorous recovery timetable throughout the year ensuring late payers are consistently reminded to pay as early as possible.

General Income collection performance

- 2.18 General Income is used to describe the ancillary sources of income available to the Council which support the cost of local service provision. Examples of areas from which the Council derives income collected by Elevate include: social care charges; rechargeable works for housing; nursery fees; trade refuse; hire of halls and football pitches. The Oracle financial system is used for the billing and collection of these debts and is also used to measure the performance of Elevate for its activities across all lines.
- 2.19 The collection target for 2014/15 is set at 95.00%. The target for the end of the third quarter was 80% and collection reached 89.63%. It should be noted that monthly targets are based upon trends in previous years.

Arrangements for residents to pay larger debts

- 2.20 In November, the Council reviewed its fees and charges and this included increasing the cost of some services such as the installation of dropped kerbs. At that meeting, clarification was sought on the ability for residents to pay on arrangements.
- 2.21 The Council does agree payment arrangements with residents depending on a number of factors. As an illustration, in the case where a resident requests a drop kerb to be installed at a cost of approximately £1,000, the Council's standard position, as it is for all general income debts is that payment in full would normally be required. However, the circumstances of the resident will always be taken into account along with the value of the debt and residents are advised to contact the Council as early as possible to identify potential options. For a typical arrangement, the average period of time provided for full payment would be three to six months with up to nine months where hardship or other extenuating circumstances are encountered. It is difficult to be very prescriptive on terms due to the individual nature of both the resident and the debt.
- 2.22 It is important to clarify that the Council does not provide a universal offer to pay in instalments to residents on any type of debt in order to protect its cashflow. It is also only seeking to promote this option for residents receiving specific services highlighted, e.g. dropped kerbs, and not for all debts or to businesses.

ACS Homes and ACS Residential - Collection of social care charges (home and residential)

- 2.23 The Council's Fairer Contribution Policy commenced from October 2011 and applies to home care. Residential care charges are covered by the Department of Health's *Charging for Residential Accommodation Guide* (CRAG).
- 2.24 Collection of debt for Home and Residential Care are reported separately. The agreed measure for 2014/15 is the amount collected against the in-year debt that has been invoiced.

- 2.25 Residential care debt which the Council has secured with a charging order against the client's assets, usually their property, is not included in these figures.
- 2.26 The collection rate for Home Care for the third quarter is 78.49% which is 3.49% above the profile target.
- 2.27 The collection rate for residential care debt for the third quarter is 75.66%.
- 2.28 The debt recovery process for these debts is similar to that of other debts, but with added recognition given to particular circumstances. In order to ensure that the action taken is appropriate and to maximise payments each case is considered on its own merits at each stage of the recovery process and wherever possible payment arrangements are agreed. In addition a further financial reassessment of a client's contribution is undertaken where there is extraordinary expenditure associated with the care of the service user.

Environment: Penalty Charge Notices

- 2.29 This recovery work only includes debts due to Penalty Charge Notices (PCNs) for parking, bus lane and box junction infringements once a warrant has been obtained from the Traffic Enforcement Centre (TEC). Elevate enforce these warrants through enforcement agents acting on behalf of the Council and closely monitor the performance of these companies. Overall collection rates on PCNs will be reported by Environmental and Enforcement Services (Parking Services). Performance is measured once a batch of warrants has expired, i.e. after 12 months. Since April 2014, 15 batches of warrants have expired for which the collection rate is 13.09%.
- 2.30 Effective collection of warrants is affected by how long it takes to obtain the warrant after the PCN is issued. On average during 2013/14 it took 227 days (7 months) to obtain warrants. The Enforcement Agents propensity to pay analysis of warrants rates most of them either 'poor' or 'hopeless'.

Housing Benefit Overpayments

- 2.31 For the third quarter of 2014/15 collection totalled £2.646m. This is £58,000 above the profile target.
- 2.32 During the third quarter the government initiated a process known as Real Time Information (RTI) by which HMRC data available to the DWP has been shared with local authorities. This has resulted in approximately £1m in additional overpayments being raised in November and December.

Enforcement Agent (Bailiff) Performance

- 2.33 Enforcement agent action is a key tool for the Council to recover overdue debts but is only one area of collection work. The start of a local Council Tax Support (CTS) scheme in 2013/14 meant around 13,000 additional households became liable to pay Council Tax. The additional debt recovery action seen in 2013/14 as a result of CTS has been repeated so far during 2014/15. This is not a static group as residents move in and out of work. Elevate's ability to collect sums due on behalf of the Council continues to be made progressively harder as welfare reforms take effect alongside the cumulative yearly effect of CTS on arrears leading to residents overall indebtedness increasing.
- 2.34 Information on the performance of the enforcement agents is set out in the table below by type of debt for 2014/15. It should be noted the debt recovery process for in year collection does not reach the stage of enforcement action generally for Council Tax and Commercial Rent until late in the second quarter. We would

therefore expect to see the improvement from the last report continued into the fourth quarter.

Table 3: Enforcement Agent Collection Rates – 2014-15 Quarter 3

Service	Value sent to enforcement agents £	Total collected by enforcement agents £	Collection rate
Council Tax	5,775,301	366,913	6.35%
NNDR	1,457,591	295,534	20.3%
Commercial rent	0.00	0.00	NA
General Income	25,574	9557	37.0%

Arrears and Debt Write-off: Quarter 3 2014/15

2.35 At the end of the third quarter across all lines of debt the total amount of arrears outstanding was £38.6m compared to £43.7m at the start of the financial year. Housing benefit overpayments arrears have increased because of the RTI government initiative described in 2.32. Other areas of debt require tracing to establish current whereabouts and processing for write off.

2.36 A comparison of arrears outstanding at the start of the financial year and the end of the third quarter is provided below:

Table 4: Arrears Comparison Figures – 2014-15 Quarter 3

Debt value at date	Council Tax	NNDR	General Income	HBOP	Rents: Former Tenant	Leasehold	Rents: Current Tenants	Total
1/4/14	£18m	£4m	£2.5m	£11m	£2m	£2.20m	£4.0m	£43.7m
31/12/14	£16.4	£3.8m	£0.85m	£11.5	£1.8m	£0.85	£3.4m	38.6m

2.37 All debt recommended for write off is administered within the Council's policy. The authority to write off debts remains with the Council. The value of debt recommended to the Chief Finance Officer and subsequently approved for write off during the third quarter of 2014/15 totalled: £85,569. This is lower than in quarter two as no Business Rates or Former Tenant write-offs took place due to resources being concentrated on collecting recoverable debts. The value and number of cases written off in quarter three is provided in Appendix A.

2.38 227 debts were written off in quarter three for which the reasons are set out below. The percentage relates to the proportion of write offs by value:

Table 5: Write Off Numbers – 2014-15 Quarter 3

Absconded/not traced	Uneconomic to pursue	Debtor Insolvent	Deceased	Other reasons
63 (27.8%)	91 (40.1%)	4 (1.8%)	26 (11.5%)	43 (18.9%)

(The 'other reasons' category includes examples such as: where the debt liability is removed by the Court or the debtor is living outside the jurisdiction of the English Courts and is unlikely to return).

- 2.39 The figures in Appendix B show the total write-offs for 2011/12, 2012/13 and 2013/14 and so far for 2014/15.

Publication of individual details of debts written off (Appendix C)

- 2.40 In line with Council policy established in 2007, due to the difficulties of finding absconding debtors, a list showing the details of some debtors who have had debts written off is attached to this report at Appendix C. The list has been limited to the ten largest debts only and can be used in the public domain.

3. Financial Implications

Implications completed by: Carl Tomlinson, Group Finance Manager

- 3.1 Collecting all sums due is critical to the Council's ability to function. In view of this, monitoring performance is a key part of the monthly meetings with Elevate.
- 3.2 The monthly meetings between Elevate and the Council focus on the areas where the targets are not being achieved and discuss other possibilities to improve collection.
- 3.3 As at the end of quarter three 2014/15, Elevate are exceeding collection targets for the majority of debt types with NNDR 0.4% behind target. The Council has written off debts of £85,569 in quarter three bringing cumulative write-offs year to date to £1,460,457, with the majority of write offs attributable to business rates and former tenant arrears. Maximising income collection is essential for the council and the pursuit of newer collectable debts before they become older uncollectable debts is key to this. It is important that bad debts are written off promptly for budgeting purposes so the Council can maintain appropriate bad debt provision.
- 3.4 The Council has initiated two projects to review previously written off debt to identify if any is now recoverable. Both exercises are on a 'no collection, no fee' basis with any monies collected shared between the Council and the collecting partner.

4. Legal Implications

Implications completed by: Paul Feild, Senior Governance Lawyer

- 4.1 Monies owed to the Council in the form of debts are a form of asset that is the prospect of a payment sometime in the future. The decision not to pursue a debt carries a cost and so a decision not to pursue a debt is not taken lightly.
- 4.2 The Council holds a fiduciary duty to the ratepayers and the government to make sure money is spent wisely and to recover debts owed to it. If requests for payment are not complied with then the Council seeks to recover money owed to it by way of court action once all other options are exhausted. While a consistent message that the Council is not a soft touch is sent out with Court actions there can come a time where a pragmatic approach has to be taken with debts as on occasion they are uneconomical to recover in terms of the cost of process and the means of the

debtor to pay. The maxim *no good throwing good money after bad* applies. In the case of rent arrears, the court proceedings will be for a possession and money judgement for arrears. However a possession order and subsequent eviction order is a discretionary remedy and the courts will more often than not suspend the possession order on condition the tenant makes a contribution to their arrears.

- 4.3 Whilst the recent use of Introductory Tenancies as a form of trial tenancy may have some impact as only those tenants with a satisfactory rent payment history can expect to be offered a secure tenancy, the best approach is to maintain a dialogue with tenants and highlight the importance that payment of rent and Council tax ought to be considered as priority debts rather than credit loans as without a roof over their heads it will be very difficult to access support and employment.
- 4.4 The decision to write off debts has been delegated to Chief Officers who must have regard to the Financial Rules.

5. Other Implications

- 5.1 **Risk Management** - No specific implications save that this report acts as an early warning system to any problems in the area of write offs.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

Appendix A – Debt Write Off Table for Quarters 1 2 and 3 for 2014/15.

Appendix B – Total debts written off in 2011/12, 2012/13, 2013/14 and 2014/15.

Appendix C – Ten Largest Debts Written Off in Quarter 3, 2014/15

This page is intentionally left blank

Table 1: Debts Written Off during Qtr 1 2014/15

Write-offs		Housing Benefits	General Income Debts	Former Tenant Arrears	Rents	Council Tax	NNDR	TOTAL
Apr-14	Under 2k	5,683	3,502	0	0	0	0	9,185
	Over 2k	0	0	0	0	68,034	0	68,034
	Over 10k	0	0	0	0	0	0	0
	Total	5,683	3,502	0	0	68,034	0	77,219
May-14	Under 2k	5,357	338	27,505	0	0	0	33,200
	Over 2k	6,924	4,991	0	0	0	0	11,915
	Over 10k	0	0	0	0	0	0	0
	Total	12,281	5,329	27,505	0	0	0	45,115
Jun-14	Under 2k	24,839	17,317	121,487	211	0	0	163,854
	Over 2k	3,483	0	0	0	0	0	3,483
	Over 10k	0	0	0	0	0	0	0
	Total	28,322	17,317	121,487	211	0	0	167,337
Quarter 1 Totals		46,286	26,148	148,992	211	68,034	0	289,671

Table 2: Debts Written Off during Qtr 2 2014/15

Write-offs		Housing Benefits	General Income Debts	Former Tenant Arrears	Rents	Council Tax	NNDR	TOTAL
Jul-14	Under 2k	36,615	1,331	38,583	201	21,835		98,565
	Over 2k	51,981	0	0	0	0		51,981
	Over 10k	22,544	11,227	0	0	0	337,986	371,757
	Total	111,140	12,558	38,583	201	21,835	337,986	522,303
Aug-14	Under 2k	6,354	1,593	15,141	0	0	0	23,088
	Over 2k	0	0	0	0	0	0	0
	Over 10k	0	0	0	0	0	0	0
	Total	6,354	1,593	15,141	0	0	0	23,088
Sep-14	Under 2k	56,321	532	10,157	1,400	0	0	68,410
	Over 2k	9,842	2,944	256,086	0	0	179,215	448,087
	Over 10k	0	0	23,329	0	0	0	23,329
	Total	66,163	3,476	289,572	1,400	0	179,215	539,826
Quarter 2 Totals		183,657	17,627	343,296	1,601	21,835	517,201	1,085,217

Table 3: Debts Written Off during Qtr 3 2014/15

Write-offs		Housing Benefits	General Income Debts	Former Tenant Arrears	Rents	Council Tax	NNDR	TOTAL
Oct-14	Under 2k	15,110	664	0	0	0	0	15,774
	Over 2k	0	0	0	0	0	0	0
	Over 10k	0	0	0	0	0	0	0
	Total	15,110	664	0	0	0	0	15,774
Nov-14	Under 2k	9,228	1,922	0	0	23,235	0	34,385
	Over 2k	0	0	0	0	0	0	0
	Over 10k	0	0	0	0	0	0	0
	Total	9,228	1,922	0	0	23,235	0	34,385
Dec-14	Under 2k	7,307	3,532	0	0	24,571	0	35,410
	Over 2k	0	0	0	0	0	0	0
	Over 10k	0	0	0	0	0	0	0
	Total	7,307	3,532	0	0	24,571	0	35,410
Quarter 3 Totals		31,645	6,118	0	0	47,806	0	85,569

COUNT

		Write-offs	Housing Benefits	General Income Debts	Former Tenant Arrears	Rents	Council Tax	NNDR	TOTAL
Oct-14	Under 2k	52	5	0	0	0	0	0	57
	Over 2k	0	0	0	0	0	0	0	0
	Over 10k	0	0	0	0	0	0	0	0
	Total	52	5	0	0	0	0	0	57
Nov-14	Under 2k	36	5	0	0	45	0	0	86
	Over 2k	0	0	0	0	0	0	0	0
	Over 10k	0	0	0	0	0	0	0	0
	Total	36	5	0	0	45	0	0	86
Dec-14	Under 2k	29	5	0	0	50	0	0	84
	Over 2k	0	0	0	0	0	0	0	0
	Over 10k	0	0	0	0	0	0	0	0
	Total	29	5	0	0	50	0	0	84
Quarter 3 Totals			117	15	0	0	95	0	227

Table 2: Debts written off during 2011/12

Write Offs	Housing Benefits	General Income Debts	Former Tenant Arrears	Rents	Council Tax	NNDR	TOTAL
2011/12 Totals	£260,487	£145,284	£987,383	£2,808	£205,789	£772,683	£2,374,434

Table 3: Debts written off during 2012/13

Write Offs	Housing Benefits	General Income Debts	Former Tenant Arrears	Rents	Council Tax	NNDR	TOTAL
2012/13 Totals	£110,876	£141,896	£886,890	£23,360	£1,015,408	£569,842	£2,748,272

Table 4: Debts written off during 2013/14

Write Offs	Housing Benefits	General Income Debts	Former Tenant Arrears	Rents	Council Tax	NNDR	TOTAL
2013/14 Totals	£141,147	£256,804	£806,989	£8,681	£80,755	£221,380	£1,515,756

Table 5: Debts written off during 2014/15 Quarters 1 - 3

Write Offs	Housing Benefits	General Income Debts	Former Tenant Arrears	Rents	Council Tax	NNDR	TOTAL
2014-15 Totals	£261,588	£49,893	£492,288	£1,812	£137,675	£517,201	£1,460,457

This page is intentionally left blank

APPENDIX C

NAME	AMOUNT	DEPARTMENT	REASON
Mr Mohamed Jamal Dahir	1,504.37	CTAX	Liability period was from 25 th March 2011 to 4 th July 2012. No payments were made during the period of occupation. Recovery action was taken and the account sent to bailiffs but they were unable to recover. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.
Mr David Williams	£1,435.08	CTAX	Liability period was from 24 th December 2011 to 8 th September 2013. No payments were made during the period of occupation. Recovery action was taken and the account sent to bailiffs but they were unable to recover. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.
Mr Nicholas Fearon	£1,413.33	CTAX	Liability period was from 17 th June 2011 to 11 th July 2012. No payments were made during the period of occupation. Recovery action was taken and the account sent to bailiffs but they were unable to recover. Potential employers details were found and we tried to contact the employer but they did not acknowledge or respond to our letter. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.
Mr and Mrs Oshumtoki	£1,391.44	CTAX	Liability period was from 26 th March 2012 to 1 st June 2013. No payments were made during the period of occupation. Recovery action was taken and the account sent to bailiffs but they were unable to make contact with the debtors. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtors have absconded the debt has been passed for write off.
Mr Abiodun Ajayi	£1,295.11	CTAX	Liability period was from 7 th October 2011 to 12 th November 2012. No payments were made during the period of occupation. Recovery action was taken and the account sent to bailiffs but they were unable to

			<p>make contact with the debtor. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.</p>
Mr Plesca Ruslan	£1,295.00	CTAX	<p>Liability period was from 15th February 2012 to 8th May 2013. Recovery action was taken and the account sent to bailiffs but they were unable to make contact with the debtor. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.</p>
Mr Shadak Zaman	£1,287.07	CTAX	<p>Liability period was from 28th February 2011 to 13th January 2013. Recovery action was taken and the account sent to bailiffs but they were unable to make contact with the debtor. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.</p>
Deji Ademiji	£1,182.52	CTAX	<p>Liability period was from 1st March 2012 to 3rd March 2013. No payments were made during the period of occupation. Recovery action was taken and the account sent to bailiffs but they were unable to make contact with the debtor. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.</p>
Miss Samira Omar Sufi	£1,090.85	CTAX	<p>Liability period was from 11th March 2011 to 2nd April 2012. No payments were made during the period of occupation. Recovery action was taken and the account sent to bailiffs but they were unable to make contact with the debtor. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.</p>
Mrs Angela Rigby	£1,041.40	CTAX	<p>Liability period was from 2nd June 2006 to 31st October 2012. Recovery action was taken and the account sent to bailiffs but they were unable to make contact with the debtor. The debtor left without providing a forwarding address. Extensive searches were carried out but no forwarding address could be found. As the debtor has absconded the debt has been passed for write off.</p>

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank