

ASSEMBLY

Wednesday, 1 March 2006

Open Reports

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THE ASSEMBLY

1 MARCH 2006

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

This report is submitted under Agenda Item 3(b). The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

Title: Update on Outstanding Petitions		For Information
<p>Summary:</p> <p>This report provides an update on four petitions that have been received by the Council and are due to be presented to the Assembly in due course. This report is being submitted in order that Members be kept informed of the current position and progress in respect of each petition.</p> <p>Wards Affected: Abbey, Chadwell Heath, Eastbrook, Longbridge</p>		
<p>Contact Officer: Barry Ray</p>	<p>Title: Democratic Services Officer</p>	<p>Contact Details: Tel: 020 8227 2134 Fax: 020 8227 2171 E-mail: barry.ray@lbbd.gov.uk</p>

1. Introduction and Background

- 1.1 The Council's Constitution (Part B, Article 2, Paragraph 17 – Procedure for Petitions) states that all petitions containing signatures from 50 or more separate addresses will be reported to the Assembly.
- 1.2 The following four petitions have been received and the relevant lead officers are progressing with these in accordance with the Procedure for Petitions. A more detailed report summing up the actions taken in respect of each petition will be submitted to the Assembly in due course.

2. Petition regarding a request for speed restrictions in Rush Green and Dagenham Road (Eastbrook Ward)

- 2.1 This petition expresses concerns that speeding vehicles in the Rush Green area and in particular Dagenham Road were travelling in excess of the required speed limit. On a number of occasions speeding vehicles has led to wildlife, including foxes, being killed.
- 2.2 Officers will be arranging a meeting with the lead petitioner regarding her request to introduce speed humps in Dagenham Road to reduce the potential hazard to local wild life. Council policy will not allow speed humps to be introduced on bus routes, however other measures may be appropriate. Generally the Council prioritises road safety schemes in relation to road safety accidents, however information provided by the petitioners will be considered and a report brought before the Assembly in due course.

3. Petition against the Installation of a One Way System on the Leftley Estate, Barking (Longbridge Ward)

- 3.1 This petition on behalf of residents on the Leftley Estate in Barking objects to a planned one way system.
- 3.2 The experimental scheme has now been in place for sufficient time for the Council to consider whether the scheme should be modified, removed or implemented in a final form. Traffic survey data is available regarding the impact that the scheme has had on traffic movement and a meeting has been held with lead petitioners and Ward Members with an acceptance to recommend the removal of the one way system in Stratton Drive and Woodbridge Road while leaving Cavendish Gardens, between Stratton Drive and Beccles Drive, and the service road behind the shops as one way.
- 3.3 A full report will be presented to the Assembly in due course with details of the changes to traffic flow and recommendations to implement the scheme as referred to above as a final proposal with recommendations to prepare formal Traffic Management Orders. If accepted by the Assembly, the temporary traffic management arrangements will be made permanent in the appropriate roads and one way signs and markings removed where necessary.

4. Petition regarding a request for a Community Centre (Abbey Ward)

- 4.1 This petition from the Barking and Dagenham Punjabi Welfare Association seeks accommodation for a community centre to be incorporated into the regeneration of the Linton Road area in Barking.
- 4.2 The petition also asks the Council to consider erecting a statue of Elizabeth Fry in the Quaker's burial grounds in Barking.
- 4.2 The petition has been put on hold pending related legal proceedings.

5. Petition for a Safer Crossing Area – Mill Lane, Chadwell Heath (Chadwell Heath Ward)

- 5.1 This petition on behalf of parents of school age children requests a designated crossing in Mill Lane at the Whalebone Lane end. The petition also raises concern regarding the chicanes in Mill Lane at the junction of Ashton Gardens.
- 5.2 The Road Safety Service have held an informal meeting with the lead petitioner in order to fully appreciate the concerns of the signatories to the petition. A meeting is being arranged with the Ward Members and lead petitioners to consider their request for a safer crossing area in Mill Lane.
- 5.3 Ward Members have previously raised their concerns at the nature of the traffic calming features in Mill Lane and this will provide an opportunity to consider alternatives. In recent weeks, a number of residents of Kelly Way have contacted the Highway Services with regard to a chicane near to their road and it is intended that all of these issues can be considered together and reported in due course to the Assembly.

6. Council's Constitution

- 6.1 An administrative change has been made to the Council's Constitution under delegated authority to the Corporate Director of Resources in consultation with the Chief Executive. All petitions which contain signatures from 50 or more separate households will now be reported to the Assembly within 2 months of receipt. Where it is not possible to resolve the issues contained in the petition within 2 months then a holding report will be presented to the Assembly.

Background Papers Used in the Preparation of the Report:

- Council Constitution (Part B, Article 2)
- Petition regarding a request for speed restrictions in Rush Green and Dagenham Road
- Petition against the Installation of a One Way System on the Leftley Estate, Barking
- Petition regarding a request for a Community Centre
- Petition for a Safer Crossing Area – Mill Lane, Chadwell Heath

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THE ASSEMBLY

1 MARCH 2006

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

This report is submitted under Agenda Item 3(c). The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

Title: Petition Regarding Anti Social Behaviour in Margaret Bondfield Avenue	For Information
<p>Summary:</p> <p>A petition with 100 signatures was received asking for the council to combat anti social behaviour (ASB) including youth nuisance, intimidating behaviour from youths, harassment and vandalism within the Margaret Bondfield Estate. Specific reference was made to the lack of police response to incidents of serious ASB.</p> <p>Officers have met with the Lead Petitioner, residents of the area and Councillor Mrs Challis. An action plan to address their issues was agreed and is currently being implemented. Some housing management improvements have already been delivered.</p> <p>The report details the background, the work that has already been undertaken by various teams working in partnership with one another, and work that is planned for the imminent future for Members information and in response to the petition.</p> <p>Wards Affected: Eastbury Ward</p>	
<p>Implications:</p> <p>Financial: None</p> <p>Legal: None</p> <p>Risk Management:</p> <p>Residents in the area are vulnerable to crime and ASB thus affecting their quality of life.</p> <p>Social Inclusion and Diversity:</p> <p>As this report does not concern a new or devised ASB policy there are no specific adverse impacts in so far as this report is concerned.</p> <p>Crime and Disorder:</p> <p>Section 17 of the Crime and Disorder Act 1998 places a responsibility on local authorities to consider the crime and disorder implications of any proposals. In relation to this report there is a direct link with crime and youth disorder. Local residents currently feel the antics and disorderly behaviour of a group of youths in the area is making the area unsafe. Residents have expressed the hope that police response to serious incidents of ASB will improve.</p>	

Recommendation / Reason		
The Assembly is asked to note the actions currently taken and the actions proposed to deal with the issues raised by the residents of Margaret Bondfield Avenue in order that the issues raised by the residents of Valence ward are dealt with satisfactorily.		
Contact Officer: Omojefe Agba	Title: Anti-Social Behaviour Co-ordinator	Contact Details: Tel: 020 8227 2268 Fax: 020 8227 5699 E-mail: omojefe.agba@lbbd.gov.uk

1. Introduction and Background

- 1.1 The Council has received a petition requesting the Council to take tough action to stop ASB affecting residents in the Margaret Bondfield Avenue area.
- 1.2 The petition states that residents in and surrounding Margaret Bondfield Avenue are experiencing increased ASB. This includes youths harassing and intimidating people and vandalising the area. They have specifically expressed concerns at:
- Lack of police response to incidents of ASB, vandalism and criminal damage
 - Youths setting fire to leaflets and grass in the area
 - Youths swearing, kicking footballs at residents windows
 - Exeter House's ineffectual lobby door
 - Underage drinking in the area
 - People urinating inside the Canterbury House block
- 1.3 Prior to this petition the ASB team has been conducting surveillance in the area following information gleaned from their patrols and resident concerns. This has included late night observations by the ASB team. As a result of these operations we have been able to identify individuals persistently causing ASB within the area.
- 1.4 In view of the issues raised a meeting was held on 14 November 2005 involving the lead petitioner, the ASB team, Police, Parks Police, Housing Services, and Councillor Challis, Eastbury Ward Councillor.
- 1.5 The lead petitioner raised concerns of criminal damage, intimidation, ASB, fear of crime and disorder, assault, arson, damage and break in to garages, and general insecurity on certain blocks such as Exeter House. A full discussion took place and the following action points were agreed:
- The names and addresses of alleged perpetrators of ASB in the area is now known to the ASB team who are conducting serious investigations to determine the extent and level of their involvement in causing ASB in the area. We are doing this through collating and speaking to witnesses and our own routine patrols in the area.
 - The ASB team to conduct operations in the area with the full co-operation and assistance of the Police
 - The Tenancy Services Housing Services Manager for the area to arrange immediate site visit to investigate security concerns around some blocks.

- A joint letter from the ASB team and the Police to be sent to all residents in the area advising of the importance of not opening the communal door to individuals who do not reside in the blocks.
- Residents advised to report any further incidents of ASB to the Police and encouraged to call Barking & Dagenham Direct.

2. Current Position

- 2.1 A great deal of work has already being carried out within the area to tackle the issues highlighted in the petition. The work has been undertaken by a number of partners working together to address the issue.
- 2.2 The Council has now investigated and determined the involvement of six youths who have been involved in ASB and have written to their parents requesting an urgent meeting to discuss concerns regarding the behaviour of their children. Of the six now identified it can be confirmed that five are owner occupiers whilst one is a Council tenant.
- 2.3 The Council has requested the deployment of the Police Disorder Bus to mount regular patrols in the area to increase coverage and improve enforcement visibility within the area.
- 2.4 The ASB investigator for the area has continued to conduct regular patrols in the area. The Council, in collaboration with the Police, continue to monitor the area with a view to ensuring that perpetrators of ASB are dealt with. This is carried out through joint working initiatives including the sharing of intelligence.
- 2.5 The ASB team and the Police have agreed to send a joint letter to all residents of the area. It emphasised to residents that the Council and Police will not tolerate acts of ASB and will seek all possible remedies to ensure that those involved are dealt with. It also calls on residents suffering from ASB to report it by contacting Barking and Dagenham Direct on 020 8215 3000 or alternatively the Police.
- 2.6 Arrangements are being made by the ASB team, Housing landlord Services and Police to meet residents in February 2006 to assess how the actions undertaken have impacted on the area.

3. Report Detail

- 3.1 The petition calls for action to be taken to address the lack of community policing, the fact that residents are in fear of going out in the evenings and the persistent drunken youths causing criminal damage to property. Paragraphs 1.5 - 2.6 details the various work that has already been undertaken in this area, with additional work planned for the imminent future.
- 3.2 All partners realise that despite the achievements already made, there is no quick answer to this problem. It will only be solved with a combination of time, commitment, resources and effort, with the continuation of partnership working proven to be far more successful than attempting to solve the problem in isolation.

3.3 At the meeting held on 14 November 2005, the Council and Police agreed that more needs to be done by being more proactive in combating ASB especially from those known for their offending behaviour. The Police urged residents to alert the Police to any further incidents of ASB.

4. Consultees

Darren Henaghan – Head of Service Health & Consumer Services
Michelle Bridge – Envirocime Manager
Ivan Hayes (Sector Inspector Metropolitan Police Barking)
Phil Evans – Tenancy Services Manager – CHP 2 & 4
Councillor Mrs Challis – Eastbury Ward

Background Papers Used in the Preparation of the Report:

- Petition from Residents of Margaret Bondfield Avenue
- Joint letter from Council and Police to Margaret Bondfield Avenue Residents

THE ASSEMBLY

1 MARCH 2006

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

This report is submitted under Agenda Item 3(d). The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

Title: Petition Regarding Anti Social Behaviour at the Tolworth Parade Shops	For Information
<p>Summary:</p> <p>A petition was received with over 100 signatures asking for the council to combat anti-social behaviour relating to youth nuisance, intimidating behaviour from youths, harassment and vandalism within and around the Tolworth Parade of shops in Chadwell Heath.</p> <p>The ASB Co-ordinator has written to the Lead Petitioner, had discussions with business owners in the area, discussions with officers in the Chadwell Heath Safer Neighbourhood Team, and residents of the area. A package of improvements including enforcement action has been put together and in many instances already been delivered.</p> <p>The report details the background, the work that has already been undertaken by various teams working in partnership with one another, and work that is planned for the imminent future for Members' information and in response to the petition.</p> <p>Wards Affected: Chadwell Heath Ward</p>	
<p>Implications:</p> <p>Financial: None</p> <p>Legal: None</p> <p>Risk Management:</p> <p>Residents and business operators in the area are vulnerable to crime and anti-social behaviour thus affecting their quality of life and business.</p> <p>Social Inclusion and Diversity:</p> <p>As this report does not concern a new or revised anti-social behaviour policy there are no specific adverse impacts in so far as this report is concerned.</p>	

Crime and Disorder:

Section 17 of the Crime and Disorder Act 1998 places a responsibility on local authorities to consider the crime and disorder implications of any proposals. In relation to this report there is a direct link with crime and youth disorder. Local residents and business operators currently feel the antics and disorderly behaviour of a group of youths in the area is making the area unsafe and business unprofitable.

Recommendation / Reason

The Assembly is asked to note details of the petition and the current position with regard to the actions already taken and the actions proposed in order that the issues raised by the residents living in and businesses operating from Tolworth parade of shops in Chadwell Heath ward are dealt with satisfactorily.

Contact Officer:

Omojefe Agba

Title:

Anti-Social Behaviour
Co-ordinator

Contact Details:

Tel: 020 8227 2268

Fax: 020 8227 5699

E-mail: omojefe.agba@lbbd.gov.uk

1. Introduction and Background

- 1.1 The Council has received a petition requesting the council to take tough action to stop anti-social behaviour impacting on the lives of residents and businesses within and around the Tolworth Parade Shops.
- 1.2 The petition states that residents living within Tolworth Parade Shops have:
 - Gangs of youths causing “mindless vandalism”, shouting abuse at residents
 - Intimidating and harassing business operators through obstructing the doors of entry to business premises
 - Causing criminal damage to private property
- 1.3 Prior to this petition being received the Anti Social Behaviour (ASB) team has had the Tolworth Parade shops and surrounding area under its investigative radar screen since October 2004. This resulted in the ASB team conducting intensive overt and covert operations in the area. As a result of our operation a number of positive outcomes have been achieved. Firstly the identification of the main ringleaders known to persistently cause anti-social behaviour in the area. The Police who we have been closely working with also knew these individuals.
- 1.4 Upon receipt of the petition an initial letter acknowledging receipt and concerns raised in letter was sent to Mrs R Watson (Lead Petitioner) dated 29 April 2005. The petition was discussed with the Chadwell Heath Safer Neighbourhood Team and a Police Sergeant conducted a home visit to the home of the lead petitioner to reassure her of how serious the concerns raised in the petition are taken. Various outcomes were agreed and actioned as detailed below:

- The ASB Team was to conduct operations in the area with the full co-operation and assistance of the Police as well as support covert operations to catch perpetrators.
- The ASB Unit co-ordinated and arranged the provision of a private security firm to disrupt youths congregating, identify perpetrators of ASB in the area from December 2004 through to the first week in January 2005.
- The Police Disorder Bus to continually patrol the area with a view to identifying more perpetrators.
- The Council's Parks Police were actioned to monitor the area during the period when young people leave school at 3.30pm through to 5.00pm to ensure that young people in the area were deterred from causing ASB on seeing high enforcement visibility.
- Covert operations were conducted in the area in February 2005. The results of this operation led to prosecutions and Anti Social Behaviour Orders (ASBO's).

1.5 A walkabout with Councillor McKenzie took place in October 2004 during which we toured and spoke to all the business operators in the area. Further discussions took place between officers and residents on a confidential basis about the problems they had endured from this group of youths.

2 Current Position

2.1 A great deal of work has already been carried out within the Tolworth Parade shops to tackle the issues highlighted in the petition. The work has been undertaken by a number of partners working together to address the issues.

2.2 Following the actions highlighted in 1.4 & 1.5 the main perpetrators have been served with Anti-Social Behaviour Orders (ASBOs). Some of the prohibitions include prohibiting the individuals identified from entering the area. Operations have identified a group known as the Marks Gate Thugs. This group is responsible for years of causing ASB. Various members of this group have been dealt various enforcement sanctions by the Councils ASB team.

2.3 Despite the Council's high profile success in the area our ASB Investigator continues to monitor the area to ensure that any potential cases are dealt with swiftly and effectively. The Chadwell Heath Safer Neighbourhood Team has also been proactive in working with us to ensure we continue to bear down on any further incidents of ASB in the area.

2.4 A further request has been placed for the Police Disorder Bus to mount regular evening patrols in the area to increase coverage and improve visibility within the area.

2.5 The Council in collaboration with the Police continue to monitor the area with a view to ensuring that perpetrators of anti-social behaviour are dealt with. This is carried out through joint working initiatives including the sharing of intelligence.

2.6 All of the individuals who have been identified as ring leaders causing ASB in the area have been served with Anti-Social Behaviour Orders. Others have been served with Acceptable Behaviour Contracts, whilst others have been referred to the Youth Offending Team who will devise programmes to engage those at risk of behaving anti-socially.

3 Report Detail

- 3.1 The petition calls for action to be taken to address the disruption to their lives and businesses. As 1.4 – 2.5 details various works has already been undertaken in this area, with additional work planned for the imminent future.
- 3.2 Regular meetings are held to discuss the problems currently being experienced in the area, improvements to the situation, and areas needing further attention. All partners realise that despite the achievements already made, there is no quick answer to this problem. It will only be solved with a combination of time, commitment, resources and effort, with the continuation of partnership working proven to be far more successful than attempting to solve the problem in isolation.
- 3.3 A meeting is to be arranged at the beginning of March to feedback to residents and Councillors on the overall issue.

4. Consultees

Geeta Subramaniam – Interim Head of Service Community Safety & Preventative Services
Harvey Cohen – Parks Police Inspector
Sergeant Fred Angove - The Metropolitan Police
Councillor Milton McKenzie – Lead Member
Councillor Miss N Smith – Chadwell Heath Ward
Councillor R Curtis – Chadwell Heath Ward
Councillor T Justice – Chadwell Heath Ward

Background papers

- Petition from Tolworth Parade Shops
- ASB Co-ordinator letter to Lead Petitioner

THE ASSEMBLY

1 MARCH 2006

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

This report is submitted under Agenda Item 3(e). The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

<p>Title: Petition Regarding Anti Social Behaviour in the Valence Ward</p>	<p>For Information</p>
<p>Summary:</p> <p>A petition was received with over 100 signatures asking for the Council to combat anti-social behaviour (ASB) relating to youth nuisance, intimidating behaviour from youths, harassment and vandalism within the Valence Ward but more especially within Valence Park. Specific reference was made to the lack of a Safer Neighbourhood Team.</p> <p>Officers have met with the Lead Petitioner, residents of the area, and Ward Members of both the area in question and the neighbouring Wards and a package of improvements has been put together and in many instances already been delivered.</p> <p>The report details the background, the work that has already been undertaken by various teams working in partnership with one another, and work that is planned for the imminent future for Members' information and in response to the petition.</p> <p>Wards Affected: Valence Ward</p>	
<p>Implications:</p> <p>Financial: None</p> <p>Legal: None</p> <p>Risk Management:</p> <p>Residents in the area are vulnerable to crime and ASB thus affecting their quality of life.</p> <p>Social Inclusion and Diversity:</p> <p>As this report does not concern a new or revised ASB policy there are no specific adverse impacts in so far as this report is concerned.</p> <p>Crime and Disorder:</p> <p>Section 17 of the Crime and Disorder Act 1998 places a responsibility on local authorities to consider the crime and disorder implications of any proposals. In relation to this report there is a direct link with crime and youth disorder. Local residents currently feel the antics and disorderly behaviour of a group of youths in the area is making the area unsafe. Residents have expressed their desire for a Safer Neighbourhood team to be introduced into their area</p>	

Recommendation / Reason		
The Assembly is asked to note the petition and the current position with regard to the action already taken and the action proposed, in order that the issues raised by the residents of Valence ward are dealt with satisfactorily.		
Contact Officer: Omojefe Agba	Title: Anti-Social Behaviour Co-ordinator	Contact Details: Tel: 020 8227 2268 Fax: 020 8227 5699 E-mail: omojefe.agba@lbbd.gov.uk

1. Introduction and Background

- 1.1 The Council has received one petition requiring the council take tough action to stop anti-social behaviour blighting the lives of residents in the Valence Ward.
- 1.2 The petition states that residents in Valence Ward have:
- complained of the lack of community policing,
 - residents are in fear of going out in the evenings
 - “drunken and drugged youths on our streets that roam about in gangs damaging cars, breaking windows and generally wrecking the place”.
- 1.3 Prior to this petition being received the ASB team has had the Valence Park and surrounding area under its investigative radar screen. This resulted in the ASB team conducting a one week intensive covert operation (August 2005) in the area. As a result of our operation a number of positive outcomes have been achieved. Firstly the identification of the main ring leaders known to persistently cause anti-social behaviour in the area. These individuals have and continue to be dealt with through various sanctions such as Acceptable Behaviour Contracts, and the issuing of fixed penalty notices for those who littered the area with rubbish. In addition one of the main perpetrators was served with an Anti Social Behaviour Order (ASBO) last year, and more recently an individual was arrested for criminal damage. This particular individual is yet to be prosecuted or charged.
- 1.4 Upon receipt of the petition an initial meeting was organised and attended by resident representatives and Councillors on 13 September 2005. Various outcomes were agreed and actioned as detailed below:
- The ASB team was to conduct operations in the area with the full co-operation and assistance of the Police.
 - The Police Disorder Bus was to operate in the area.
 - Parks Police were to ensure Valence Park is closed at 10.30 pm every night
 - To promote and encourage the setting up of diversionary activity in the area. One such example is Give Um A Chance (mothers running a youth club in Marks Gate).

- 1.5 A further meeting was organised for neighbouring Ward Councillors on 14 November 2005. The meeting was called to discuss whether neighbouring Wards suffered similar problems, what had been achieved to date and whether a joint approach between Wards could assist in dealing with the matter.
- 1.6 At the meeting on 14 November it was noted that other neighbouring Wards suffer from similar problems as to those in Valence Ward, therefore a joint approach was required to tackle the problem.
- 1.7 A further meeting was held with residents and councillors on 10 January 2006 to feedback on the current position and to ascertain and agree with all concerned the way forward.

2 Current Position

- 2.1 A great deal of work has already been carried out within the Valence Ward to tackle the issues highlighted in the petition. The work has been undertaken by a number of partners working together to address the issue.
- 2.2 Reports suggest that following an ASBO being successfully obtained against one of the main perpetrators the individual has not re-appeared in the area.
- 2.3 Despite this we have recently tasked one of our ASB Investigators to specifically concentrate on monitoring all cases of ASB within the area to ensure that any potential cases are dealt with swiftly and effectively.
- 2.4 A further request has been placed for the Police Disorder Bus to mount regular evening patrols in the area to increase coverage and improve visibility within the area.
- 2.5 The Council in collaboration with the Police continue to monitor the area with a view to ensuring that perpetrators of ASB are dealt with. This is carried out through joint working initiatives including the sharing of intelligence.
- 2.6 Recent joint working has resulted in the collection of intelligence to suggest that youths known to cause ASB elsewhere are congregating in Inskip Road. This matter is already being considered and investigated by the ASB team who aim to take immediate enforcement action to prevent an escalation of the problem.
- 2.7 'Give Um A Chance', a youth club being run by Mothers at Marks Gate, are willing to meet to talk about the problems they have faced, why they set up 'Give Um A Chance', how they did it, and why it seems to be working.
- 2.8 A common problem highlighted at each meeting is Valence Park remaining unlocked after hours. This is due to the building within the Park being used by Social Services; therefore the cleaners of the building need access to and from the Park after hours. To combat this problem and those highlighted in the petition the following steps are being taken to:
 - Liaise where possible with the cleaners of the building
 - Increase the number of visits made by Parks Police to the area (Staff levels and other priorities permitting)

- Stagger patrol times to the Park to utilise the element of surprise approach in the hope of witnessing ASB as it is happening and taking swift preventative action

2.9 Safer Neighbourhood Teams will be introduced to each of the remaining nine Wards before April 2007. A sub group tasked with this implementation will be meeting towards the end of January to discuss the process and agree the order of implementation within the nine Wards. Further information received from the Police suggests that there is a further commitment to ensure that a skeleton Safer Neighbourhood Team will be introduced into each area by April 2006.

2.10 Various other ways of improving the area have been investigated including the method of gating an alley way, which ultimately assists the environmental appearance of an area by restricting access. A number of initiatives have already and are in the process of being completed:

Martins Corner

- Extensive modifications are to be carried out to the access gate on Parsloes Avenue to make user friendly. This has been carried out in partnership with residents and shop-owners. This was due for completion by 20 January 2006
- There are plans to paint other galvanised gates in the area to move away from an industrial look. The works were due to be carried out during January 2006

Robin Hood

- One alleyway running behind 574 Longbridge Road has already been gated (29th March 2005)
- A second alleyway running behind 614 Longbridge Road was due for completion on or around 20th January 2006
- These are the two main service roads at the Longbridge Road / Lodge Avenue junction.

Andrew's Corner

- The alleyway running behind 443 Becontree Avenue was gated on 21 April 2005
- The alleyway running behind 448 Becontree Avenue was gated on 24 November 2005
- The alleyway running behind 445 Becontree Avenue was due to be gated on or around 14th January 2006
- The alleyway running behind 450 Becontree Avenue was due to be gated on or around 14th January 2006
- These are the four main service roads at the Valence Road / Becontree Avenue junction.

Inskip Road

- Ongoing survey to determine what is possible within the area.
- Initial sentiments are that something could be done.

2.11 There are two teams of street-wardens working throughout the Borough. There is a Re-active team which deals with service requests on a daily basis between 9 am – 5 pm, Monday – Friday and a Pro-active team which works 10 am – 9 pm seven days a week concentrating on areas with a high density of enviro-crime and ASB. The pro-active team concentrates in each area for between 4 to 6 weeks, employing a '*blitz it*' approach. Despite the fact that the pro-active team of wardens are not working within the Valence Ward currently they are concentrating in

neighbouring Wards specifically at Martins Corner, taking swift and tough enforcement action to tackle the problems they encounter, collecting intelligence for other partners, building relationships, and making referrals. With their increased presence it is envisaged that a number of problems are targeted successfully with additional patrols being carried out within Valence Ward to ensure the problems are not moved on and perpetrators are identified.

- 2.12 The ASB team, Street-Wardens, and Housing team are working alongside the Police, planning joint educational visits into schools to address the youth.
- 2.13 The CCTV team are working with ASB team, Wardens, Police and Schools to provide cameras and relevant evidence in areas most in need.
- 2.14 The Alleygating team and Street Warden team are working with the youth service to provide an initiative to tackle the Graffiti in specific areas. This initiative tackles the problem with the focus that youths take ownership of graffiti and the area vandalised by removing the graffiti themselves. This theory has worked elsewhere.
- 2.15 The youth service is committed to providing additional activity within the area to address the problem that youths have nothing to do and nowhere to go. The youth service, specifically Brian Lindsay will be reporting to a future meeting on the work and projects anticipated for 2006 / 2007, progress made and the way forward.

3 Report Detail

- 3.1 The petition calls for action to be taken to address the lack of community policing, the fact that residents are in fear of going out in the evenings and the “drunken and drugged youths on our streets that roam about in gangs damaging cars, breaking windows and generally wrecking the place”. As Sections 2.2 – 2.15 of this report details, various work has already been undertaken in this area, with additional work planned for the imminent future.
- 3.2 Paragraph 2.9 specifically addresses the fact that with the imminent introduction of the Safer Neighbourhood Teams planned for all wards in the Borough, combined with measures outlined in Sections 2.2 – 2.8, and 2.10 – 2.15 of the report will help to address the points that residents are in fear of going out at night and criminal damage being caused to property.
- 3.3 Bi-weekly meetings are held to discuss the problems currently being experienced in Valence Ward, improvements to the situation, and areas needing further attention. All partners realise that despite the achievements already been made, there is no quick answer to this problem. It will only be solved with a combination of time, commitment, resources and effort, with the continuation of partnership working proven to be far more successful than attempting to solve the problem in isolation.
- 3.4 At the meeting held of 10 January 2006, residents agreed that the area had improved over recent months, and were happy with the progress made.
- 3.5 A further meeting is to be arranged at the beginning of March to feedback to residents and Councillors on the overall issue but specifically relating to the work to be carried out by the youth service.

4. Consultees

Councillor Mrs J Bruce – Valence Ward
Councillor B Dale – Valence Ward
Councillor Mrs C Osborn – Valence Ward
Darren Henaghan – Head of Service Health & Consumer Services
Michelle Bridge – Envirocrime Manager
Harvey Cohen – Parks Police Inspector
David Greenidge – Alleygating Team
The Metropolitan Police
Brian Lindsay – Youth Development Service

Background Papers

Petition from Valence Residents Association

ASSEMBLY

1 MARCH 2006

REPORT OF THE DIRECTOR OF REGENERATION

This report is submitted under Agenda Item 3(f). The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

Title: Petition – Road Safety Measure in the area around Cambell Schools	For Decision
<p>Summary:</p> <p>The Council has received a petition from Cambell Junior School and members of the surrounding community regarding road safety concerns in local roads and footpaths, particularly when children are coming to, or leaving the school.</p> <p>The petition states concerns regarding ‘Safety for our children against illegal parking outside of Cambell Schools, however, it is clear that there is concern regarding traffic movement as well as parking.</p> <p>Accident numbers appear to be quite low in the area and, therefore, it is unlikely that it will receive priority in terms of road safety intervention, however, the Council has been successful over a number of years in attracting Transport for London funding for 20 mph Zones.</p> <p>Following discussion with the Head Teacher of Cambell Junior School and consideration of measures that could be introduced to support a 20 mph Zone, this report recommends that the area around Cambell schools be included in the Council’s Borough Spending Plan submission to Transport for London for a 20 mph Zone. The final design of the Zone will be determined once funding has been secured and in consultation with the ward councillors, the local community and the schools.</p> <p>Wards Affected: Goresbrook Ward</p>	
<p>Implications:</p> <p>Financial:</p> <p>A bid is to be made to Transport for London to fund the scheme via the Borough Spending Plan</p> <p>Legal: None.</p> <p>Risk Management:</p> <p>It will be necessary to ensure that the bid to Transport for London is of sufficient quality to attract appropriate levels of funding.</p> <p>Social Inclusion and Diversity: None.</p>	

Crime and Disorder: None.		
Recommendations		
The Assembly is asked to agree:		
<ol style="list-style-type: none"> 1. That the Cambell Schools area is included in the next Borough Spending Plan submission to Transport for London for the implementation of a 20 mph Zone with associated traffic management/calming features 2. Subject to funds being made available in due course, a scheme will be implemented after consultation with ward Members, the local community and the schools. 		
Reason		
To respond to a request from the community at Cambell Schools for measures that will improve road safety. Improvements at and around the school area will reduce the potential for accidents and may encourage more children to walk to school.		
Contact Officer: Gary Ellison	Title: Acting Head of Highways and Civil Engineering Services	Contact Details: Tel: 020 8227 3226 Fax: 020 8227 3166 E-mail: gary.ellison@lbbd.gov.uk

1. Introduction and Background

- 1.1 The Council received a petition containing signatures of 106 addresses from the community around the Cambell Schools in Langley Crescent requesting that measures be taken to reduce hazardous parking. Although this is the heading that appears on the petition, it is clear from discussions with the Head Teacher of Cambell Junior School and the local ward councillors that there is also concern about traffic volume and speed in the general area.
- 1.2 Police accident statistics for the previous three years show two accidents at the junction of Langley Crescent with Gale Street and two near the junction of Arden Crescent and Amesbury Road. There are no reported accidents within Langley Crescent outside the school.
- 1.3 As with many schools in the Borough, the area becomes highly congested with parked vehicles of parents who attend the school to deliver or collect their children. The Cambell Junior School does not have a Travel Plan in place to encourage more children to walk to school, however, the Head Teacher has recognised the need for such a Plan. The Council's Road Safety Team will actively support both the Junior and Infant school in developing their Plans over the coming months.
- 1.4 Each year the Council submits a Borough Spending Plan to Transport for London as part of the bidding process for a range of schemes. Submissions are made in July and generally allocations are announced in November/December for funding to be provided in the following financial year.

1.5 Unless Transport for London changes their format for submissions, the opportunity will exist to bid for schemes to implement 20 mph Zones.

2. Current Position

2.1 Officers met with the Head Teacher of Cambell Junior School and the three ward councillors of the area to discuss the petition and potential works that could address concerns. It was acknowledged that the area may not become a high priority for road safety funding as these budgets are generally prioritised on the basis of intervention at sites where the most accidents were occurring.

2.2 It was agreed to recommend to the Assembly that the area be included in the next Borough Spending Plan for consideration of a 20 mph Zone with associated traffic management/calming features.

3. Report Detail

3.1 It has been recognised that there is considerable congestion around the school during the period when parents collect or deliver their children. Footway parking and other forms of hazardous parking is prevalent.

3.2 There are a range of measures that could be introduced to change the nature of traffic movement and speed in the area and these were discussed with the Head Teacher of Cambell Junior School and ward councillors.

3.3 Consideration can be given to the following:

- Make some of the roads one way to help control traffic flow – This can lead to an increase in traffic speed if calming features are not introduced
- Traffic calming features – speed humps or tables. Tables also provide improved accessibility by providing safer crossing points
- Build outs – features that reduce the width of the road thereby reducing the distance a pedestrian has to cross the road and also improves visibility between the pedestrian and the driver
- Parking control – by changing the areas where parking is permitted; there could be an increase in parking capacity for residents and at the same time reducing the number of legitimate parking bays on the footpath outside the schools. Additional enforceable yellow line restrictions can be introduced to try to control where parking occurs. It may still be necessary to introduce street furniture to protect the footpath

3.4 Traffic management and calming features are all aspects that would support the introduction of a 20 mph Zone for the area.

3.5 Although it was clear that many children attending the school live south of the A13, improvements in the pedestrian subway, footbridge and footpaths between the Scrattons Farm Estate area should not preclude the schools making every effort to encourage children and/or parents with their children walking to school. Road Safety officers will be encouraging and supporting the schools over the next few months to ensure that robust Travel Plans are in place. This in turn will aid submission bids to Transport for London as School Travel Plans are becoming a pre-requisite for a number of funding opportunities via the Borough Spending Plan route.

4. Implications

- 4.1 There is clear support for the Council to undertake measures in the area to improve road safety and thereby improve the local environment. Funding may be secured from Transport for London via the Borough Spending Plan and from this work it should be possible to reduce the potential for accidents and possibly improve some of the local roads and footpaths.

5. Consultees

- 5.1 The contents of this report correspond with that agreed with Councillors Northover Porter and Thomas.
- 5.2 This report has been circulated to the following:-

Ken Jones – Acting Director of Regeneration
Jim Mack – Head of Asset Strategy and Capital Delivery
Alex Anderson – Head of Finance
David Higham – Group Manager – Strategic Transportation
Barbara Cronin – Road Safety Manager

Background Papers Used in the Preparation of the Report:

- Petition
- Accident statistics for the area around Cambell schools

THE ASSEMBLY

1 MARCH 2006

REPORT OF THE DIRECTOR OF REGENERATION

This report is submitted under Agenda Item 3(g). The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

Title: Petition Regarding a Controlled Parking Zone, King Edwards Road Area, Barking	For Decision
<p>Summary:</p> <p>After consultation with residents, a Controlled Parking Zone is to be introduced in the King Edwards Road area, generally, within the boundaries of the A13, Movers Lane, Ripple Road and King Edwards Road. The new Zone will operate seven days a week between the hours of 8:30 am and midnight. During this period only vehicles displaying a valid permit will be permitted to park. Permits will be available for purchase by residents and their visitors.</p> <p>The Salvation Army have raised a number of concerns regarding parking facilities and have submitted a petition of signatures from 105 residences; however, many of the signatories are from outside of the Borough.</p> <p>At a meeting with representatives of the Salvation Army and Ward Members, it was clear that the Salvation Army felt that the new Controlled Parking Zone would cause difficulties to their visitors in terms of parking opportunity.</p> <p>There are a number of roads in close proximity to the Salvation Army site that do not have parking restrictions. In addition, research is underway with regard to opening the Westbury Centre on Sundays for use by religious establishments and this appears to be viable on a permit basis.</p> <p>The Assembly is requested to approve in principle the introduction of a self financing permit scheme for the use of the Westbury Car Park and to maintain a review of its use.</p> <p>Wards Affected: Gascoigne</p>	
<p>Implications:</p> <p>Financial:</p> <p>The cost of the implementing the Controlled Parking Zone will be recovered from the income from parking permits and enforcement.</p> <p>The cost of opening the Westbury Centre on Sundays will be recovered from the issue of permits for parking within the area.</p> <p>Legal:</p> <p>Parking Orders are being prepared for installation of the Controlled Parking Zone.</p>	

Risk Management:

The Council has installed a number of Controlled Parking Zones across the Borough and, although there are generally some issues specific to each location that need addressed, they are usually resolved.

It is not possible to determine the level of use that the Westbury Centre car park will generate, however, costs are fairly low and it is envisaged that if there is low take up of this facility, costs will be met from the Parking Account. Notwithstanding this point, the use of the car park will be reviewed and reassessed every six months.

Social Inclusion and Diversity:

The car park will be available to religious establishments in the area for use on Sundays. Permits will be sold through these establishments.

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

Crime and Disorder: None.

Recommendations

The Assembly is asked to agree:

1. That the implementation of the Controlled Parking Zone continues in accordance with the wishes of the majority of residents who responded to the consultation exercise;
2. That the Westbury Centre be made available for use by religious establishments on Sundays on a self funding basis as far as is possible to determine; and
3. Permits for Parking in the Westbury Centre be allocated via Religious establishments who will make payment to the Council.

Reasons

The Controlled Parking Zone is supported by the community; however, a problem of parking facilities has been raised by the Salvation Army and the petitioners. Although it is not possible to provide additional parking facilities for the Salvation Army within the Controlled Parking Zone, the option of using the Westbury for all religious establishments provides some degree of additional parking capacity in the area.

Contact Officer:

Gary Ellison

Title:

Acting Head of Highways
and Civil Engineering
Services

Contact Details:

Tel: 020 8227 3226

Fax: 020 8227 3166

E-mail: gary.ellison@lbbd.gov.uk

1. Introduction and Background

- 1.1 In recent months residents of the King Edwards Road area have been expressing concerns regarding parking congestion and seeking assistance from the Council. The Council has an established procedure for consulting the community on new Controlled Parking Zones and this work was undertaken.
- 1.2 A majority of residents (56%) who responded were in favour of the Controlled Parking Zone and preparation is underway for implementation.
- 1.3 The Salvation Army have submitted a letter with a petition attached of signatories from 105 residences. In accordance with Council procedure, a meeting was held with representatives of the Salvation Army, ward councillors and officers in order to establish details of opposition to the Controlled Parking Zone and to investigate potential resolution.

2. Report Detail

- 2.1 Design and preparation of the Controlled Parking Zone are underway with a view to full implementation during March/April. It is proposed that the opening of the Westbury Centre on Sundays be arranged to coincide with the introduction of the Zone.
- 2.2 Ripple Road, King Edwards Road, and Movers Lane are the boundary of the Zone although properties in Movers Lane and on the A13 are not proposed to be within the Zone enforcement area.
- 2.3 The Salvation Army is located towards a corner of the new Zone and, therefore, there are roads nearby that are not contained within a controlled area. Since the scheme has been advertised, some residents of Movers Lane have asked to be included in the scheme and consultation with these residents will be undertaken in order to try to link this area with the overall Zone.
- 2.4 Following the meeting with the Salvation Army officers, investigation was undertaken to determine additional parking facilities for religious establishments and the Westbury centre was cited as a possible opportunity. It has been determined that this is viable with a permit system and appropriate enforcement arrangements.

4. Consultees

- 5.1 The information contained in this report accord with discussions with Councillor Rush and Councillor Mckenzie.
- 5.2 This report has been circulated to the following:-

Ken Jones – Acting Director of Regeneration
Jim Mack – Head of asset Strategy and Capital Delivery
Alex Anderson – Head of Finance
Roger Luxton – Director Education, Arts and Libraries
Leslie Jennings – Westbury Centre Manager

Background Papers Used in the Preparation of the Report:

- Petition
- Consultation Papers for Proposal of a Controlled Parking Zone in the King Edwards Road area

THE ASSEMBLY

1 MARCH 2006

REPORT OF THE CHIEF EXECUTIVE

This report is submitted under Agenda Item 8. The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

<p>Title: Revenue Budget, Council Tax 2006/07, Medium Term Financial Strategy and Capital Programme 2006/07 to 2009/10</p>	<p>For Decision</p>
<p>Summary:</p> <p>The purpose of this report is for the Assembly to approve the setting of a revenue budget and Council Tax for 2006/07 and a Capital Programme for 2006/07 – 2009/10.</p> <p>Comprehensive reports to the Executive on 24th January and 21st February 2006 set out the issues affecting the Council's budgetary position for 2006/2007, including the Formula Grant for next year.</p> <p>In accordance with the Council's Constitution, the Executive on 21st February 2006 agreed to recommend a revenue budget, Council Tax, Capital Programme and Prudential indicators to the Assembly for approval.</p> <p>The report also refers a Medium Term Financial Strategy and Capital Strategy for adoption by the Council.</p> <p>Wards Affected: None.</p>	
<p>Implications:</p> <p>Financial:</p> <p>The setting of a robust budget and Council Tax for 2006/07 will enable the Council to provide and deliver required Council Services.</p> <p>Legal:</p> <p>There are no legal implications regarding this report.</p> <p>Risk Management:</p> <p>In setting the overall budget consideration has been given to all Council service budgets and the relevant risk associated with each budget dependant upon the required additions and reductions from the proposals included in this report.</p> <p>Social Inclusion and Diversity:</p> <p>As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.</p>	

Crime and Disorder:		
There are no specific implications insofar as this report is concerned.		
Recommendations		
That the Assembly considers the information contained in this report and the appendices and agrees;		
<ol style="list-style-type: none"> 1. A Revenue budget and Council Tax increase of 3.49% for the London Borough of Barking and Dagenham and note the 13.35% increase in the Greater London Authority precept giving an overall increase of 5.67% for 2006/07 (Appendix 1). 2. A Capital Programme for 2006/07 to 2009/10 in accordance with the recommendations approved by the Executive on 21st February 2006 (Appendix 3). 3. The position on reserves as set out in paragraphs 3.1 to 3.4. 4. The Statutory Budget Determinations and Amount of Council Tax for the London Borough of Barking and Dagenham (Appendix 2). 5. The Medium Term Financial Strategy (Appendix 4). 6. The Capital Strategy (Appendix 5). 7. The Prudential Indicators (Appendix 6). 		
Reason		
The Council has to statutorily agree a revenue and capital budget for each financial year and has to set a Council Tax for the forthcoming financial year.		
Contact Officer: Joe Chesterton	Title: Head of Financial Services	Contact Details: Tel: 020 8227 2932 Fax: 020 8227 2995 E-mail: joe.chesterton@lbbd.gov.uk

1. Introduction and Background

1.1 The Executive at its meetings on 24th January and 21st February 2006 considered the following reports;

- (i) Revised Budget 2005/06 and Base Budget 2006/07
- (ii) Council Tax 2006/07 & Medium Term Financial Strategy
- (iii) Capital Programme 2006/07 – 2009/10

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

2. Budget Strategy 2006/07 onwards

2.1 For 2006/07 the key elements of the strategy set in 2005/06 have been built on and the budget has been based on:

- a) Schools budget set at the new dedicated schools grant level.
- b) All services reviewed (apart from Schools).
- c) Continuing the protection of the services that deliver the Cleaner, Greener, Safer priorities.
- d) Supporting the needs of Customer First.
- e) A 5 year capital plan (2005/06 to 2009/10) totalling £290m with £124m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis.
- f) A rigorous asset disposal programme and a capital programme that is dependent on around £55m of sale proceeds from land disposals. Potentially asset disposals may exceed this level and the programme has been set in order to accommodate a higher level of receipts if they are realised. Similarly if the £55m is not achieved the programme will need to be reassessed.
- g) Remaining debt free until 2007/08, with the proceeds from interest on balances reducing as accumulated capital receipts are used to fund the capital programme. The position on borrowing will be kept under review.
- h) A council tax increase of

5.67% in 2006/07 (3.49% LBBB, 13.35% GLA) with further projected increases of:

2007/08	(5% LBBB, 10% GLA)
2008/09	(5% LBBB, 10% GLA)
- i) The Housing Revenue Account to contribute to the Council's Corporate and Democratic Core costs to a sum of £750k.
- j) Savings of £5.3m for 2006/07, however protecting the service provision of cleaner, greener, safer.

With further reductions projected in the budget of about:

£5.4m for 2007/08
and a further £3.9m for 2008/09 being required.

Savings at this level will need to be made across all Services apart from the Schools budget. Targets are to be set to allow the process for identifying savings to commence 1st April 2006. The Chief Executive will be providing the initial targets for savings across all services.

- k) Efficiency savings of £1m to contribute towards our efficiency targets.
- l) Pressures of £2.8m for 2006/07.

This mainly relates to statutory requirements, unavoidable pressures, and existing commitments. However, investment is planned in Cleaner, Greener, Safer initiatives.

- m) Growth of £1.3m for 2006/07.
- n) Corporate issues showing a net reduction of £1.1m, including the use of £3.8m of reserves for the 2006/07 budget.
- o) Further budget pressures of £18.4m and £16.9m are projected for 2007/08 and 2008/09 respectively across all Council budgets.

3. Corporate Issues

- 3.1 For Barking and Dagenham a reasonable level of reserves would amount to approximately £11m based on its annual budget requirement and school balances should form part of the strategy but if possible be in addition to the 5% level.

However, a significant amount of the services that the Council provide have little or no risk in terms of potential financial performance and other internal and external influences and factors. After assessing these areas it is therefore considered that a more appropriate level of general reserves would be £9m.

In addition to this sum, the Council will as usual also hold earmarked reserves for specific purposes.

- 3.2 The advice of the Chief Finance Officer remains that the above figure is the recommended level for working (general) reserves. Whilst this does not preclude the use of reserves in the short term for items Members regard as essential growth or vital projects, it is important that an adequate level is held.
- 3.3 In producing the proposed budget it has been identified that a sum of £3.8 million is required to enable the 2006/07 budget to be set and this can be met as £1.4 million from earmarked reserves and £2.4 million from the general reserve. At 1st April 2006 it is estimated that the level of uncommitted general reserves will be £9.1 million. It must be noted that for 2007/08 and future years consideration will need to be given to addressing the use of these reserves within the setting of the Council's overall budget.
- 3.4 Annex 6 and 7 of the attached Medium Term Financial Strategy sets out in detail the type of reserves held by the Council along with a profile of their estimated utilisation up to 1st April 2009, which reflect the use of the reserves as identified above. The annexes also recommend the level of certain reserves and their intended use.
- 3.5 For 2006/07, the level of contingency included within the proposed budget is £1.2 million.

- 3.6 Under the provisions of the Local Government Act 2003 the Chief Finance Officer is also expected to state formally whether the budget is a “robust” one. It is the Chief Finance Officer’s view that the Council’s process for setting the 2006/07 budget has, so far, been robust. Further advice will be offered to the Council Assembly should this assessment change.
- 3.7 That no final criteria have been determined for the capping of local authority budgets and that based on the Government’s recent policy, the risk of capping was limited but not absolutely ruled out. Any capping decision depends on the view of the Deputy Prime Minister as to whether an Authority’s budget requirement – and not the Council Tax – is excessive. Even if the budget requirement is considered excessive, capping may not result, as there are mechanisms for pre-signalling capping for a following year. The proposed budget requirement for 2006/07 is £247.424m. The budget requirement, after adjustment for fundamental changes, shows a 4.5% increase on 2005/06 and the Council Tax increase is proposed at 3.49%.

4. **GLA Precept/Levies**

- 4.1 On 15th February 2006, the Greater London Authority agreed its precept for 2006/07 at £288.61, at Band D, an increase of 13.35% over 2005/06.
- 4.2 Certain bodies have the power to levy on the Council to meet their funding requirements and these levies count as Council spending for the purpose of the Council Tax. Final levies set by levying bodies have now been received and are as follows:

	2006/07
Levying Body	£000s
East London Waste Authority	5,732
Environment Agency – Flood Defences	59
London Pension Fund Authority	138
Lee Valley Regional Park Authority	154
	<u>6,083</u>

5. **Education Budget**

- 5.1 Education is a priority for the Council and its single largest service. It also remains a high priority for the Government and local authority, spending on schools is subject to special scrutiny. In the light of this, it requires special consideration.
- 5.2 The introduction of the “dedicated schools grant” (DSG) has fundamentally changed the way the Council budgets for Education expenditure for 2006/07 and in future years. Previously, the Council received Education funding through the Formula Spending Share (FSS), and, in theory, was in a position to spend that funding at its discretion. In practice, this was not quite the case. The Secretary of State for Education and the Deputy Prime Minister wrote to every authority, expecting them to passport funding (meaning passing on the full increase in funding) in full, ‘barring exceptional circumstances’.
- 5.3 For 2006/07, every Council in the country receive a grant from which it funds its schools expenditure. This change removes the discretion over whether authorities

spend on Education at previous FSS levels. As it is a long standing practice for the Council to spend at FSS, this change has not had a significant impact. The Council is still funded through formula grant for its non-schools education expenditure.

5.4 The new dedicated schools grant has allocated £118.882 million to the Council for spending on schools, it has increased since last year by £7.756 million (a 7% increase) and the proposals for additional spending in the Education Service for this sum are shown in Appendix 1.

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

6. Social Services Budget

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

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

6.3 Budget pressures remain and are predicted for 2006/07 in Social Services particularly in the following areas:

- Children's Placements and Support budgets
- Adult care packages
- Learning Disabilities Residential Care
- Agency usage and recruitment costs for social workers

Measures are being taken to deal with these issues, and maintain expenditure within the proposed set limits for 2006/07.

It should be noted that Social Services also receive additional specific grants of approximately £7.4million. See table below.

	2004/05 £m	2005/06 £m	2006/07 £m
Specific Grants	7.669	8.216	7.355

6.4 The reduction from 2005/06 to 2006/07 relates to the movement of specific grants into the main formula grant and these relate to access and systems capacity grant (£300k) safeguarding element of Children's grant (£560k) and preserved rights grant (£50k). However, these sums have been maintained within the overall Social Services budget.

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

6.6 The proposals for additional spending and reductions in Social Services are shown in Appendix 1.

7. Capital Programme

7.1 The Executive also considered proposals for the Capital Programme for 2006/07 – 2009/10 and referred the proposals set out at Appendix 3 to this report.

7.2 In addition, the Executive also agreed to refer for approval the Capital Strategy Appendix 5 and Prudential indicators Appendix 6.

8. Future Years

8.1 It is essential that Members adopt a strategic approach when agreeing the Council's Revenue and Capital budgets and have regard to the impact that decisions around the budget for 2006/07 have on future years. To assist this process, a Medium Term Financial Strategy is attached as Appendix 4, which has been approved by the Executive.

8.2 There are already additional financial pressures across all services for 2007/08 of around £18.4m and a further £16.9m in 2008/09 and the budget strategies for the next two years will need to be address how these will be funded through additional income generation, grants, savings and Council Tax.

8.3 The revenue budget is likely to increase by more than the Government's indicated Spending Review targets over the next two years. In addition, further pressures are almost certain to come to light. It will also be necessary to consider the use of capital resources and a review of the Council's Debt Free position. Pressures to earmark Government funding for specific purposes, particularly in relation to Schools, are likely to be maintained.

8.4 In addition, the ongoing effect of the Government's changes to the local government finance system and the impact of Census 2001 data on grant allocations will have an impact on the authority which cannot currently be assessed. Budget pressures are expected as a result of ongoing increased pension costs arising from the latest triennial valuation of the Pension Fund and additional statutory requirements.

8.5 It is therefore likely that future budget cycles will continue to be challenging and it is advised that the budget process for 2007/08, as with the 2006/07 process, needs to start early in the new financial year to begin addressing these challenges.

8.6 Reductions in budgets for 2007/08 will need to be made across all services apart from the Schools budget, which is now funded by the Dedicated Schools Grant. Targets are to be set to allow the process for identifying savings to commence in April 2006. It is recommended that the Chief Executive should provide the initial targets for savings across all services to enable this to happen.

9. Conclusion

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

10. Consultees

Executive
Scrutiny Management Board
Corporate Management Team
Departmental Management Teams
Heads of Finance

Background Papers

Reports to Executive on;

- 24th January 2006
- 21st February 2006

**REVENUE BUDGET PROPOSALS 21st FEBRUARY 2006
SUMMARY OF REVENUE BUDGET CHANGES**

APPENDIX 1

	2006/07	2007/08	2008/09
	£000s	£000s	£000s
Increase in Base Budget 2006/07 (inflation, grant changes, transfers from reserves, etc)	15,472		
Council Services			
Corporate Strategy	-129	-349	-349
Education, Arts and Libraries	-957	-987	-987
Finance	158	35	3
Housing & Health	279	279	279
Regeneration & Environment	-972	-1,042	-1,278
Social Services	-1,087	-1,487	-1,487
Corporate proposals	-1,102	-302	198
Sub - total Council services	-3,810	-3,853	-3,621
Protected Services (non inflation)			
Education	3,510	5,327	7,457
Sub - total Protected services	3,510	5,327	7,457
Net effect on budget of Executive Proposals	-300	1,474	3,836
Increase in Service Budget and Budget Requirement	15,172	1,474	3,836
Less Additional Resources available			
Movement in Collection Fund Deficit (£0.884m 2005/06 to £0.957m 2006/07)	-73		
Increase in Formula Grant and Dedicated Schools Grant	13,825		
Change in Council Tax base (from 50,839 to 50,648)	-171		
Sub -Total Additional resources	13,581		
To be met from Council Tax	1,591		
Increase in LBBB Council Tax (£) - Band D level	£ 31.41		
Increase in LBBB Council Tax (%)	3.49%		
Increase in GLA precept (£) - Band D level	£ 33.99		
Increase in GLA precept (%)	13.35%		
Overall Increase in Council Tax (%)	5.67%		

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

CORPORATE STRATEGY REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Pressures</u>				
1P	Respond Maintenance Contract	12	12	12
2P	Electoral Registration - Postage Cost	15	15	15
3P	Electoral Services Software Package	15	0	0
4P	Local Elections - May 2006	160	0	0
5P	Local Land Charges Statutory Function Support	60	15	15
Pressures Sub Total		262	42	42
<u>Growth</u>				
Growth Sub Total		0	0	0

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

CORPORATE STRATEGY REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Savings</u>				
1S	Corporate Human Resources -Savings from the centralisation of Recruitment	-240	-240	-240
2S	Barking & Dagenham Direct -Centralisation of Recruitment initial contact from within departments to the call centre	-25	-25	-25
3S	Electoral Service –Staffing	-11	-11	-11
4S	Corporate Complaints –Staffing	-10	-10	-10
Savings Sub Total		-286	-286	-286
<u>Efficiency Savings</u>				
1Eff	Best Value Review of Legal Service	-50	-50	-50
5Eff	Recruitment	-10	-10	-10
6Eff	Agency Staff - Reduction in Agency Fees	-11	-11	-11
7Eff	Agency Staff and Overtime	-34	-34	-34
Efficiency Savings Sub Total		-105	-105	-105
<u>NET INCREASE IN BUDGETS</u>		-129	-349	-349

EDUCATION, ARTS & LIBRARIES REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Pressures</u>				
6P	Adult Basic Skills Initiative	100	100	100
Pressures Sub Total		100	100	100
<u>Growth</u>				
1G	Every Child Matters	150	150	150
2G	Community Music Service	40	30	30
Growth Sub Total		190	180	180
<u>Savings</u>				
5S	Community Inspection and Advisory Service - new funding	-50	-50	-50
6S	Special Education Needs (SEN) Home to School Transport	-200	-200	-200
7S	Education Psychology Service & SEN Admin Team	-60	-60	-60
8S	Early Years - Human Resources & Assets Section	-50	-50	-50
9S	Community Music Service - Income	-20	-20	-20
10S	Butler Court Accommodation - Income Target	-20	-20	-20
11S	Barking & Dagenham Training	-150	-150	-150
12S	pupils of the Borough's schools)	-30	-30	-30
13S	Administration Department - Staff Costs	-30	-30	-30
14S	Pupil/Student Services - Clothing and Footwear Grants to Pupils	-25	-25	-25
15S	Assets Section - Staffing	-10	-15	-15
16S	Pupil Travel Grant - Home to School Transport	-60	-60	-60

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

EDUCATION, ARTS & LIBRARIES REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
17S	Education Staff Transfer	-100	-100	-100
18S	Libraries Staff Transfer	-50	-50	-50
19S	Acorns Early Intervention Unit - Premises Costs	-20	-35	-35
20S	Pupil/Student Services - SEN College Transport	-50	-50	-50
Savings Sub Total		-925	-945	-945

Efficiency Savings

2Eff	Special Educational Needs (SEN) Services	-240	-240	-240
5Eff	Recruitment	-15	-15	-15
6Eff	Agency Staff - Reduction in Agency Fees	-17	-17	-17
7Eff	Agency Staff and Overtime	-50	-50	-50

Efficiency Savings Sub Total

-322	-322	-322
-957	-987	-987

NET REDUCTION IN BUDGETS

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

FINANCE REVENUE BUDGET

Reference	Service	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Pressures</u>					
15P	Oracle Support Team - HR Self Service Development (Phases 2 and 3)		100	45	10
16P	Customer Services Telephone Answering		105	105	105
17P	Licencing costs of new software for Revenue Services		120	120	120
18P	Monitoring Control Team		100	100	100
Pressures Sub Total			425	370	335
<u>Growth</u>					
5G	Development of HR/Payroll System to provide Self Service		75	5	5
6G	Housing Benefits Visiting Officer		40	42	45
Growth Sub Total			115	47	50
<u>Savings</u>					
21S	Accounts for Payment		-60	-60	-60
22S	Human Resources - Recruitment Cost		-30	-30	-30
23S	Network Services - Supplies & Services		-20	-20	-20
24S	Staffing		-15	-15	-15
25S	Recharging Accountable Bodies		-30	-30	-30

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

FINANCE REVENUE BUDGET

Reference	Service	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
26S		Grant Claims Audit Fees	-15	-15	-15
27S		Supplies and Services	-5	-5	-5
28S		Recharge of Capital Accounting Team	-20	-20	-20
29S		Increase income from recovery of overpayments of Housing Benefits	-100	-100	-100
Savings Sub Total			-295	-295	-295

Efficiency Savings

4Eff	Audit contract	-14	-14	-14
5Eff	Recruitment	-10	-10	-10
6Eff	Agency Staff - Reduction in Agency Fees	-16	-16	-16
7Eff	Agency Staff and Overtime	-47	-47	-47
Efficiency Savings Sub Total		-87	-87	-87

NET REDUCTION IN BUDGETS

158	35	3
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REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

HOUSING AND HEALTH REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Pressures</u>				
19P	Graffiti Removal Service for Non HRA areas	125	125	125
20P	Further Actions to Clean up the Borough - Enforcement of Environmental Standards and Laws	400	400	400
	Pressures Sub Total	525	525	525
<u>Growth</u>				
7G	Homelessness Prevention	80	80	80
	Growth Sub Total	80	80	80
<u>Savings</u>				
30S	Housing Advice Service - Temporary Accommodation	-70	-70	-70
31S	Consumer Advice Team	-83	-83	-83
32S	Pest Control Service	-30	-30	-30
33S	Abandoned Vehicles	-25	-25	-25
34S	Consumer Advice	-20	-20	-20
	Savings Sub Total	-228	-228	-228

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

HOUSING AND HEALTH REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Efficiency Savings</u>				
5Eff	Recruitment	-15	-15	-15
6Eff	Agency Staff - Reduction in Agency Fees	-21	-21	-21
7Eff	Agency Staff and Overtime	-62	-62	-62
Efficiency Savings Sub Total		-98	-98	-98
<u>NET REDUCTION IN BUDGETS</u>		279	279	279

REGENERATION AND ENVIRONMENT SERVICES REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Pressures</u>				
7P	Area Regeneration	200	200	200
8P	Trade Waste Disposal	100	30	0
9P	Replacement of Vehicles on Lease	100	100	100
10P	Cessation of London Recycling Fund Grant	200	200	200
11P	Registration Service	15	15	15
12P	Leisure Centre Services and Sports Development Unit	100	100	100
13P	Cleaner, Greener, Safer Proposals	275	275	69
14P	Re-organisation of the Interim Statutory Planning, Interim Development and Regeneration Divisions	250	250	250
	Pressures Sub Total	1240	1170	934
<u>Growth</u>				
3G	Waste Minimisation, Recycling Awareness & Education, Green Waste Collection & Home Composting	211	211	211
4G	Control Monitoring of Water Systems (Control of Legionella bacteria in water systems)	30	30	30
	Growth Sub Total	241	241	241

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

REGENERATION AND ENVIRONMENT SERVICES REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Savings</u>				
35S	Reduce number of Pool Vehicles	-25	-25	-25
36S	Fleet workshop - Re assess maintenance Requirement of Fleet	-225	-225	-225
37S	All services - Reduce Agency cover/Temporary staff through Sickness Management	-50	-50	-50
38S	Best Value Review Transport - fleet and workshop	-125	-125	-125
39S	Building Services - savings on building maintenance Term contract Schedule of Rates	-10	-10	-10
40S	Property Services - Grounds Maintenance	-10	-10	-10
41S	Rationalisation of Arboricultural unit and Parks Nursery	-100	-100	-100
42S	Supplies & Services	-35	-35	-35
43S	Efficiency Savings	-135	-135	-135
44S	Cemeteries - Income	-15	-15	-15
45S	Parks & Leisure Security Supplies	-10	-10	-10
46S	Sports & Development Income	-25	-25	-25
47S	Business Rate Savings from new leisure trust	-70	-70	-70
48S	Community Hall Business Rate Savings	-25	-25	-25
49S	Drainage clearance	-90	-90	-90
50S	Capacity Building Fund	-265	-265	-265
51S	Black Refuse Bags	-20	-20	-20
52S	Parking Income	-160	-160	-160

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

REGENERATION AND ENVIRONMENT SERVICES REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
53S	Reduced Agency and recruitment cost	-100	-100	-100
54S	Functions transferred to Customer First	-250	-250	-250
55S	Customer First	-25	-25	-25
56S	Barking Market – additional income	-40	-40	-40
57S	Parks - creation of meadow areas	-40	-40	-40
58S	Cess Pits	-10	-10	-10
59S	Reduction in staffing as part of Council restructure	-100	-100	-100
60S	Energy savings	-25	-25	-25
61S	Reduced agency costs	-50	-50	-50
Savings Sub Total		-2035	-2035	-2035

Efficiency Savings

3Eff	Security	-100	-100	-100
5Eff	Recruitment	-30	-30	-30
6Eff	Agency Staff - Reduction in Agency Fees	-73	-73	-73
7Eff	Agency Staff and Overtime	-215	-215	-215
Efficiency Savings Sub Total		-418	-418	-418

NET REDUCTION IN BUDGETS

-972	-1042	-1278
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REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

SOCIAL SERVICES REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Pressures</u>				
21P	Family Support (S17)	100	100	100
22P	Safeguarding Children	100	200	200
Pressures Sub Total		200	300	300
<u>Growth</u>				
8G	Adoption Service	200	200	200
9G	Fostering Scheme	250	250	250
Growth Sub Total		450	450	450
<u>Savings</u>				
62S	Learning Disability - Procurement	-150	-150	-150
63S	Mental Health And Substance Misuse	-150	-250	-250
64S	Physical and Sensory - Direct Payment	-250	-250	-250
65S	Prevention - Assessment Centres	-220	-220	-220
66S	Residential, Day Care and Support	-100	-500	-500
67S	Residential, Care Out - Borough Placement	-200	-200	-200
68S	All Staffing Budgets - Vacancy Factor	-460	-460	-460
Savings Sub Total		-1530	-2030	-2030

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

SOCIAL SERVICES REVENUE BUDGET

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Efficiency Savings</u>				
5Eff	Recruitment	-20	-20	-20
6Eff	Agency Staff - Reduction in Agency Fees	-47	-47	-47
7Eff	Agency Staff and Overtime	-140	-140	-140
Efficiency Savings Sub Total		-207	-207	-207
<u>NET REDUCTION IN BUDGETS</u>		-1087	-1487	-1487

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

CORPORATE PROPOSALS

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
<u>Pressures</u>				
1C	Corporate capacity	525	525	525
2C	Reduction in interest on balances	560	1000	1500
3C	Customer First - Contact Centre	2373	2733	2733
Corporate Pressures Sub Total		3458	4258	4758
<u>Savings</u>				
4C	Council Wide - Home Computer Initiative Scheme	-26	-26	-26
5C	Customer First Costs - (Housing Revenue Account)	-600	-600	-600
6C	Corporate & Democratic Core costs - Contribution (Housing Revenue Account)	-525	-525	-525
7C	Non Pay inflation	-800	-800	-800
8C	Review of Contingency Provisions and use of reserves	-2609	-2609	-2609
Corporate Savings Sub Total		-4560	-4560	-4560
OVERALL NET TOTAL OF CORPORATE PROPOSALS		-1102	-302	198

REVENUE BUDGET PROPOSALS 21ST FEBRUARY 2006

APPENDIX 1

**EDUCATION REVENUE BUDGET (SCHOOLS)
EARMARKED SCHOOL FUNDING**

Reference	Options	2006/07 £000s	2007/08 £000s	2008/09 £000s
1Sc	Key Stage 3 Personalised Learning (Secondary)	624	624	624
2Sc	Primary Personalised Learning	542	542	542
3Sc	Practical Learning Options 14-16 (Secondary)	158	158	158
4Sc	Workforce Reform (Primary)	297	297	297
5Sc	Early Years Extension	105	105	105
Earmarked School Funding Sub Total		1726	1726	1726

OTHER INCREASED SUPPORT FOR SCHOOLS

6Sc	Additional pupil numbers	496	2150	4120
7Sc	School delegated budget Minimum Funding Guarantee*	3860	7950	12340
8Sc	Revenue costs of capital programme	367	530	690
9Sc	General inflation excluding the min funding guarantee*	386	770	1155
10Sc	Trinity School - additional pupils	100	100	100
11Sc	Provision for excluded pupils	50	50	50
12Sc	Additional educational and training provision for vulnerable young people	150	150	150
13Sc	Additional SEN base provision	150	150	150
14Sc	Early Years Portage Provision	270	270	270
15Sc	Jo Richardson - increased costs	91	91	91
16Sc	Schools Contingency	110	110	110
Sub-Total Other Increased support for Schools		6030	12321	19226

OVERALL OPTIONS FOR SCHOOLS TOTAL

7756 14047 20952

Less Inflation areas (*)

4246 8720 13495

OVERALL OPTIONS FOR SCHOOLS TOTAL (excluding inflation)

3510 5327 7457

CALCULATION OF THE PROPOSED COUNCIL TAX 2006/07

	£'000	Band D Council Tax £	Increase %
BARKING & DAGENHAM			
Base Budget 2006/07	247,724		
Executive Proposals	-300		
Budget Requirement	<u>247,424</u>		
Less: Formula Grant	-82,388		
Dedicated Schools Grant	-118,882		
Council Tax Collection Fund Loss	957		
Council Tax Requirement	<u><u>47,111</u></u>		
Council Tax Base	50,648.4	<u>930.15</u>	
<u>Overall Council Tax - Band D equivalent</u>			
London Borough of Barking & Dagenham		930.15	3.49%
Greater London Authority		288.61	13.35%
		<u><u>1,218.76</u></u>	5.67%

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ASSEMBLY MEETING 1 MARCH 2006

STATUTORY BUDGET DETERMINATIONS

SETTING THE AMOUNT OF COUNCIL TAX FOR

THE LONDON BOROUGH OF BARKING AND DAGENHAM

1. That it be noted that at its meeting on 20 December 2005 the Executive calculated the amount of 50,648.4 as its Council Tax Base for the year 2006/2007 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.
2. That the following amounts be now calculated by the Council for the year 2006/2007 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992:-

(a)	£513,188,000	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act
(b)	£265,764,000	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act
(c)	£247,424,000	being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year
(d)	£200,313,000	being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, revenue support grant reduced by the amount of the sums which the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 and further increased by the amount of any sum which the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the directions under Section 98(4) of the Local Government Finance Act 1988 made on the 7th February 1994.
(e)	£930.15	being the amount at 2(c) above less the amount at 2(d) above, all divided by the amount at 1 above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year

(f) Valuation Bands							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
620.10	723.45	826.80	930.15	1,136.85	1,343.55	1,550.25	1,860.30
<p>being the amounts given by multiplying the amount at 2(e) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band 'D' calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.</p>							

3. That it be noted that for the year 2006/2007 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:-

Precepting Authority

Greater London Authority

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
192.41	224.47	256.54	288.61	352.75	416.88	481.02	577.22

4. That, having calculated the aggregate in each case of the amounts at 2(f) and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2006/2007 for each of the categories of dwellings shown below:-

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
812.51	947.92	1,083.34	1,218.76	1,489.60	1,760.43	2,031.27	2,437.52

PROPOSED 4 YEAR CAPITAL PROGRAMME SUMMARY

Combined Existing Schemes and New Bids

DETAIL	2006/07	2007/08	2008/09	2009/10	4 Year Total	External Sources £'000	Capital Receipts £'000	4 Year TOTAL £'000
	£'000	£'000	£'000	£'000	£'000			
EDUCATION, ARTS & LIBRARIES								
PRIMARY SCHOOLS								
1 GASCOIGNE PRIMARY - Remodelling	750	550	-	-	1,300	-	1,300	1,300
SECONDARY SCHOOLS								
2 DAGENHAM PARK - Sports Hall/Dance Studio/Fitness Suite	3,000	860	-	-	3,860	2,773	1,087	3,860
3 WARREN SECONDARY - Science Block	1,797	100	-	-	1,897	-	1,897	1,897
4 ROBERT CLACK - Replace Demountable Accommodation	750	-	-	-	750	-	750	750
OTHER SCHEMES								
5 Gascoigne Children Centre	447	-	-	-	447	247	200	447
6 William Bellamy Children Centre	459	-	-	-	459	259	200	459
7 Becontree Children Centre	629	-	-	-	629	379	250	629
8 School Modernisation Fund	2,486	2,486	-	-	4,972	4,972	-	4,972
9 PREPARING FOR BUILDING SCHOOLS FOR THE FUTURE	500	-	-	-	500	-	500	500
ARTS & LIBRARIES								
10 EASTBURY MANOR HOUSE - Repairs Plan	110	656	317	17	1,100	900	200	1,100
11 VALENCE SITE REDEVELOPMENT	79	1,182	1,062	25	2,348	1,859	489	2,348
12 COMMUNITY MUSIC SERVICE & PERFORMING ARTS - Adult College	675	40	-	-	715	-	715	715
TOTAL EDUCATION ARTS & LIBRARIES	11,682	5,874	1,379	42	18,977	11,389	7,588	18,977
HOUSING								
HRA								
13 HOUSING FUTURES	24,012	32,031	30,811	30,811	117,665	51,996	65,669	117,665
14 REFURBISHMENT OF BARTLETT & OLDMEAD	4,250	-	-	-	4,250	-	4,250	4,250
Non HRA								
15 HOUSE RENOVATION GRANTS - DFG'S	800	800	-	-	1,600	840	760	1,600
16 CONTAMINATED LAND - Inspection	765	568	-	-	1,333	-	1,333	1,333
17 PRIVATE SECTOR HOUSING	1,400	1,400	-	-	2,800	-	2,800	2,800
18 CCTV - Extension of Barking Town Centre	195	10	-	-	205	-	205	205
19 CCTV - Becontree Station	2	-	-	-	2	-	2	2
TOTAL HOUSING	31,424	34,809	30,811	30,811	127,855	52,836	75,019	127,855

External Sources	Capital Receipts	4 Year TOTAL
£'000	£'000	£'000

2006/07	2007/08	2008/09	2009/10	4 Year Total
£'000	£'000	£'000	£'000	£'000

REGENERATION & ENVIRONMENT

TECHNICAL

20	TRAFFIC MANAGEMENT & SAFETY SCHEMES	950	1,125	-	-	2,075
21	STREET LIGHTING - Replacement of Columns	220	220	-	-	440
22	BRIDGE STRENGTHENING	125	50	-	-	175
23	HIGHWAYS MAINTENANCE - Principal Roads	700	600	-	-	1,300
24	ACCESSIBILITY - Local Area & Bus Stops	50	150	-	-	200
25	20MPH ZONES	165	120	-	-	285
26	FREIGHT	-	40	-	-	40
27	LONDON BUS PRIORITY NETWORK	888	-	-	-	888
28	INTERCHANGES	250	200	-	-	450
29	LONDON CYCLE NETWORK	93	-	-	-	93
30	CYCLING ROUTE (Non LCN)	15	-	-	-	15
31	REGENERATION & ACCESS CORRIDORS	50	-	-	-	50
32	ENVIRONMENTAL MONITORING	25	-	-	-	25
	TOTAL R&E - TECHNICAL	3,531	2,505	-	-	6,036

1,275	800	2,075
-	440	440
175	-	175
1,300	-	1,300
200	-	200
285	-	285
40	-	40
888	-	888
450	-	450
93	-	93
15	-	15
50	-	50
25	-	25
4,796	1,240	6,036

Non-TECHNICAL

33	RELOCATION OF EASTBROOK GARAGE	75	-	-	-	75
34	GORESBROOK PARK - Improvements	80	20	-	-	100
35	PARKS & GREEN SPACE STRATEGY	2,100	1,900	-	-	4,000
36	ASBESTOS REMOVAL	203	-	-	-	203
37	CENTRAL PARK - Peace & Memorial Garden	65	-	-	-	65
38	IMPLEMENT CORPORATE ACCOMMODATION STRATEGY	1,400	1,600	-	-	3,000
39	CPMO - Management Team	200	200	200	-	600
40	MAJOR REPAIRS PROGRAMME	397	826	-	-	1,223
41	Cemetery Extension	352	-	-	-	352
42	Backlog Maintenance - (estate excluding Corp Accom)	500	500	-	-	1,000
	TOTAL R&E - NON-TECHNICAL	5,372	5,046	200	-	10,618

75	-	-	75
100	-	-	100
-	4,000	-	4,000
-	203	-	203
65	-	-	65
1,000	2,000	-	3,000
-	600	-	600
-	1,223	-	1,223
-	352	-	352
-	1,000	-	1,000
1,240	9,378	-	10,618

Regeneration

43	BARKING TOWN CENTRE - Lifelong Learning	400	-	-	-	400
44	BARKING CHILD & FAMILY HEALTH CENTRE	2,000	-	-	-	2,000
45	REGENERATION INITIATIVES	1,000	-	-	-	1,000
46	NEW DAGENHAM LIBRARY & CUSTOMER FIRST COMPLEX	900	-	725	-	1,625
47	DAGENHAM DOCK INFRASTRUCTURE - ETSP & Section 106	448	-	-	-	448
48	Dagenham Heathway Public Realm	2,255	-	-	-	2,255
49	Gorebrook Parade Redevelopment	90	1,500	-	-	1,590
50	Barking Town Centre - Provision for Car Parking	2,120	-	-	-	2,120
	TOTAL R&E - REGENERATION	9,213	1,500	725	0	11,438

400	-	-	400
2,000	-	-	2,000
-	1,000	-	1,000
-	1,625	-	1,625
448	-	-	448
-	2,255	-	2,255
1,500	90	-	1,590
500	1,620	-	2,120
4,848	6,590	-	11,438

TOTAL ALL R&E

18,116	9,051	925	-	28,092
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10,884	17,208	-	28,092
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DETAIL	2006/07	2007/08	2008/09	2009/10	4 Year Total	External Sources	Capital Receipts	4 Year TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

DETAIL	2006/07	2007/08	2008/09	2009/10	4 Year Total
	£'000	£'000	£'000	£'000	£'000

FINANCE DEPARTMENT

51	REVENUE SERVICES - Accommodation Imps	200	-	-	-	200	-	200
52	REVENUE MODERNISATION PROGRAMME - Replace IT System	878	-	-	-	878	327	878
53	ICT - Infrastructure Renewal & Enhancements	120	-	-	-	120	-	120
54	e-GOVERNMENT - 100% Council Services Electronically	95	-	-	-	95	95	95
55	e-GOVERNMENT - Replace System for Libraries	100	-	-	-	100	-	100

TOTAL FINANCE DEPARTMENT

	1,393	-	-	-	-	1,393	422	1,393
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CORPORATE STRATEGY DEPARTMENT

56	ST GEORGES COMPLEX - New Building	200	838	-	-	1,038	-	1,038
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Customer First

57	FOUNDATION CONTACT CENTRE	1,916	1,337	-	-	3,253	-	3,253
58	OFFICE ACCOMMODATION - Customer First	1,195	-	-	-	1,195	-	1,195
59	RESPOND - Customer Feedback Database	41	-	-	-	41	-	41

TOTAL CORPORATE STRATEGY

	3,352	2,175	-	-	-	5,527	-	5,527
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TOTAL LBBD SCHEMES

	65,967	51,909	33,115	30,853	181,844	75,531	106,313	181,844
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PROVISIONAL CAPITAL SCHEMES 2006/07 ONWARDS

Department	2006/07	2007/08	2008/09	2009/10	Total
	£	£	£	£	
DEAL	1,960	1,500	500	0	3,960
H&H	400	1,750	550	0	2,700
DRE	6,620	7,972	4,700	0	19,292
Finance	2,350	118	0	0	2,468
Corp Strategy	2,070	66	5	0	2,141
Social Services	150	0	0	0	150
TOTAL	13,550	11,406	5,755	0	30,711

External funding	LBBB funding		Total
	£	£	
1,250	2,710	3,960	
0	2,700	2,700	
14,282	5,010	19,292	
0	2,468	2,468	
0	2,141	2,141	
0	150	150	
15,532	15,179	30,711	

APPENDIX 3 (i)

PROVISIONAL CAPITAL SCHEMES 2006/07 ONWARDS

EDUCATION ARTS AND LIBRARIES DEPT

	2006/07	2007/08	2008/09	2009/10	Total	External funding	LBBB funding	Total
	£000	£000	£000	£000	£000	£000	£000	£000
1 Fair Funding LEA Liability	160	-	-	-	160	-	160	160
2 Fire Protection and smoke detection works to schools	400	-	-	-	400	-	400	400
3 Schools Reboiler Programme	300	-	-	-	300	-	300	300
4 DDA works to school sites(Emergency)	100	-	-	-	100	-	100	100
5 Children's Centres Phase 2 (New centres)	1,000	1,500	-	-	2,500	1,250	1,250	2,500
6 Valence House Redevelopment	-	-	500	-	500	-	500	500
	1,960	1,500	500	-	3,960	1,250	2,710	3,960

APPENDIX 3 (ii)

PROVISIONAL CAPITAL SCHEMES 2006/07 ONWARDS

HOUSING & HEALTH DEPT

2006/07	2007/08	2008/09	2009/10	Total
£000	£000	£000	£000	£000
200	1,750	550	-	2,500
200	-	-	-	200
400	1,750	550	-	2,700
400	1,750	550	-	2,700

7 Replace Housing IT Systems

8 CCTV - Gascoigne Estates, Rose Lane, Farr Ave, Ibscott Close

TOTAL

External funding	LBBD funding	Total
£000	£000	£000
-	2,500	2,500
-	200	200
-	2,700	2,700
-	2,700	2,700

APPENDIX 3 (iii)

PROVISIONAL CAPITAL SCHEMES 2006/07 ONWARDS

REGENERATION AND ENVIRONMENT DEPT

	2006/07	2007/08	2008/09	2009/10	Total	External funding	LBBB funding	Total
	£000	£000	£000	£000	£000	£000	£000	£000
9 Health and Safety issues(DDA, Asbestos, Legionella, etc)	500	-	-	-	500	-	500	500
10 Dagenham New Library and Customer First Centre								
- Regeneration (Housing)	660	5,722	2,450	-	8,832	8,232	600	8,832
- New Dagenham Library	2,310	-	-	-	2,310	1,900	410	2,310
11 Barking Park HLF	150	2,250	2,250	-	4,650	2,650	2,000	4,650
12 Highway Maintenance	3,000				3,000	1,500	1,500	3,000
	6,620	7,972	4,700	-	19,292	14,282	5,010	19,292

APPENDIX 3 (iv)

PROVISIONAL CAPITAL SCHEMES 2006/07 ONWARDS

FINANCE DEPT

Division	2006/07	2007/08	2008/09	2009/10	External funding		LBBB funding		Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
13 Data Backup Upgrade	70	-	-	-	-	-	70	-	70
14 Citrix Upgrade/ replacement	760	118	-	-	-	-	878	-	878
15 Desktop PC Replacement	100	-	-	-	-	-	100	-	100
16 Server Upgrades/ Refresh	100	-	-	-	-	-	100	-	100
17 Desktop Refresh Programme	1,000	-	-	-	-	-	1,000	-	1,000
18 Print press replacement	120	-	-	-	-	-	120	-	120
19 Egov - Corporate EDRM System	100	-	-	-	-	-	100	-	100
20 Egov - Corporate Procurement	100	-	-	-	-	-	100	-	100
TOTAL	2,350	118	-	-	-	-	2,468	-	2,468

APPENDIX 3 (v)

PROVISIONAL CAPITAL SCHEMES 2006/07 ONWARDS

CORPORATE STRATEGY DEPT

Division	2006/07	2007/08	2008/09	2009/10	External funding		LBBB funding		Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
21 One-Stop Shop - Dagenham Heathway	993	-	-	-	-	-	993	-	993
22 Voluntary Sector New Building - Land Purchase	500	-	-	-	-	-	500	-	500
23 Members & Mayoral - IT	77	6.0	5.0	-	-	-	88	-	88
24 Performance Improvement Software	100	60	-	-	-	-	160	-	160
25 Barking Life Long Learning Centre - Customer First (Extra Costs)	400	-	-	-	-	-	400	-	400
	2,070	66	5	-	-	-	2,141	-	2,141

APPENDIX 3 (vi)

PROVISIONAL CAPITAL SCHEMES 2006/07 ONWARDS

SOCIAL SERVICES DEPT

2006/07	2007/08	2008/09	2009/10	Total	External funding	LBBD funding	Total
£000	£000	£000	£000	£000	£000	£000	£000
150	-	-	-	150	-	150	150
150	-	-	-	150	-	150	150

26 Service/Fit For Purpose , Building Refurbishment

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MEDIUM TERM FINANCIAL STRATEGY

2006/07 TO 2008/09

MEDIUM TERM FINANCIAL STRATEGY
2006/07 TO 2008/09

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MEDIUM TERM FINANCIAL STRATEGY
2006/07 TO 2008/09

1 Introduction

- 1.1. This document sets out a framework for using the Council Finances to deliver the Community Priorities over the next three years. It is now possible to set out future years' expenditure plans because the funding announcements are for more than one year and it is possible to predict the broad parameters of Council expenditure for three years with a joint degree of accuracy.
- 1.2. The London Borough of Barking and Dagenham has, through the years of being debt free, the advantage, which enables us to plan and predict our capital programme with a greater degree of confidence than other Councils. This should be reflected, in turn, through the revenue budgets.
- 1.3. Our Medium Term Financial Strategy (MTFS) is driven by the Council's desire to maximise its impact in addressing the needs of local people, delivering against the Community Priorities, and working with the local community wherever possible. There will be points of contention and disagreement about the actions that are needed, but these will be addressed through consultation and information sharing. Where contention arises, we will use the Community Priorities as a guide to finding the best solution for our Community, within the overall financial framework.
- 1.4. The Medium Term Financial Strategy covers the three years 2006/07 to 2008/09, 2006/07 is based on the budget and plans agreed in 2005 and further developed in February 2006. It will be a rolling strategy that is updated annually and informed by the capital plan. It is envisaged that this strategy will be:
 - a) Adopted as part of the 2006/07 budget process
 - b) Updated during each year to assist budget planning for future years
 - c) Reviewed in February each year when the annual budget is set.

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

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

2. Community Priorities

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

3. Council Performance

Strategies, Plans and Performance Management

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

Local Public Service Agreement

- 3.3. The Council signed its Local Public Service Agreement on 21st July 2003.

The pump priming performance grant of £914k was received in 2003/04 and this is supplemented by the redirection of Council expenditure of £158k. Annex 2 identifies the allocation of this sum between our 12 targets. The performance reward grant following the outcome in relation to our set targets will be received in two equal instalments in the two financial years following the end of the LPSA period, 31st March 2006.

The Corporate Management Team has agreed that the Performance Reward Grant should be allocated as follows:

- Services that have achieved their targets receive an amount equal to the pump priming grant they received at the outset - Service areas would have to provide a plan on how they will sustain performance once the funding is withdrawn.

- £1.5 million to be used for Highways repairs (Capital) and £50,000 (revenue) to support our target to reduce the number of burglaries.
- The remainder of the Performance Reward Grant will go to those service areas who have demonstrated in the past that they have been able to use additional funding to improve service delivery – probably through a bidding process.

Based on current performance against our targets we will be seeking a payment of Performance Reward Grant of approximately £3.3m.

Local Area Agreement (LAA)

LAAs set out the priorities for a local area agreed between central government and a local area (the local authority and Local Strategic Partnership) and other key partners at the local level.

LAAs simplify some central funding, help join up public services more effectively and allow greater flexibility for local solutions to local circumstances. Through these means, LAAs are helping to devolve decision making, move away from a 'Whitehall knows best' philosophy and reduce bureaucracy.

The LAA is a three year rolling plan. We want to use this framework to drive improvement in the Borough up to the Olympic games in 2012 and beyond to ensure that both physical and social regeneration of the borough is sustained. The LAA has been developed through the Implementation Group of the Local Strategic Partnership and its sub groups. Local authority input has been overseen by the Council's Corporate Management Team and signed off by the Executive.

Extensive consultation has been undertaken and will continue to inform each stage of the process. Key consultees include:

- Sub-Groups of the Local Strategic Partnership
- Local Government Boards
- Local statutory partnerships and network groups
- Internal Management Team meetings of Partner organisations
- Voluntary and Community Sector via the Sector Forum, and Community Empowerment Network workshop events

The structure of the Local Strategic Partnership has been reviewed in the light of the need to deliver the LAA. As a result an inclusive Public Service Board (PSB) will be formed to:

- Include the Voluntary and Community Sector;
- Exercise a leadership and governance role;
- Bring together the key decision makers in a geographic area in a way that is visible, meaningful, and accountable to local people which delivers improved public services;
- Oversee public expenditure in the locality and manage relevant budget streams through joint planning and resource allocation; and
- To act as an agent for transformational change.

The sub-groups of the Partnership are:

Children and Young People
Healthier Communities and Older People
Safer and Stronger Communities
Economic Development and Enterprise

The importance of the community and voluntary sector will be reflected by working within the spirit of the draft statement of Community Involvement. Extensive consultation will be undertaken on the prospectus for commissioning services and the review of the roles and responsibilities for block groups. The commissioning prospectus will be drafted for consultation in January and finalised in line with the submission of the submission of the final draft.

The Public Service Board will oversee the delivery of the LAA through detailed action plans. They will regularly check progress against the indicators and targets and initiate action to be taken in response to indicators and targets not on track. Existing monitoring and reporting mechanisms will be rolled into the LAA.

Unless specifically stated, funds will be managed by an Accountable Body, in this case the Council, and 'passported' where appropriate to other organisations. Expenditure will be monitored under each of the blocks. Protocols for commissioning will be consulted on and put in place to support the agreement.

Reporting Arrangements

- Each Block will be supported by a Sub Group of the LSP and the chair of each sub group will have a place on the PSB. They will report on progress and bring to the PSB issues for resolution. Each sub group will have agreed terms of reference and identified roles and responsibilities on feeding back to their constituent bodies.
- The Partnership wishes to focus the implementation of the LAA on delivering against the national floor targets and key local priorities. To achieve this, a review of monitoring arrangements is underway. We wish to make existing systems more robust and are assessing the use of IT to make 'real time' information available.
- Residents will receive regular reports on progress through The Citizen magazine and the LSP will hold a twice yearly conference to share successes and consult on issues.
- Government Office for London will receive monitoring reports at the 6 month and end year stages. The direction of travel will be monitored in line with current CPA guidance and be agreed as part of this process.

Comprehensive Performance Assessment (CPA)

- 3.4. The Council was informed in December 2005 that it has retained its “two star” status (previously known as “fair”) and that we are “improving adequately” under the new Comprehensive Performance Assessment (CPA) process. Further work is required to improve on this overall rating with the target of “three star” by 2006 and “four star” by 2008 and the Medium Term Financial Strategy can assist in supporting the Council to achieve a higher rating.
- 3.5. The CPA process underwent fundamental review for 2005 and a new procedure was adopted. Within the new procedure there is a much stronger focus on the use of resources as part of the overall assessment.
- 3.6. Overall this element assesses how well the Council manages and uses its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council’s priorities and improve services. The use of resources block will carry more weight in determining the overall CPA category for the Authority. The MTFS will be an essential part of addressing these requirements.
- 3.7. The Council’s next Corporate Assessment is scheduled for between March and July 2007.
- 3.8. Alongside the CPA process there is the usual Government inspection process particularly around Education (Ofsted), Social Services (CSCI), Housing and Benefits (Benefits Fraud Inspectorate). The outcomes from these inspections need to be incorporated into delivery plans which need a clear link to the Medium Term Financial Strategy.

Use of Resources

- 3.9 As detailed above, the use of resources block of CPA is a key priority for the Council. The Council scored a 2 in this block for 2005. The individual scores in the component parts were as follows:
 - Financial Reporting – 3
 - Financial Management – 3
 - Financial Standing – 2
 - Internal Control – 2
 - Value for Money – 2
- 3.10 The Authority is committed to achieving a score of 3 in use of resources for 2006 and a score of 4 by 2008. A substantial amount of work has been undertaken during 2005 and this will continue into 2006. Key actions include the establishment of a “use of resources” Board, which has established key responsibilities for the delivery of use of resources across the Council. It is a high priority challenge to continue to embed these disciplines across the organisation in 2006 and in future years. Two significant considerations within this framework are efficiency and value for money, and these are considered in the following paragraphs.

Efficiency

- 3.11 As part of the results of the 2004 Spending Review announced by the Deputy Prime Minister in July 2004, it was announced that within local government a target of 2.5% per annum for efficiency gains was introduced. Therefore, by 2007/08 efficiency gains equivalent to 7.5% of the 2004/05 baseline should be achieved. This was to deliver at least £6.45 billion across all local government by 2007/08.
- 3.12 This is a very challenging target that has been set for local government. For Barking and Dagenham, the 2.5% per annum around £4m on a recurring basis (it totals £12.33m over the 3 years). The efficiency gains can be met in two ways. Firstly, at least 50% of the sum is to be met through “cashable gains”. These represent the potential to release resources for reallocation elsewhere. The remaining efficiency gains can be derived from “non-cashable gains”. These are achieved through such means as improved quality or additional outputs for the same level of resources. All efficiency gains generated will be available to the local authority to reinvest in improved services or used to reduce council tax.
- 3.13 The Council has made a strong response to the Gershon efficiency agenda. An Efficiency Board was created, led by the Director of Corporate Strategy. This group convenes on a monthly basis with the purpose of reviewing and developing efficiency plans across the organisation. A comprehensive efficiency programme, covering the three years from 2005/06 to 2007/08 was launched in April 2005. This set out the key strands which would be targeted to realise efficiency gains. They were as follows:
- Paybill – efficiency gains would be targeted in respect of agency staff costs, a reduction in sickness & overtime, improvements in recruitment processes leading to efficiency gains and also piloting mobile working;
 - Procurement – projects are in progress at the moment to realise gains in respect of legal fees and security services. A number of further areas, such as printing and energy costs are being considered;
 - Property – efficiency gains would be targeted in respect of construction framework contracts and improvements in capital programme management; and
 - Productivity and performance – both corporate and service specific efficiencies would be targeted across the Borough, including early accounts closure, debt collection, transport and homelessness provision.
- 3.14 The Council submitted a “forward look” efficiency statement to the ODPM in April 2005, setting out planned efficiencies of £4.7m. The main elements of this statement are detailed below:
- Efficiency gains resulting from direct payments in Social Services;
 - Gains resulting from the introduction of a single agency staff supplier for the Council’s professional and technical staff;

- The development of in-borough Special Educational Needs (SEN) centres, reducing the unit cost of placements that were previously provided out of borough;
- Quicker turnaround and better management of void properties resulting in reduced costs and increased income; and
- Transfer of homeless accommodation from bed and breakfast to private sector landlords, resulting in reduced unit costs.

3.15 In June 2005, Councils made “backward look” efficiency returns to the ODPM, covering 2004/05. A further £4.5m of efficiency gains were realised in this period, covering a range of areas, including:

- The reorganisation of the Department of Regeneration and Environment, achieving efficiency gains in the process;
- A review of the Council’s transport service was carried out, the rationalisation of which achieved significant efficiency gains; and
- Initial efficiency gains realised in respect of SEN and direct payments, which have continued into 2005/06.

3.16 As can be seen from the figures above, the Council is well on the way to achieving its efficiency target. Planned efficiencies in 2004/05 and 2005/06 total approximately £9m, so the Council is three quarters of the way to achieving its overall target, with two years to go.

3.17 Despite this strong progress, significant challenges lie ahead. For example:

- The Council needs to continue to embed the culture of efficiency in the organisation to ensure that it continues to progress against the ODPM’s efficiency target;
- It is vital for the provision of local services that the Council continues to focus on cost effectiveness of service provision. This means ensuring that the Council achieves value for money across services and corporate functions;
- The 2006/07 grant settlement from central government saw Councils across England receive little more than 2% increases in funding. Set against a backdrop of a range of new policy initiatives, the need to increase pension contributions and meeting nationally agreed salary increases for staff, it is clear that improvements in efficiency and cost effectiveness will go a long way to ensuring that the Council’s budget plans remain robust in the medium term; and
- The Council is keen to develop the sharing of best practice across local government and cross borough working, a key theme in the Gershon Report. The Council has already circulated other London Boroughs, and produced a “best practice guide” on efficiency to assist in the preparation of efficiency statements across the capital covering 2006/07. The Council is currently looking at ways that it could work in partnership with other Boroughs to deliver services more effectively and efficiently.

The Council will be working against these challenges in 2006/07 to ensure that it is at the forefront of the drive to meet the requirements of the efficiency agenda.

Value for Money

3.18 Value for money (VFM) is usually defined as:

- Economy;
- Efficiency; and
- Effectiveness.

The 1999 Local Government Act requires every council to “secure continuous improvement in the way in which [their] functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

3.19 Achieving and demonstrating value for money (VFM) has been a priority for successive governments in recent decades. Councils have had to establish processes and procedures to evaluate and monitor value for money in local services.

3.20 To ensure that value for money is delivered across the organisation, clear information must exist on costs and performance of services. Key “priority” areas must be identified, where the Council is committed to high levels of spending to achieve specific aims. These priority areas must be kept under constant review.

3.21 The Council is committed to high levels of spending in certain key “priority” areas to deliver substantial improvements to its community. These include:

- In previous years, the Council spent over and above FSS on Education with the aim of improving standards in Education across the Borough. Results have demonstrated that this investment is achieving the intended aim, and the Council is committed to allocating resources to Education (albeit FSS for Education has now been superseded by the Dedicated Schools Grant) in the medium term;
- The Council is also committed to allocating financial resources to both Children’s Services and Adults Services in the medium term with the aim of improving the standard of social care; and
- The Council is committed to ensuring it delivers on its cleaner, greener, safer priority.

3.22 The Council has a number of initiatives in place to ensure that value for money is achieved across both frontline services, and in support services.

- Strengthening the **strategic understanding** of value for money across the Council:
 - Corporate Management Team to develop their strategic role on value for money;
 - Service and Financial Planning Board, Performance Board and Corporate Management Team to initiate reviews over areas of concern; and

- Develop targets for value for money to be included in service plans, including recovery plans for services of concern;
- Continuing to improve the **reporting** of value for money across the Council:
 - Value for money reporting is now required on all performance indicator returns. Guidance and support will continue in 2006/07 to improve the quality of these returns;
 - Value for money considerations must also be made on all Executive reports. Continuing support will take place throughout 2006/07 in this area;
 - Focus on the reporting of outcomes;
 - Capital appraisals forms amended to include reference to value for money; and
 - Better linking of financial and performance information:
 - Resource monitoring panel now considers performance indicators as well as financial reports; and
 - Briefing notes for resource monitoring now include specific reference to non-financial data.
- Continuously developing the **culture** of value for money across the Council:
 - Service and financial planning board to develop its role on value for money and to provide challenge for Best Value reviews;
 - Scrutiny management board to consider services subject to scrutiny with specific reference to value for money;
 - Performance board to ensure that range of data under consideration is sufficient to challenge value for money effectively;
 - Ensuring value for money training is included in member inductions; and
 - Departmental finance and performance teams to work with heads of service to develop value for money self assessments.
- Developing stronger links between the **budget process** and **value for money**:
 - Consideration of value for money by services as well as finance in preparation of growth, savings and pressures options for 2007/08 budget process.
 - Corporate Management Team to develop their strategic role on value for money in the budget process.

4. Budget Strategy

Council Tax Strategy 2005/06 – 2007/08

- 4.1. In March 2005 the Council set a Council Tax strategy for 2005/06-2007/08. The key elements were:
- a) Education budget set at FSS, including the full passporting to schools of the increase in the schools FSS with consideration for future schools funding.
 - b) Social Services budget set at FSS with a need to review this position for future year's budgets.

- c) Highways budget set at FSS.
- d) Continuing the protection of the services that deliver the Cleaner, Greener, Safer priorities.
- e) There is no planned use of reserves for ongoing expenditure.
- f) A 5 year capital plan (2004/05 to 2008/09) totalling £233m with £117m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis.
- g) A rigorous asset disposal programme and a capital programme that is dependent on around £43m of sale proceeds from land disposals. Potentially asset disposals may exceed this level and the programme has been set in order to accommodate a higher level of receipts if they are realised. Similarly if the £43m is not achieved the programme will need to be reassessed.
- h) Remaining debt free for 2005/06 to 2007/08, with the proceeds from interest on balances reducing as accumulated capital receipts are used to fund the capital programme. The position on borrowing will be kept under review.
- i) A council tax increase of
 - 3.9% in 2005/06 (3.46% LBBB, 5.5% GLA) with further projected increases of:-
 - 2006/07 (5% LBBB, 10% GLA)
 - 2007/08 (5% LBBB, 10% GLA)
- j) As part of the 2005/06 budget setting, the 2004/05 projected underspend position of £1.5m for the Social Services budget, has been used to fund the overall 2005/06 budget. This will require Social Services to identify ongoing savings of £1.5m in order to ensure future years budgets remain balanced.
- k) The Housing Revenue Account to contribute to the Council's Corporate and Democratic Core costs. For 2005/06 this is £225k, 2006/07 £500k and 2007/08 £750k.
- l) Savings of £2.7m for 2005/06, of which £200k relates to highways and the remaining are within the environmental, protective and cultural services block however protecting the service provision for cleaner, greener, safer.

With further reductions projected in the budget of about;

£5.8m for 2006/07
and a further £7.2m for 2007/08 being required.

Savings at this level will need to be made across all Services apart from the mandatory ringfenced Schools budget. Targets are to be set to allow the process for identifying savings to commence 1st April 2005. The Director of Finance will be providing the initial targets for savings across all services.

- m) Pressures of £2.9m for 2005/06.
This mainly relates to statutory requirements, unavoidable pressures, and existing commitments. However, investment is planned in Cleaner, Greener, Safer initiatives. In addition, there is also a phased transfer of the costs of grounds maintenance from the HRA to the general fund.
- n) Further budget pressures of £22m and £16m are projected for 2006/07 and 2007/08 respectively across all Council budgets.

Budget Strategy 2006/07 onwards

4.2. For 2006/07 the key elements of the strategy set in 2005/06 have been built on and the budget has been based on:-

- a) Schools budget set at the new dedicated schools grant level.
- b) All services reviewed (apart from Schools).
- c) Continuing the protection of the services that deliver the Cleaner, Greener, Safer priorities.
- d) Supporting the needs of Customer First.
- e) A 5 year capital plan (2005/06 to 2009/10) totalling £290m with £124m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis.
- f) A rigorous asset disposal programme and a capital programme that is dependent on around £55m of sale proceeds from land disposals. Potentially asset disposals may exceed this level and the programme has been set in order to accommodate a higher level of receipts if they are realised. Similarly if the £55m is not achieved the programme will need to be reassessed.
- g) Remaining debt free until 2007/08, with the proceeds from interest on balances reducing as accumulated capital receipts are used to fund the capital programme. The position on borrowing will be kept under review.
- h) A council tax increase of

5.67% in 2006/07 (3.49% LBBB, 13.35% GLA) with further projected increases of:-

2007/08	(5% LBBB, 10% GLA)
2008/09	(5% LBBB, 10% GLA)

- i) The Housing Revenue Account to contribute to the Council's Corporate and Democratic Core costs to a sum of £750k.
- j) Savings of £5.3m for 2006/07, however protecting the service provision of cleaner, greener, safer.

With further reductions projected in the budget of about;

£5.4m for 2007/08
and a further £3.9m for 2008/09 being required.

Savings at this level will need to be made across all Services apart from the Schools budget. Targets are to be set to allow the process for identifying savings to commence 1st April 2006. The Chief Executive will be providing the initial targets for savings across all services.

- k) Efficiency savings of £1m to contribute towards our efficiency targets.
- l) Pressures of £2.8m for 2006/07.

This mainly relates to statutory requirements, unavoidable pressures, and existing commitments. However, investment is planned in Cleaner, Greener, Safer initiatives.

- m) Growth of £1.3m for 2006/07.
- n) Corporate issues showing a net reduction of £1.1m, including the use of £3.8m of reserves for the 2006/07 budget.
- o) Further budget pressures of £18.4m and £16.9m are projected for 2007/08 and 2008/09 respectively across all Council budgets.

4.3 The strategy for 2007/08 and beyond continues the position that has been established for 2004/05, 2005/06 and 2006/07.

4.4 A summary of spending and grant projections for 2006/07 onwards plus council tax increases are contained in Annexes 3 and 4.

5. Local Government Finance Settlement

- 5.1. Between 2003/04 and 2005/06, the Local Government settlement was based on the Formula Spending Share (FSS). The FSS was based on formulae that include information on the population, social structure and other characteristics of each Authority. Additional top ups were added for numbers of disabled, elderly, and unemployed people, and people from ethnic minorities. Top ups were also added to reflect the extra costs of employing staff in high cost areas such as London and the south east. The FSS covered major service blocks, Education, Social Services, Highways, Environmental, Protections and Cultural Services (EPCS) and Capital Financing.
- 5.2. However, from 2006/07, the Formula Spending Share and assumed council tax assumptions which form the basis of the existing grant distribution arrangements will no longer exist and have been replaced by a new '**four block**' model which focuses on the calculation of total grant.
- 5.3 The four block model grant allocations comprise the following components:
- A relative **needs** amount (e.g. to reflect differences in deprivation or other factors such as density and commuters) using Relative Needs Formulae (RNF)
 - A reduction based on relative **resources** (the relative ability of authorities to raise council tax)
 - A **central allocation** (basic amount) based on a per capita amount
 - An allocation to ensure a minimum increase in grant i.e. the **damping** amount require to fund the floor which is positive for floor authorities and negative for those above the floor. The floor is set at 2% for 2006/07.

An illustration of the component parts of this calculation for Barking and Dagenham is set out below:

Figure 1

Provisional Barking and Dagenham Grant Allocation for 2006/07

	£m
Relative Needs Amount for 2006/07	63.327
Relative Resource Amount for 2006/07	(6.416)
Central Allocation for 2006/07	28.503
Floor Damping for 2006/07	(2.334)
Deduct 2004/05 and 2005/06 amending report grant reduction	(0.694)
Total Formula Grant for 2006/07 ¹	82.386
Adjusted grant for 2005/06	80.403
Like for like grant increase	1.983 (2.47%)
2006/07 Formula Grant Comprises	
Redistributed business rates	69.699
Revenue support grant ¹	12.687

1. Net of amending report reduction of £0.694m

- 5.4 As can be seen from the figure 1, the like for like increase in formula grant for Barking and Dagenham for 2006/07 is 2.47%.

5.5 The grant settlement announced in January 2006 marks a move to a more forward looking method of funding allocation. The ODPM set out the Council's grant levels for the next two years, as part of an eventual move to three year settlements. For Barking and Dagenham, the following two year grant allocations were announced:

Adjusted 2005/06 Formula Grant (£m)	2006/07 Formula Grant (£m) (Net of Amending reports)	Like for Like Change (£m)	Like for Like % Change
80.403	82.386	1.983	2.5%
Adjusted 2006/07 Formula Grant (£m)	2007/08 Formula Grant (£m) (Net of Amending reports)	Like for Like Change	Like for Like % Change
82.830	86.397	3.567	4.3%

5.6 Despite the move away from FSS, the comparison can still be drawn between the total formula grant under the new four block model and the old FSS blocks for 2005/06. This is shown in Annex 4.

5.7 This was not the only major change that will take effect in 2006/07. From April 2006, schools funding will be received by way of a "**Dedicated Schools Grant**" (DSG). This ensures that funding allocated to schools by central government is received via a direct ring-fenced grant, rather than via the Council Tax and Formula Grant mechanism.

5.8 Every LEA in London has been guaranteed an initial basic increase of 5.1% per pupil in 2006/07 and 2007/08. In addition, authorities with rapidly falling rolls will be protected by a cash increase in DSG of 4%. Further top ups have been provided in relation to workforce reform, Key Stage 3 Personalised Learning, Primary Personalised Learning and other factors. The resulting minimum increase in DSG per pupil is 6.4% in 2006/07 and 6.1% in 2007/08.

5.9 Barking and Dagenham's confirmed per pupil unit of funding is £4,097 for 2006/07 (a 6.6% per pupil increase vs 2005/06) and £4,379 for 2007/08 (6.9% per pupil increase vs 06/07). The actual amount of funding will be dependent on school rolls, the figures for which were not finalised at the time this report was produced.

5.10 Despite the comprehensive changes to the way the Council's funding is calculated, the relative levels of funding across different localities is still driven by the same factors that applied when under Formula Spending Shares (FSS):

- Population and demography;
- The overall amount of money made available to local government by central government through the Spending Reviews;
- Changes in Local Government responsibilities;
- The underlying data used in the formula; and
- Floors and ceilings.

These factors are analysed further in Sections 6 to 10.

6. Population and Demography

Population estimates and projections

- 6.1 The Office for National Statistics (ONS) compiles data on both population estimates and population projections. Population estimates look at the population on a yearly basis, while population projections look at previous trends and project population data into the future.
- 6.2 Barking and Dagenham's 2006 and 2007 projections respectively are 169,702 and 170,959 which represent increases of 2.3% and 3.1% compared with the 2003 population estimate figure (165,862) used to calculate the 2005/06 settlement. The borough's 2004 mid year estimate, however, is only 164,572 (5,000 lower than the 2006 projected count which has actually been used).
- 6.3 The growth in the Borough's population between the 2003 estimates and 2006 projections is confined to children aged 0-17 (+1.9%) and younger adults aged 18-64 (+4.4%). The borough's population aged 65+ according to the ONS is actually projected to *fall* by 1,288 or 6% between the 2003 mid year estimates and 2006 projections.
- 6.4 The Council experienced the second largest drop in population figures in London following the Office for National Statistics (ONS's) publication of the 2004 mid year estimates in August 2005. These statistics are contrary to experiences of managers involved in local service delivery, who have seen increased usage and pressure on services across the Borough. The statistics are also contrary to information on council tax properties and housing completions, both of which have risen consistently in recent years.
- 6.5 The main contributing factor to the Council's fall in population in its 2004 mid year estimates, was a net outflow of migration. In this area, the Council is impeded by the ONS's weak methodology for calculating international migration figures. The ONS uses the International Passenger Survey (IPS), a survey of passengers entering the country from a sample of airports and ports, to estimate and distribute figures for international migration. While the IPS may be seen as a reasonable means of estimating total international migration (albeit there are concerns over sample sizes), it is not appropriate for distributing these figures across London. For example, almost all those surveyed by the IPS suggested that they would settle in central London. In reality, many will soon move on to other Boroughs, such as Newham and Barking and Dagenham, but the survey does not pick this

up. As a result, many people who enter the country and settle in Barking and Dagenham are not being picked up by ONS statistics.

- 6.6 The ONS is currently reviewing the methodology for allocating international migration between authorities, and there may be an upwards revision to Barking and Dagenham's population estimates as a result of this work. The accuracy of these statistics is important for a good grant settlement for Barking and Dagenham in future. A key priority for 2006/07 is to ensure that sufficient research is carried out to challenge and lobby against inaccurate statistics.

Population and grant settlement

- 6.7 As part of a move towards "three year settlements", for 2006/07, the ODPM used population projections rather than population estimates. The use of population projections rather than the 2004 mid year estimates has been a major contributory factor behind the Council's higher than average grant increases (before previous year adjustments). Without this change in methodology it is likely that the Council's allocations would have been closer to the floor.
- 6.8 It is not currently clear whether the ODPM will retrospectively revise the 2007/08 settlements to take account of any changes to the population data following work being carried out by ONS on existing data. This could result in a retrospective repayment of grant by the Council to the Government (or additional grant) depending on the impact of the outcome of the ONS migration study and the move to mid 2004 based projections.

Demography

- 6.9 The demographics of Barking and Dagenham demonstrate the diverse needs that exist across the Borough. These are exemplified with the following statistics:
- The Index of Multiple Deprivation 2004 places Barking and Dagenham within the top 25% most deprived Districts in England and when comparing the Average Rank IMD statistic Barking and Dagenham falls within the top 6% most deprived Districts in England;
 - There are 108 Super Output Areas (SOA's) in the Borough (these are a small geographical area that ONS provide demographic statistics on), 42 of these are ranked within the 10% most deprived in England. The IMD 2004 figures show that 10.3 % of this Boroughs population are living with the 10% most deprived areas in England. They also show that 14.3% of the Borough population is income deprived;
 - The Borough has the joint 9th highest Job Seekers Allowance Claimant Rate (5.9%) in London, the 3rd Highest of all Outer London Boroughs. Gascoigne Ward is in the top 3% highest Claimant Rates of all 625 London Boroughs; and
 - Barking and Dagenham's 5.9% Claimant Count Rate is much closer to Inner London's 6.0% rather than Outer London's 3.7%.
- 6.10 Certain demographic factors are considered when Central Government sets the level of "formula grant" for the Council. It is important that the Council lobbys effectively to ensure these demographic issues are appreciated by Ministers deciding on formula changes.

7. Spending Review

- 7.1. The Government decides how much it can afford to spend, reviews its expenditure priorities and sets targets for the improvements, which are to be delivered from additional spending in its spending reviews (SR).
- 7.2. These reviews usually take place every two years, covering a three year period. They set out Government assumptions about local authority revenue, spending and determine the total level of grant to local authorities. The final year of a spending review becomes the first year of the next.
- 7.3. The next Comprehensive Spending Review (CSR), in July 2007, will have to respond to the tightened fiscal position, as well as set objectives for the coming 10 years. The Lyons Review of Local Government Finance (and now the role of local government as well) will report in late 2006, in time for the 2007 CSR. The objectives for asset management and capital funding will also be of interest to local government.
- 7.4 The Spending Review 2007 is intended to deliver:
 - A fundamental review of Government's priorities and expenditure;
 - Departmental allocations for 2008/09, 2009/10 and 2010/11;
 - Examination of long-term trends that will shape the next decade (demographic change, globalisation, technology & climate change), together with an assessment of how public services need to respond;
 - Zero-based review of departments' budgets and an assessment of their effectiveness in delivering the Government's long-term objectives;
 - Further development of the efficiency programme, including the Gershon Review and Transformational Government; and
 - Renewed focus on capital in the run-up to the SR. Building on the recommendations of the Lyons Review of asset management the SR will place a particularly focus on the condition and management of the underlying asset stock as a basis for future capital allocations.

8 Changes in Local Government Responsibilities (Functional Changes)

- 8.1 Changes occur between the years due to change in responsibilities and the Government will make adjustments for these. This will also include transfers from specific formula grants and ring-fenced grants into general "formula" grant.
- 8.2 2006/07 has seen a number of movements between formula grant and specific or ring-fenced grants. Funding previously received from specific grants for safeguarding children, and residential allowances ended in 2006/07. Funding for access & systems capacity was reduced, preserved rights funding was partially transferred into the formula grant and residential allowances was fully transferred

into the formula grant. In addition to this, the Dedicated Schools Grant comes into effect for 2006/07, as detailed in paragraph 5.4

- 8.3 Allocations in the formula grant were also provided across the country for concessionary fares funding for free bus travel for over 60s and the disabled.

9 Changes in the Underlying Data in the Formula

- 9.1 A number of changes were made to the underlying data in the formula as part of the ODPM's consultation on the local government grant settlement in 2005. These can be summarised by funding "block" as follows:

- New data has fed into the formula for children's services. Outer east London boroughs (including Barking & Dagenham, Enfield Newham and Redbridge) gain materially under the new children's formula whereas inner London boroughs experience large reductions in their notional share of national children's funding;
- Changes have been implemented to younger adults formula, as a result, Barking and Dagenham's underlying 2006/07 younger adults funding has been increased by around 14.6%;
- For both children's and younger adults, changes to the formulae have, however, been heavily damped, with a floor increase of 2.7% guaranteed for all authorities. Barking and Dagenham's notional increase in funding has therefore been scaled back to pay for this;
- Barking and Dagenham's older persons funding has fallen by 3.6% on a like for like basis mainly as a result in the falling population over 65. There was no floor increase guaranteed for older persons funding;
- The EPCS formula has also been amended to reflect the additional £350 million of funding added to the settlement for the extension of the statutory free off peak bus travel for all pensioners and the disabled across England which was announced in the 2005 budget. Also within the EPCS formula weightings for population density, pensioners on income support and incapacity benefit/severe disablement allowance claimants have been increased in order to reflect the allocation of the concessionary fares funding;

- 9.2 No geographic changes were made to the area cost adjustment (ACA), although the Minister for Local Government did give a commitment to 'look again' at the ACA geography in advance of 2008/09. This represents a key issue for Barking and Dagenham, as the Council's wage pressures are 102% greater than the top up it receives through the ACA (i.e. more than double).

10. Floors and Ceilings

- 10.1 Each year, the Government guarantees a minimum increase in the Revenue Support Grant for each Council. This is known as a "Floor" increase set at 2% in 2005/06. The floor did not apply to Barking and Dagenham in 2005/06 as the grant increase was 2.5%.

- 10.2 The DFES also guarantees that every LEA receives a minimum per pupil increase in schools FSS each year, which was 6.4% in 2006/07. Barking and Dagenham's increase in per pupil funding was actually 6.6%.
- 10.3 The floor damping had a significant impact on the grant settlement for 2006/07. Such a range of formula changes were made that "real" grant increases were scaled back by 86% to ensure that all authorities saw a minimum 2% increase.

11. Capping

- 11.1 Each year when setting the Council tax the Authority needs to have regard to announcements from the Government in this area.
- 11.2 The capping criteria applied in 2005/06 was as follows: (Nick Raynsford speech 23rd March 2005):

- % increase in council tax – "excessive" was deemed to be over 5.5%
- % increase in budget requirement – "excessive" was deemed to be over 6%

Barking and Dagenham's Council Tax rose by 3.5%, and the budget requirement grew by 5%.

- 11.3 The capping criteria to be applied in 2006/07 has not been announced yet, and will not be until after authorities set their budgets. However, an indication is given in the speech made by Phil Woolas to the House of Commons in 5th December 2005:

"We... expect to see average council tax increases in each of the next two years of less than 5%..."

The minister also wrote to Councils on the 13th December 2005, stating:

"We expect the average council tax increase in England in both 2006/07 and 2007/08 to be less than 5%."

The proposed budget requirement for 2006/07 is £247.425m. The budget requirement, after adjustment for fundamental changes, shows a 4.5% increase on 2005/06, and the Council Tax increase is proposed at 3.5%.

12 Inflation

- 12.1 General price inflation between 2% and 2.5% is expected over the next 2-3 years. The current Consumer Price Index at the end of 2005 was 2.4% however economists are projecting this to fall to around 2% as energy prices are expected to recede from their high in 2006. In arriving at this general price increase a variety of economic drivers were assessed some of which may have increased beyond 2.5% and others which may be subject to negligible inflation or even deflation.

12.2 In terms of forecasting inflation for staffing costs, a national 3 year pay agreement was agreed in 2003 being 2004/05 - 2.75%, 2005/06 - 2.95% and 2006/07 - 2.95%. The implementation of this 3 year pay agreement has improved the budget setting process.

2006/07 is the final year of the current pay agreement and negotiations between both the Employer and Employee representatives will commence late in 2006.

12.3 The Council's actuary reported the results of its tri-annual valuation in October 2004 which outlined the performance and position of the Council's pension scheme. The valuation reported that the Council needed to increase its annual pension contributions in order that the pension fund would be sufficiently funded to meet its projected liabilities. As a result the Council's pension contributions will need to increase over the next 2 years to the following

- 2006/07 15%
- 2007/08 16.2%

The current rate in 2005/06 is 12%.

12.4 Other inflationary pressures which may impact on the Council's budget over the medium term could include future Government changes such as increased national insurance contributions, cost pressures relating to specific industry pressures e.g. Construction services, as well additional costs arising on difficult to fill posts and the use of temporary staff. In addition the success of London winning the 2012 Olympics is likely to have an impact on inflationary pressures in London over the forthcoming years, particularly labour resources which are moved to deliver the necessary construction deadlines.

12.5 Approximately 80% of the Council's expenditure is on staff costs, so the inflationary pressures here are particularly important. Barking and Dagenham in common with nine other East London boroughs receives a top up of only 9% (around £20m) to its basic formula grant allocations to reflect the higher costs of recruiting staff in the capital – the area cost adjustment – compared to 15% for those in West London and 26% for the twelve inner London authorities. This is a potential lobbying area for the Council as relative wages paid in Barking and Dagenham are around 102% higher than the East London average according to the ONS's New Earnings Survey (the data source for determining relative wage rates) and this ought to be reflected in the area cost adjustment calculation.

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

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

	2006/07	Later Years
Employee costs	2.95%	2.5% (per annum)
Other inflation	2.50%	2.5% (per annum)
Fees and charges	2.5%	2.5% (per annum)
Pensions costs	3.0%	1.2%

However with the budget proposals for 2006/07, consideration has been given to not fully funding inflation for non-pay areas across all Council Services excluding schools.

13. Vacancy Provision for Employee Costs

13.1 Budgets are currently set taking into account various vacancy factors. Heads of Service have discretion as to the level depending on the local circumstances and the impact on delivering services. In general both the Social Services and Education services do not operate with such factors as do services which are demand led.

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

13.2 The Council has a policy for reducing its use of agency staff and all temporary appointments are subject to the approval of a corporate agency panel which meets on a weekly basis. The overall use of temporary staff is being monitored extensively throughout the Council.

14. Single Status

14.1 The Council is currently involved in detailed work on the implementation of Single Status across the organisation. Essentially for local authorities this is to meet the requirement of the national pay agreement to complete a pay and grading review. Any costs associated with the final recommendations will need to be reflected as appropriate within the relevant year's budget process and the service reconfiguration reserve has been used for the initial costs of reviewing and implementing the single status agreement and for outcome of arrangements around single status.

15. Charging Policy

15.1 The Council has agreed a charging policy and this is set out in Annex 5.

15.2 The development of a Corporate Charging Register commenced in 2005 which will be completed in 2006. This will set out:

- A schedule of charges
- The date of revision
- The basis of calculations

15.3 All charges are reviewed annually as part of the budget setting process and appropriate reports are submitted to the Executive. For 2006/07 the budget process was based on general fees and charges increasing to ensure a 2.5% increase in yield in addition to the principles set out in the charging policy.

- 15.4 The Local Government Act 2003 also permits Councils to charge in further areas. The Council has not yet taken advantage of this power but will keep it under review.
- 15.5 From 01/04/03, Department of Health “Fairer Charging” statutory guidance applies to non-residential charging policies within care environments. The Fairer charging Guidance requires charges to take account of both the users’ ability to pay and level of service required. This in effect makes it a requirement to undertake a means test to decide levels of charge and to move away from previous non-means tested flat rate charges the Council has favoured in Social Care. The statutory means test has meant that over 50% of Social Services clients have been taken out of being required to pay charges.

This guidance will need to be adhered to when making charges for Social Services activities

16. Reserves and Contingency

Reserves

- 16.1 When reviewing the Medium Term Financial plans, Councils need to consider the level of reserves and the reasons for those reserves. There is also a requirement to undertake a review when the annual budget is set in February/ March each year.
- 16.2 The CIPFA guidance on Local Authority Reserves and Balances 2003 does not set any “level”, but sets out the factors the Director of Finance should use when assessing the level. The external auditors have been silent of specifying levels, tending to only comment on adequacy.
- 16.3 For Barking and Dagenham a reasonable level of reserves would amount to approximately £11m based on its annual budget requirement.

However a significant amount of the services that the Council provide have little or no risk in terms of potential financial performance and other internal and external influences and factors. After assessing these areas it is therefore considered that a more appropriate level of general reserves would be £9m.

In addition to this sum, the Council will as usual also hold earmarked reserves for specific purposes.

- 16.4 Annex 6 sets out the Council’s position on reserves and a policy for their application. It can be summarised as follows:-
- General Reserve
 - Projected uncommitted reserve at £9.1m for 2006/07;
 - Repairs and Renewals Reserve
 - This contains a small number of reserves to fund the repair and renewal of specific assets such as IT;

- Spend to Save and Service Reconfiguration Reserves
 - These reserves were originally established with a balance of £4m each to be used as the Council underwent significant changes in its service provision as it addresses both the community priorities and new ways of working. In 2006/07 the projected uncommitted amount of these reserves will be £2m on Spend to Save and £1.5m on service reconfigurations;
- Capital and Revenue Support Fund
 - This reserve has been set aside to fund planned capital expenditure should anticipated capital receipts fail to arise. In addition the reserve will also support the Council's transition back into borrowing to fund its future capital investment plans. In 2006/07 the uncommitted balance remains at £10m.
- Insurance Fund
 - This fund is held to meet potential and contingent liabilities that the Council self insures. At the end of 2006/07 the fund is estimated to be £4.6m. It is recommended that this is an appropriate level of provision and that it is maintained for any future unforeseeable items;
- Interest Equalisation Reserve
 - This reserve was established to enable future reductions in investment income to be smoothed in the budget setting process;
- Bad Debt Reserve
 - This reserve is established to provide for future liabilities as a result of bad debt that may arise.

A full profile over a three year period is set out in Annex 7.

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

Contingency

16.6 In assessing the budget an adequate level of contingency is required as well as appropriate levels of reserves and balances. Each year when assessing the level of contingency the following are examples of the factors that will be considered:-

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

The level of contingency for 2006/07 has been set at £1.2m

17. Flexibility Plans

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

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

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

18. Sensitivity Analysis

18.1 The above flexibility plan describes measures that may be taken to respond to budget pressures. It is important to recognise the key budget areas that may lead to pressures and their likely impact, in order that officers may respond appropriately.

To this end, a sensitivity analysis has been undertaken of key potential causes of pressures, their likelihood and impact. This is detailed in Annex 8.

19. Education

19.1 The introduction of the “dedicated schools grant” (DSG) has fundamentally changed the way the Council budgets for Education expenditure for 2006/07 and in future years. Previously, the Council received Education funding through FSS, and, in theory, was in a position to spend that funding at its discretion. In practice, this was not quite the case. The Secretary of State for Education and the Deputy Prime Minister wrote to every authority, expecting them to passport funding (meaning passing on the full increase in funding) in full, ‘barring exceptional circumstances’.

19.2 For 2006/07, every Council in the country receive a grant from which it funds its schools expenditure. This change removes the discretion over whether authorities spend on Education at previous FSS levels. As it is a long standing practice for the Council to spend at FSS, this change has not had a significant impact. The Council is still funded through formula grant for its non-schools education expenditure.

19.3 Certain funding anomalies remain, despite the comprehensive changes made in this area for 2006/07. For example, in common with boroughs such as Newham

and Haringey, Barking and Dagenham pays inner London pay rates to teachers but receives no direct compensation for this through the FSS system as it falls within the outer east London area cost adjustment region. Inner London boroughs, by contrast, receive an ACA top up for schools of 27% (almost 3 times as much) despite paying the same wage rates to teachers as Barking and Dagenham.

20. Social Services

- 20.1 Social Services budget planning for the three year period ending 2005/06 is contained within an "Improving Social Services Financial and Commissioning Framework" which was updated and agreed by the Executive on 23/3/04. Work is currently ongoing to update the document for the next three year period ending 2008/09 .

The framework / strategy being set is to continue and accelerate improvement in performance towards obtaining three stars for Social Services.

The department is continually challenging modes of service provision to ensure value for money , independence , and flexibility . In recent years this has meant the modernisation or closure of Establishments / Institutional care , with expansion in such areas as Direct Payments .

Social Services budgets will be re-aligned from 2006/7 in accord with the Council's new structures , ie a Children's Department and Adult and Community Services Department. This will be dealt with in a structured and supported manner with clear lines of accountability being identified for budget areas.

- 20.2. Budget pressures remain and are predicted for 2006/7 in Social Services particularly in the following areas:

- Children's Placements and Support budgets
- Adult care packages
- Learning Disabilities Residential Care
- Agency usage and recruitment costs for social workers

Measures are being taken to deal with these issues , and maintain expenditure within the proposed set limits for 2006/7 .

21. Housing

- 21.1 The Housing Revenue Account has a medium and long term financial plan which is an integral part of the Housing Business Plan. This has been assessed by ODPM as being "Fit for Purpose"

21.2 The Housing Futures programme signed off by GOL in September 2005 includes the capital investment required to achieve the decent homes standard set by ODPM by 2010, and then to retain the stock at that level for the duration of the 30 year Business Plan. It also shows a robust balanced HRA over the 30 year period, which will need to be updated annually.

Both these financial documents will help shape the medium and long term future direction of Housing

21.3 Within the Housing General Fund there continues to be pressures around homelessness and the provision of temporary accommodation. The reliance on Bed and Breakfast has now been eradicated and replaced by the use of Private Sector Leased (PSL) properties. Contracts for PSL's have been procured in accordance with EU directives and should provide better financial control.

21.4 Greater emphasis for the provision of new social housing is being placed on Private Sector Housing Developments. Partnering arrangements are being set up to ensure adequate resources are available to ensure the medium and long term objectives are met.

22. Other Services

Highways

22.1 Minimal changes were made to the Highways formula as a result of the grant settlement consultation. On a like for like basis, compared to 2005/06, the Council has received an additional £30k (1.1%). For 2007/08, the Council will receive a further 1.1%.

Environmental, Protective and Cultural Services (EPCS)

22.2 The service areas in EPCS continue to be subject to the greatest budget pressures over the short to medium term. While Education funding is funded from the DSG, and Social Services budgets are no longer ring-fenced, the comparatively low increase in funding for EPCS compared to the pressures that exist within this block, mean that significant savings need to be found to ensure that pressures are met and a robust budget continues to be set.

22.3 The EPCS formula has also been amended to reflect the additional £350 million of funding added to the settlement for the extension of the statutory free off peak bus travel for all pensioners and the disabled across England which was announced in the 2005 budget. This is effectively a free resource for London boroughs as the freedom pass system already provides this benefit within the capital.

22.4 The weightings for visitors, commuters and country of birth within EPCS are broadly unchanged but the weightings for population density, pensioners on income support and incapacity benefit/severe disablement allowance claimants have been increased in order to reflect the allocation of the concessionary fares funding.

Regeneration and Urban Development Corporation (UDC)

- 22.5 Regenerating the local economy as a community priority requires strong links to the financial planning of the Council. The Council has undertaken a best value review of regeneration and the action plan from this sets out the financial implications.
- 22.6 Key to the regeneration strategy is the leveraging in of external funding and it is planned that this investment will generate external funding in the future (capital and revenue) to deliver the regeneration priorities. To date, the Government have committed just over £26million towards regeneration of Barking Town Centre up to 2006, £14 million towards the regeneration of Dagenham Dock and £125 million towards London Riverside.
- 22.7 Within the Sustainable Communities plan published in 2003 the government proposed that an Urban Development Corporation (UDC) should be established in two areas in the Thames Gateway, namely Thurrock (covering a single borough) and East London. This has now been established with the Council represented on the Board.
- 22.8 Notwithstanding this welcome investment in regeneration projects in the Borough the need for major investment in the London Riverside area and Barking Town Centre to secure the delivery of the Communities Plan's objectives will require concerted effort and considerable resources (with estimates as high as £2 billion for infrastructure improvements alone).
- 22.9 Much work has been undertaken to look at the social infrastructure needs of the new communities and the impact on existing ones. Officers are also looking at, with the Barking Riverside Company and English Partnerships, new ways of managing some of the public infrastructure created and also ways of capital funding it in the first place. Discussions are also taking place with the UDC in relation to a similar approach in Barking Town Centre. All of this will impact on the medium term financial strategy, although most likely in future versions as the significant growth will come over 5-10 years.

Customer First

- 22.10 The Customer First initiative comprises of a 3 year plan aiming to deliver the vision of "an excellent contact service with high standards of quality and performance." This three year business plan sets out the technical, process and environmental improvements necessary to provide easily accessed services in a way and a time that will suit customers. This will be achieved through the continuing development of the contact centre, **Barking and Dagenham Direct**, launched in October 2004, for all the Councils services.
- 22.11 The current indicative costs of providing the Contact Centre are as follows:-

	<u>Annual Cost</u>	<u>Use of Reserves</u>	<u>Net Cost</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
2005/06	2,429	1,212	1,217
2006/07	3,674	1,000	2,674
2007/08	4,034	0	4,034

22.12 Provision was made to use reserves to fund the set up costs for 2004/05 and part of the ongoing costs in 2005/06. In addition as part of the proposed budget there is a further use of reserves required to support Customer First. Thereafter the cost of Customer First will need to be funded from revenue.

22.13 The above costs set out in paragraph 22.11 are in respect of the contact centre only. The establishment of two one stop shops has been agreed with the annual revenue cost for each of the one stop shops currently estimated to cost £1.3m to be met from Departments existing budgets..

22.14 The extent of this level of service reconfiguration is extensive and the financial viability of the project is dependent on driving out savings from service departments as a result of streamlining back office business processes, otherwise additional budget pressures will result.

This cross cutting initiative is key to the Council's future service provision and is figuring significantly in the council's financial planning, as resources are required to be redirected and saved in order to deliver the initiative.

22.15 In addition, there is an approved capital budget of £5m covering the period 2003/04 to 2006/07 to deliver the Contact centre. A further capital budget of £2.674m was agreed in January 2005 to fund the One Stop Shops.

Procurement

22.16 Following on from the Best Value review of procurement the establishment of a Corporate Procurement team was completed during 2005. The Team will be looking at ways in which the Council can achieve both financial savings and improve efficiency in the Council's procure to pay processes with a focus on meeting the requirements of the Gershon Efficiency Programme, the National Strategy for Procurement and preparing the Council for the impending CPA . In addition we will ensure that our procurement initiatives fit with the broader strategic objectives of the Council.

22.17 The main priorities for procurement are set out below:-

- Developing Procurement Skills

Effective procurement skills will enable the organisation to develop more efficient and best practice procurement which will assist in the successful delivery of major procurement projects, the management of strategic partnerships and the realisation of savings that can be channelled into priority services or into council tax reductions.

During 2006 the Council is undertaking a skills audit of all procurement practitioners and those managers for whom procurement forms a significant part of their role. A framework of training to satisfy the training needs identified will be developed and rolled out across the Council over the subsequent twelve months.

The Council will look to increase the number of corporate contracts as a consequence of standardising and aggregating demands for the supply of regularly used goods and services. This will enable the Council to explore opportunities to use various procurement options including partnering, use of voluntary and community sector, collaboration and consortia.

- Sustainability

The Team will be working to establish mechanisms through which employment opportunities for local people can be exploited and local businesses developed and encouraged to exploit trading opportunities provided by the Council and through its procurement.

From early 2006 all major Council contracts will be advertised on the Council's and other small business websites in addition to traditional media. It is planned that by the end of 2006/7 links will have been established with local business organisations in order to alert their members to Council trading opportunities, provide information on how the Council buys its goods and services and to provide support and advice on how they can win that business. The Council will also be introducing a number of electronic procurement solutions over the next three years (see below). It has been recognised that as a consequence many local, and especially small, businesses may have difficulty trading in this way. Corporate Procurement and Regeneration will work together over the next three years to provide assistance to that business in becoming e-enabled in order to trade with us and indeed most other local authorities.

- Equalities

In line with the Council's Equalities and Diversity Framework we will work towards raising service providers' performance in race equality and in employment and equal opportunities in general by securing contracts that deliver equalities in public procurement for the residents of the Council.

- Electronic Procurement

The Council is looking at the introduction of e-procurement solutions with a view towards improving efficiency in the purchasing process through reduced internal transaction times for regularly purchased goods and services, reducing error rates, focussing spend with contracted suppliers, speeding up invoice payment times and the identification of opportunities for collaboration and aggregation reducing purchasing price.

During the 2006/7 financial year the Council will introduce purchasing cards and will start to look at the introduction of electronic marketplace and electronic tendering and contract performance management solutions with the roll-out of these solutions continuing into 2007/8. Also during 2008 the feasibility of introducing electronic invoicing processes enabling both large and small suppliers alike to submit invoices electronically will be explored. It is again expected that this initiative will reduced internal transaction costs of the Council as well as those of our suppliers.

- Procurement Performance

In collaboration with the London Centre of Excellence the Council is developing a series of procurement performance indicators which will enable us to monitor year on year performance and the effectiveness of the procurement function both internally and in comparison with other public body organisations.

23. Future Considerations

23.1 **Economic Outlook** - major changes are expected in local government finance over the medium term (from 2008/09 onwards). Although the Government expects to meet both its Golden Rule and Sustainable Investment Rule, the margin is now very tight. Instead of the real-terms grant increases that local government has received over the past 10 years it is likely that – on average – increases will be closer to the trend growth rate in the economy (2.5%). For some services (e.g. non schools local government services) the growth rate may be below that.

- Treasury projections show the Government is meeting the Golden Rule (only borrowing for investment purposes), with an average annual surplus on the current budget over this economic cycle of 0.1% of GDP – this gives a margin of £16bn in this cycle. The economy is projected to return to trend in 2008/09.
- The sustainable investment rule is that net public sector debt should be less than 40% of GDP. Although net debt has been increasing in recent years, it is expected to be £37.4bn in 2006/07 and £38.2bn in 2010/11.

23.2 **Balance of Funding** - the initial review on the balance of funding in local government reported back in July 2004. One of the recommendations of the report was the establishment of an independent enquiry into this area, led by Sir Michael Lyons, who was due to report back in December 2005. This date has now been put back to December 2006, as the significant issues associated with funding local public services, are considered in full.

23.3 **Revaluations** – the planned Council Tax revaluation in 2005 was postponed. The future of revaluation, and of the funding of local government as a whole is dependent on the outcome of the Lyons Review, now expected to report back in December 2006.

23.4 In July 2005, the Local Government Strategy Unit within ODPM began a wide ranging debate on the future of local government, publishing *The future of local government: Developing a 10 year vision*. The document raises a number of issues including local leadership, citizen engagement, and the improvement of public services. The outcomes from this debate are tied in with the work being done by the Lyons Inquiry into local government finance, which is due to report towards the end of 2006. Together they will inform a future strategy for local government which will have implications for future policies and financial regimes within the sector.

24. Prudential Capital Guidelines

24.1 The enabling legislation for the current capital regime is set out in the Local Government Act 2003 which came into force on the 1/4/04. Authorities are now given greater freedom to borrow providing they can meet the revenue costs of the borrowing and the running costs of the resultant capital scheme.

The capital system provides a more integrated approach to capital investment decision making with an authority having to take account the following when setting its prudential indicators:

- Affordability;
- its asset management plans;
- the implications for external borrowing;
- value for money through options appraisal and its strategic plans.

The aim is to bring together revenue and capital resources to meet service delivery objectives.

24.2 The previous capital control system used in the main, the issue of annual Credit approvals by Central Government. These approvals allowed local authorities to either borrow or enter into other long-term credit arrangements up to an approved level. The use of this system effectively allowed the Government to control Council's borrowing and prevent local government from generating unsustainable levels of debt.

24.3 Instead of the use of Credit approvals, the new system places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the following two years. These indicators will assist Council's in determining an appropriate level of borrowing and to provide benchmarks against which they can monitor their borrowing levels.

24.4 In simple terms the Council is now able to borrow at whatever levels it feels are necessary so long as any borrowing is affordable, prudent and sustainable.

24.5 The new prudential guidelines requires the Council to set out various indicators on its Capital plans, investments and projected Council Tax increases, although being debt free reduces the extent of these. Annex 9 sets this out in more detail.

24.6 The new regime also requires the pooling of housing capital receipts. As from the 1st April 2004 the following pooling arrangements will apply:

	<u>Retained by Council</u>	<u>Paid into National Pool</u>
Right to Buy Receipts	25%	75%
Other Housing Receipts	50%	50%

24.7 However transitional arrangements have been approved for debt free Councils which will allow 75%, 50% and 25% of our pooled receipts to be retained over the three years 2004/05 to 2006/07 providing they are used for housing purposes. Over the three year period 2005/06 to 2007/08 the new pooling arrangements are estimated to cost the Council about £30 million of usable capital receipts that would have previously been available to the Council. This analysis of transitional support is summarised as follows:

	<u>Retained by Council</u>	<u>Paid into National Pool</u>
	<u>£m</u>	<u>£m</u>
2005/2006	7.3	7.3
2006/2007	3.7	11.2
2007/2008	0	11.5

24.8 These new arrangements have been allowed for in the Council's Capital Plan. The Capital Plan takes these changes into account, along with the need to borrow in the future.

25. Debt Free Position and Future Borrowing

- 25.1 As set out in section 24, the capital regulations that were introduced on the 1st April 2004 made the Council's debt free status less attractive. In particular these regulations require Councils to pay a proportion of their housing capital receipts into a national pool.
- 25.2 The transitional arrangements, also referred to in section 16 have enabled the Council to retain a proportion of capital receipts. However, as these arrangements expire in 2006/07, this will have implications on the Council's debt free position.
- 25.3 Based on the current capital programme, the Council will have spent the remainder of its capital receipts by 2008/09. At this point, the Council will need to borrow if it wishes to continue to finance its capital programme. With this in mind, an allowance has been made for borrowing costs in the 2008/09 projected budget position.
- 25.4 A range of technical and practical issues will arise for the Council to consider in returning to borrowing. Some key considerations are set out below:
- The process of borrowing needs to be considered, for example the sources of finance and any restrictions placed on local authorities;
 - The economic conditions have a bearing on decisions involving borrowing;
 - The type of borrowing is an important consideration, whether it is supported, unsupported, general fund or HRA; and
 - Accounting issues arise, such as the charging of a Minimum Revenue Provision (MRP).

26 Capital Investment Strategy

26.1 The capital strategy is an over-arching policy document relating to investment in services and describes how the deployment and redistribution of capital resources contributes to the achievement of corporate goals.

26.2 The strategy is a corporate document and as such has been developed in conjunction with Members and senior officers across the council. The Authority continues to reinforce its corporate approach to asset management with the embodiment of the previous "Corporate Asset Forum" into the Regeneration Board, the members of which are the Authority's Chief Officers. This demonstrates the commitment of the Council to deliver its capital strategy.

26.3 The Authority's strategic objectives, in relation to capital, can be summarised as follows;

- To ensure that capital resources are deployed in the most efficient, economic and effective manner and consistent with local priorities.
- That the priorities and approach to capital investment is determined with reference to the Council's wider policies and objectives

More specifically,

- The Council will continue to look for regeneration opportunities entering into partnerships and influencing decisions where possible. Build closer and better partnerships with the private sector, public agencies and voluntary sector and the local community across the borough. Ensuring that Barking and Dagenham plays a full role in the future strategic developments of the region at an economic, social and environmental level.
 - Encourage more private sector investment, shifting the Authority to an enabling role. Moving away from ownership of assets where this is not deemed appropriate and transferring the liability and risk to those more able to manage.
 - Reduce its holdings on non-operational/ commercial property to those consistent with agreed Council policy
- Successfully deliver a capital programme which is consistent with the Council's key priorities

26.4 Projections in respect of capital investment and disposals throughout the period from 2006/07 to 2009/10 are included in Annex 10 and Annex 11

27. Capital Investment and Borrowing

27.1. 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.

27.2. A variety of resources are available to local authorities to fund capital investment. The primary one is borrowing. However due to the Council's existing levels of capital receipts and its projected generation of future capital receipts, the Council does not currently utilise this type of resource to fund the Capital Programme.

- 27.3 A second source of funding is Capital Receipts which arise from the sale of assets such as surplus land and the sale of council dwellings. The amount of capital receipts generated varies from year to year, however, in order to maintain a consistent Capital Programme level it is necessary to plan the use of these receipts.
- 27.4 Thirdly, capital grants, issued by Government departments and agencies, which are allocated on a competitive bidding basis for specified purposes. Many of these bids require local authorities to make a financial commitment to the running costs of the schemes.
- 27.5 The range of external sources of capital funding that are potentially available to support the capital programme include those arising from regeneration programmes, Transport grants, Disabled Facilities grants, a number of Education grants e.g. seed challenge, Lottery, European Funds , PFI programmes and other specific Government programmes. These will also need to be kept under review by relevant spending departments throughout the year to ensure their full use and access to further availability of such external funds.
- 27.6 An important part of planning is for the Council to have a Capital Strategy and Asset Management Plan in place. In addition, there are other Service Capital Plans that are required by Government Departments and they need to link clearly to the overall Capital Strategy and Asset Management Plan. Specific ones are for Housing and Education.
- 27.7 The Capital Strategy and the Asset Management Plan are integral to the Council's future capital investment planning process. The Capital Strategy links policies and priorities to capital investment and provides a framework for the operational work of asset management. The Asset Management Plan, which covers all of the Council's assets, provides essential information in determining Capital Investment needs.
- 27.8 It is anticipated that around £134 million of capital receipts will be available to support Capital projects from 2006/07 to 2009/10. Various assumptions have been made regarding the generation of capital receipts particularly around land disposals and 'Right to Buy' receipts. This position will therefore need to be closely monitored over the relevant years.

A Capital programme for 2006/07 to 2009/10 amounting to £181.8 million, funded by capital receipts of £106.3 million and externally funded sources of £75.5million is to be considered by the Assembly in March 2006.

A summary of this programme is detailed in Annex 10. As a result of these schemes this will leave around £27.7m of Capital receipts to fund future schemes.

In addition a provisional further 26 schemes amounting to £30.7m are also to be considered by the Assembly in March 2006. Their inclusion in the programme will be subject to the following:

- a review by the CPMO;
- approval by both the Resource Monitoring Panel and the Executive;
- the production of a detailed business case.

These additional schemes will be funded by a mixture of capital receipts (£15.2 m) and externally funded sources (£15.5m).

A summary of these provisional schemes are detailed in Annex 10.

An initial commitment of 50% of future usable Housing capital receipts is being made available to support the Housing Futures programme in bringing Council homes up to the decent home standards and retaining the majority of the housing stock in-house.

- 27.9 Any future revenue commitments (excluding capital finance costs) that may flow from these capital expenditure schemes will need to be incorporated in Service revenue growth/savings options and budgets that are considered each year when the Council Tax is set. A contingency sum has already been included for this.
- 27.10 There are also some significant programmes being considered and reviewed that may require the Council to consider funding options in the longer term. They include Housing Futures, Accommodation strategy and projects designed to meet the Council's regeneration agenda.
- 27.11 Similarly, there may be instances where there may be a business benefit of borrowing. For example, the construction of a car park could be financed by a loan, while the longer term income received on this asset would make the borrowing economically beneficial.
- 27.12 The Council will move away from being in a debt free position at some point in the next year or so. As this point approaches, or should any situation arise in the mean time where it would be beneficial for the Council to borrow, the Director of Corporate Resources would report the relevant proposals to members.
- 27.13 The Director of Corporate Resources will report when necessary on the implications of the Council's investment requirements, including the implications of borrowing and when this might be necessary and most advantageous to the Council.

Dated : February 2006

Statutory Plans

The Council is requested to produce a number of Statutory Plans; the Government has proposals to reduce the number of these by 75% over a period of time. At present the following plans are required:

Name	Lead Department
Adult Learning Plan	Education
Early Professional Development Plan	Education
Educational Asset Management Plan	Education
Accessibility Strategy	Education
Public Libraries Standards	Education
Children and Young People's Plan	
Children and Young People's Plan	Children's Services
Social Services Delivery and Improvement Statement	Social Services
National Services Framework Older Persons Plan	Social Services
Annual Performance Assessment Plan	Social Services
Youth Justice Plan	Social Services
Adult Treatment Plan	Social Services
Young Persons Substance Misuse Plan	Social Services
DIP Plan	Social Services
Integrated Waste Strategy (ELWA)	
Integrated Waste Strategy (ELWA)	DRE
Emergency Plans	DRE
Local Development Plan	DRE
Local Implementation Plan	DRE
Rights of Way Improvement Plan	DRE
Asset Management Plan	DRE
Local Bio Diversity Action Plan	DRE
HRA Business Plan	
HRA Business Plan	Housing and Health
Housing Strategy	Housing and Health
Crime, Disorder and Drugs Strategy	Housing and Health
Food Law Enforcement Service Plan	Housing and Health
Health and Safety Enforcement Plan	Housing and Health
Supporting People Strategy	Housing and Health
Public Health Annual Report	Housing and Health
Homeless Strategy	Housing and Health
Local Neighbourhood Renewal Strategy	
Local Neighbourhood Renewal Strategy	DCS
Best Value Performance Plan	DCS
Community Strategy	DCS
Capital Strategy	
Capital Strategy	Finance
IEG Statement	Finance

LOCAL PUBLIC SERVICE AGREEMENT: PUMP PRIMING GRANT

To assist in achieving the targets set out in this Agreement, the Government will make a pump priming grant of £914,346 to Barking & Dagenham Council as a contribution towards expenditure of an “invest to save” or “invest to improve” nature. This grant will be paid no later than the financial year following that in which this agreement was concluded.

The grant is intended to contribute to the costs of the projects detailed below in Table 1, to the extent shown in the final column. It must be spent, during the period of this Local PSA, in accordance with this Schedule, or as otherwise agreed with the Government as likely to assist in achieving the enhanced performance specified in Schedule 1. Conditions protecting the proper use of public funds will apply.

Table 1

Target	Project	Planned total council expenditure (£)	Grant contribution towards expenditure (£)
1, 2	A Personal Tutor (qualified teacher) to work with Looked After Children (LAC)	£111,563 (+£23,591)	£87,972
1, 2, 6, 7a	A Learning Co-ordinator to support the Borough's "Flexi-Learning Programme"	£93,636 (+£23,636)	£70,000
1, 2, 6, 7a	Tuition fees for pupils to attend Barking College as part of the "Flexi-Learning Programme"	£194,727 (+£19,727)	£175,000
6	Appointment of Access and Attendance Officer to primary team.	£88,363 (+£45,000)	£43,363
3	Appointment of a Burglary Reduction Advisor in the Chief Exec's Community Safety Team	£94,981	£94,981
4	<input type="checkbox"/> Walking Bus Co-ordinator	£71,000	£71,000
	<input type="checkbox"/> Consultation with schools	£4,000	£4,000

Target	Project	Planned total of council expenditure (£)	Grant contribution towards this expenditure (£)
8	Trial of innovative and more responsive equipment to improve street cleansing 2 SCARAB machines at £45,000 each	£90,000	£90,000
9	Staffing resources for the abandoned vehicle team	£76,786	£76,786
10	Develop and implement handheld technology (consisting of 6 no. handheld computers with mobile telemetry capability. Training and on-site support during the development and implementation phases.	£26,000	£26,000
11	Appointment of Crime Reduction Worker based in YOT to implement specialist programme for all young people.	£89,500	£89,500
12	Rangers post. Woodland planting programme. Appointment of external consultants to gain green flag accreditation. Publicity and educational materials.	£131,488 (+£45,744)	£85,744
		£1,072,044 (+£157,698)	£914,346

The maximum pump priming grant available to Barking & Dagenham will be £914,346 (£750,000+ £1 per head of population [164,346]).

Where the pump-priming grant does not fully cover the cost of achieving the stretch, the Executive has agreed (12.11.02) that departments will need to fund the difference from existing department budgets or by re-directing funding or achieving growth bids. This difference amounts to £157,698.

SUMMARY OF BUDGET PROJECTIONS UP TO 2008/09

	2006/07 £'000	2007/08 £'000	2008/09 £'000
BUDGET REQUIREMENT B/F	232,252	247,424	265,279
Pressures/Changes			
Unavoidable	0	745	745
Likely Commitments			
Education spending to DSG	7,756	5,945	6,245
Inflation (All council services excluding schools)	4,994	4,300	4,300
Concessionary Fares	0	150	150
Impact of 2006/07 budget decisions - pressures & growth	3,828	-330	-270
Areas of Potential Concern			
Corporate	2,632	4,185	2,575
Other	0	2,375	2,125
Future issues	0	1,000	1,000
Adjustments			
FSS fundamental changes	2,913	0	0
Other accounting/Executive decisions	-615	0	0
Total of Pressures/Changes	21,508	18,370	16,870
Less: Impact of Savings and Efficiency savings agreed for 2006/07	6,336	515	0
Revised Budget Requirement	247,424	265,279	282,149
Funding			
Formula Grant	82,388	86,215	90,180
Dedicated Schools Grant	118,882	124,825	131,070
Council Tax Collection	47,111	49,135	51,655
Collection Fund Deficit	-957	-250	0
Total Funding	247,424	259,925	272,905

Council Tax Position			
Council Tax Base (1)	50,648	50,395	50,395
LBBB Council Tax (2)	930.15	975	1,025
GLA Precept (3)	288.61	320	350
Total	1218.76	1,295	1,375
Overall change	5.67%	6.2%	6.2%
Funding Gap to be met by savings/elimination of growth/ /delivering Customer First savings/use of reserves/ further increase in Council Tax			
	0	5,354	9,244
(N.B. This is after allowing a 5% increase in LBBB Council Tax)			
Notes			
1. Assumes reduction in the Council Tax base of half a percent (0.05%) for 2007/08			
2. Assumes a 5% increase in Council Tax			
3. Assumes a 10% increase for both 2006/07 and 2007/08.			

Annex 4

2006/07 and 2007/08 Settlement Converted to FSS

SERVICE BLOCKS	2005/06 Amended £m	2006/07 £m	Increase 06/07 vs 05/06 £m	Increase 06/07 vs 05/06 %	2006/07 £m	2007/08 Adjusted £m	Increase 07/08 vs 06/07 £m	Increase 07/08 vs 06/07 %
Schools	108.263	0	0	0	0	0	0	0
Less Transfer to Dedicated Schools Grant	(109.249)							
	(0.986)							
Children's FSS	41.378	44.577	3.199	7.7%	44.577	47.372	2.795	6.3%
Adults Services FSS	43.603	43.291	(0.312)	-0.7%	43.311	45.008	1.697	3.9%
Highways Maintenance FSS	4.876	4.905	0.029	0.6%	4.905	4.962	0.057	1.2%
EPCS FSS	43.883	44.456	0.573	1.3%	44.456	46.753	2.297	5.2%
Capital Financing FSS	3.080	5.719	2.639	85.7%	5.449	6.314	0.865	15.1%
TOTAL FSS	135.834	142.948	7.114	5.2%	142.969	150.409	7.439	5.2%
Assumed Tax Collection	(55.587)	(57.535)	(1.948)	-3.4%	(57.535)	(60.992)	(3.457)	6.0%
Raw Grant	80.247	85.413	5.166	6.3%	85.164	89.416	3.981	6.3%
Floor adjustments	0.156	(2.331)	N/A	N/A	(2.082)	(3.201)	N/A	N/A
Grant after floors	80.403	83.082	2.679	3.3%	83.082	86.215	3.133	3.8%
Amending reports	0	(0.694)	N/A	N/A	N/A	N/A	N/A	N/A
EFFECTIVE GRANT	80.403	82.388	1.985	2.5%	83.082	86.215	3.133	3.8%

Charging Policy for Council Services

1. Introduction

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

2. Context for Charging

2.1. Charging in a mixed economy

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

2.2. Mandatory Charging

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

2.3. Discretionary Charging

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

The next section sets out the policy on subsidisation.

3. Subsidy

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

3.2. General Subsidy

- 3.2.1. General Subsidies occur when a service is delivered at below cost to all users (e.g. off peak access to facilities).
- 3.2.2. When considering such a subsidy, Members must satisfy themselves:
 - That the proposed subsidy demonstrably supports a Council priority or policy.
 - There is evidence to suggest that the impact of the policy can be measured.

- The cost of the subsidy can be estimated and accommodated within Council budgets.
- That the proposal is the most effective approach to delivering the policy objective having considered alternatives.

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

3.3. **Specific Subsidies**

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

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

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

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

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

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

Charging Policy Commission

Fundamental Principles

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

And

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

Or

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

Member Checklist for Reviewing Charges

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

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

Reserves

1. General Reserve

- 1.1. The free balance for 2006/07 is estimated to be £9.1m. This takes into account the current approved usage of the reserve in future years.
- 1.2. It is projected to retain the reserve at around 5% of the Council's General Fund expenditure where it is considered that potential financial risks may exist. This amounts to a targeted reserve of around £9m.

2. Repairs and Renewal Reserve

- 2.1. This reserve is set up to fund the repair and renewal of specific assets and is broken down into a number of individual reserves.
- 2.2. The number of repairs and renewal reserves has substantially reduced over the last few years due to changes in service delivery e.g. leasing of vehicles and plant, closure of UPVC workshop.

3. Spend to Save and Service Reconfiguration Reserves

- 3.1. The Council is currently undergoing significant changes in its service provision as it addresses the community priorities. Over the next few years, the introduction of Customer First, addressing e-government targets and realising efficiency gains will significantly change the way the Council conducts its business.
- 3.2. Alongside this, the Council will also be required to make savings in order to continue to produce a balanced budget.
- 3.3. In 2005/06 a £4m reserve was ear-marked for potential spend to save activities, each of which would require a fully costed business case approved by TMT and the Executive.
- 3.4. In addition £4m was also set-aside into a Service reconfiguration reserve. Approvals have already been given in respect of £2.8m for Customer First and £380,000 for the office accommodation review. The remainder of the reserve will be held for potential other one-off costs associated with service reconfigurations such as Single Status, delivery of e-Government targets etc.
- 3.5. The use of these two reserves will be reviewed annually as part of the budget setting process.

4. Capital and Revenue Support Fund

- 4.1. This fund has been set aside to fund planned capital expenditure should the anticipated capital receipts fail to arise, as well as the Council's transition back into borrowing to fund its future capital investment plans.

The current level of net capital receipts which are estimated to be generated between 2006/07 and 2008/09 (after allowing for transitional arrangements), are as follows:

Year	RTB/Mortgages £m	Land Disposals £m
2006/07	9	20
2007/08	4	14
2008/09	4	13
Total	17	47

- 4.2. Receipts from RTB/Mortgages are regularly received and are subjected to monthly monitoring to ensure the planned level is received or action taken quickly to rectify the position. Similarly those of land disposals are also monitored but delivery of these receipts is much more risky and is dependant upon a number of external factors. Whilst the Council has been extremely successful in generating land disposal receipts in recent years, reliance on these type of receipts cannot be guaranteed and hence they need to be treated with caution.
- 4.3. The current planned disposal programme includes several high value disposals which if failed, were delayed or were for a lower value could impact significantly on the Capital Programme. The Council's current Capital programme is seen to be affordable on the basis that this expenditure can be funded from both capital receipts already received and anticipated future receipts.
- 4.4. Owing to the new pooling arrangements for capital receipts, the future amount of capital receipts retained by the Council will not be sufficient in itself to fund its future capital investment plans. The Council is already planning for when it has to return to borrowing to finance future capital schemes.
- 4.5. On the basis of the comments contained in paragraph's 4.3 and 4.4, it is recommended that this reserve is maintained at the £10m level. This reserve can then be used to substitute for any future short fall of capital receipts generated, as well as being used to smooth the Council's transition back into borrowing to fund future capital investment plans.

5. Insurance Fund

- 5.1. The Insurance Fund is held to meet potential and contingent liabilities for insurance that the council self insures. In recent years the Council's contributions and payments from this fund have been broadly neutral. However it is recommended that a £4.6m level of provision is maintained for any future unforeseeable items e.g. contaminated land.

- 5.2. However, the Council recognises the need to ensure it has a strong approach to its risk management arrangements and the level of technical expertise of a corporate finance nature.

6. Interest Equalisation Reserve

The Council's General Fund budget has been prepared for 2006/07 utilising £3.5m of interest on balances. This sum is £0.8m lower than that budgeted for in 2005/06 and it is projected that this income will continue to reduce in future years as reserves and balances are used.

Whilst the overall economic climate in recent years has maintained both relatively low levels and stable interest rates, the generation of interest receipts to the Council will be subject to any volatility in the markets. Economic forecasts over the next 12 months predict interest rates to fall which will place further pressure on the revenue budget

The establishment in 2003/04 of an interest equalisation reserve will enable future reductions in investment income to be smoothed in the budget setting process.

7. Bad Debt

- 7.1 This reserve has been established to provide for future liabilities as a result of bad debt that may arise.

8. Barking College

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

9. Local Management of Schools

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

10. Collection Fund

- 10.1. The Collection fund is a separate account for the Council Tax, NNDR and residential community charge transactions. The transactions must be kept separate from the rest of the Council's income and expenditure.
- 10.2. The Council had an additional shortfall in its Collection Fund in 2004/05 of £458k. This deficit was as a result of:
- a further increase in the award of single person discounts to single people on full benefit in 2004/05 and
 - an increase in the estimated bad debt provision in 2004/05.

As a result of this deficit, £459k was set-aside in 2005/06 in an ear-marked reserve to be used in 2006/07 to fund this shortfall.

- 10.3 For 2005/06 the Council has estimated a shortfall of £499k in its Collection Fund mainly as a result of further increases in the award of single person discounts. This deficit has been factored into the 2006/07 budget.

11. Housing Reserves

11.1. HRA Working Balance

The position on this reserve reflects the decisions made by the Executive on 14th February 2006 when the HRA estimates were considered along with the rent increase.

11.2 Major Repairs Reserve (MRR)

The MRR at the 1/4/05 was £1.5m, which is to be used in 2005/06 for funding the HRA's Major Capital Works programme. The estimated balance thereafter is projected to be minimal since contributions into the MRR will be mirrored by the planned capital expenditure on MRR projects. Any balance is a timing issue.

11.3. Leaseholder Repair Fund

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

HRA reserves are ring fenced to the HRA.

Profile of Reserves

	Bal 1/4/05 £m	Bal 1/4/06 £m	Bal 1/4/07 £m	Bal 1/4/08 £m	Bal 1/4/09 £m
General	19.9	12.8	10.1	9.5	9.1
<u>Earmarked</u>					
Repairs and Renewals	2.3	1.8	1.6	1.4	1.2
Spend to Save	4.0	3.6	2.0	1.3	0.5
Service Reconfigurations	2.9	1.3	1.5	1.0	0.5
Capital and Revenue Support Fund	10.0	10.0	10.0	10.0	10.0
Insurance Fund	8.1	8.5	5.6	5.1	4.6
Interest Equalisation	0.3	0.3	0.3	0.3	0.3
Bad Debt	0.0	0.5	0.5	0.5	0.5

**Profile of Reserves
Ring fenced areas**

	Bal 1/4/05 £m	Bal 1/4/06 £m	Bal 1/4/07 £m	Bal 1/4/08 £m	Bal 1/4/09 £m
Barking College	0.3	0.2	0.1	0.1	0.1
School Balances (net)	2.4	3.0	3.0	2.7	2.4
<u>HRA</u>					
- Working Balance	3.2	3.0	3.5	3.0	2.6
- MRR	1.5	0	0	0	0
- Leaseholder Repair Fund	3.1	3.1	3.1	3.1	3.1

Sensitivity Analysis

Whilst assumptions as to events in the immediate future can be predicted with a high degree of certainty, this becomes less so in subsequent years. It is therefore important to be aware of the significant issues that can impact on future year budgetary assumptions, and the degree of any such impact.

Revenue

The table below considers the impact of a number of high risk factors

issue	Variance from budget assumption	Cost £'000	Likelihood
Pay award	0.5%	960	Unlikely
Other inflation factors	0.25%	900	Possible
Variance in interest rates	0.5%	600	Possible
Increase in homecare costs	1%	100	Probable
Increase in other social care costs	1%	600	Probable

The impact of variances from the budgeted position can be expressed in terms of the impact upon the council tax:-

Council tax band	Impact on Council tax of additional spend at:- (before discounts)	
	£0.5m	£1m
A	£6.58p	£13.16p
B	£7.67p	£15.35p
C	£8.77p	£17.54p
D	£9.87p	£19.74p
E	£12.06p	£24.12p
F	£14.25p	£28.50p
G	£16.45p	£32.90p
H	£19.74p	£39.48p

Capital

Asset disposals may exceed the £43m target in the council tax strategy, and hence the capital programme has been set to reflect this. Further, the Authority has identified over 100 additional capital schemes that are not in the capital programme which have been reviewed by the Capital Programme Management Office.

Similarly, it is recognised that the existing programme would need revisiting should the assumed receipts not materialise within the year.

Prudential Capital Guidelines

1. In April 2004 the financial capital financing system was introduced based upon a prudential system of borrowing. Authorities are now given greater freedom to borrow providing that they can meet the necessary capital and interest repayments from revenue accounts. Even though the Council is currently not projected to lose its debt free position until 2008/09 the requirements of the code will fall within the three year horizon for capital and revenue forecasting. This will mean that the Council will need to implement the code in full even though those elements relating to borrowing limits and affordability will only apply in the final of the three years.

The system provides a more integrated approach to capital investment decision making with an authority having to take account the following when setting its prudential indicators:

- Affordability;
- its asset management plans;
- the implications for external borrowing;
- value for money through options appraisal and its strategic plans.

The aim is to bring together revenue and capital resources to meet service delivery objectives.

The previous capital control system used in the main, the issue of annual Credit approvals by Central Government. These approvals allowed local authorities to either borrow or enter into other long-term credit arrangements up to an approved level. The use of this system effectively allowed the Government to control Council's borrowing and prevent local government from generating unsustainable levels of debt.

Instead of the use of Credit approvals, the new system places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the following two years. These indicators will assist Council's in determining an appropriate level of borrowing and to provide benchmarks against which they can monitor their borrowing levels.

In simple terms the Council is now able to borrow at whatever levels it feels are necessary so long as any borrowing is affordable, prudent and sustainable

2. These compulsory prudential indicators are referred to in the Local Government Act 2003 and are embodied in the CIPFA Prudential Code. The requirements of the new prudential system are based around some clear fundamental principles including:
- A three year rolling capital programme and revenue forecast is to be prepared and maintained with estimates of the council tax and/or average housing rent for each year.
 - Capital spending decisions must be both affordable and within sustainable limits in relation to the levels of Council Tax and HRA rent required to support these plans over the medium term
 - When considering the affordability of capital decisions the Council will need to take into account all the available resources, both in terms of its capital payments and receipts, and its revenue income and expenditure
 - All authorities must adopt the treasury management code.
 - Authorities should not borrow for revenue purposes (except in the short-term)

3. The new system places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the two following financial years.

These indicators can be grouped into the following categories:

- Affordability
- Prudence
- Capital Expenditure
- External Debt
- Treasury Management

Although there are 5 key prudential indicator headings, they should not be looked at in isolation as they all have inter-relationships with one another.

These compulsory prudential indicators are referred to in the Local Government Act 2003 and are embodied in the CIPFA Prudential Code.

4. The prudential indicators can be summarised as follows:

Affordability

These indicators compare the cost of all the authority's external borrowing with its overall expenditure. They also identify the increase in both Council Tax and HRA rents that will result from any additional borrowing.

The indicators for affordability are:

- Estimated/actual ratio of financing costs to net revenue stream for HRA and general fund.
- Estimates of the incremental impact of capital investment decisions on both the Council Tax and housing rents

Prudence

This indicator is designed to ensure that medium term borrowing is only used for capital purposes. The indicators for prudence are:

- Net borrowing and Capital Financing requirement

Capital Expenditure

These indicators look at estimated and actual capital expenditure and the Capital financing requirement. The indicators for capital expenditure are

- Estimated/actual capital financing requirement (i.e. borrowing) for HRA and general fund.
- Estimated/actual capital expenditure for HRA and general fund.

External Debt

These indicators set out the limits for external borrowing and are set in the context of the authority's Treasury Management Policy and strategy.

The indicators for external debt are:

- Authorised limit for external debt i.e. the authorised limit for borrowing plus the authorised limit for other long term liabilities.
- Operational boundary for external debt i.e. total external debt gross of investments separately identifying borrowing from other long term liabilities.
- Actual external debt as at 31st March of previous year

Treasury Management

These indicators address treasury management issues such as the amount of debt at fixed rates, the amount at variable rates and the period over which the money is borrowed. The indicators for Treasury Management are:

- Adoption of CIPFA Code of Practice for Treasury Management in the Public Services
 - Upper limit on fixed interest rate exposure
 - Upper limit on variable interest rate exposure
 - Upper and lower limits for the maturity structure of borrowing
 - Prudential limits for principal sums invested for longer than 364 days
5. The code also places specific responsibilities on the Chief Finance Officer to ensure that matters required to be considered when setting and revising prudential limits are reported to the decision making body and to ensure that appropriate monitoring and reporting arrangements are put in place to assess performance against all the forward-looking indicators.
 6. It is possible that a failure to secure funding for parts of the capital programme could generate a need to borrow even earlier. Given the size of the capital programme and its dependence on external funding for success, failures to secure funding at an early stage could result in an earlier loss of debt-free status and a need to borrow within the prudential guidelines.
 7. From 2004/05 debt free authorities will be required to pay a proportion of their housing revenue account capital receipts into a national pool as follows:

- Right to buy receipts including proceeds from sales to existing tenants or occupiers and mortgage payments by past tenants to the authority will be subject to a pooling rate of 75%. This will be phased in over a three year period with a pooling rate of 25% in 2004/05, 50% in 2005/06 and 75% in 2006/07 - subject to the difference between this and the 75% pooling amount in 2004/05 and 2005/06 being used for affordable housing.
- Large and small scale voluntary transfer will not be pooled and may be used for any capital purpose.
- All other housing capital receipts will be subject to pooling at a rate of 75% for dwellings and 50% for land, commercial and other HRA property – unless they are used for affordable housing or regeneration where the poolable part of the receipt may be reduced to zero in accordance with the 'in and out' rules. Poolable receipts include the disposal of mortgage portfolios and payments made to redeem landlords share.

8. In summary, over the next 3 years the amount that can be retained by the authority for both its allowable element and its transitional relief is likely to be:

	<u>£m</u>
• 2005/2006	12.6
• 2006/2007	9.1
• 2007/2008	4.2

This has been factored into the capital programme projections.

Summary of Capital Programme 2005/06 to 2009/10

<u>Department</u>	<u>2005/06</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>	<u>2008/09</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Education, Arts & Libraries	18,154	11,682	5,874	1,379	42	37,131
Housing	41,088	31,424	34,809	30,811	30,811	168,943
Regeneration & Environment	36,086	18,116	9,051	925	0	64,178
Social Services	4,057	0	0	0	0	4,057
Finance	4,857	1,393	0	0	0	6,250
Corporate Strategy	1,841	3,352	2,175	0	0	7,368
	106,083	65,967	51,909	33,115	30,853	287,927
Accountable Bodies	1,960	0	0	0	0	1,960
Total Programme	108,043	65,967	51,909	33,115	30,853	289,887
<u>Funding:</u>						
Capital Receipts	59,988	41,220	27,671	19,097	18,325	166,301
External Sources	48,055	24,747	24,238	14,018	12,528	123,586
Total Funding	108,043	65,967	51,909	33,115	30,853	289,887

Summary of Additional Schemes to be added to Capital Programme 2006/07 to 2009/10

(Subject to a detailed Business Case and approval by Capital Programme Management Office, Resource Monitoring Panel and Executive)

<u>Department</u>	<u>2006/07</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>	<u>2008/09</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Education, Arts & Libraries	1,960	1,500	500	0	3,960
Housing	400	1,750	550	0	2,700
Regeneration & Environment	6,620	7,972	4,700	0	19,292
Social Services	150	0	0	0	150
Finance	2,350	118	0	0	2,468
Corporate Strategy	2,070	66	5	0	2,141
Total Programme	13,550	11,406	5,755	0	30,711
<u>Funding:</u>					
Capital Receipts	10,090	4,034	1,055	0	15,179
External Sources	3,460	7,372	4,700	0	15,532
Total Funding	13,550	11,406	5,755	0	30,711

**LONDON BOROUGH OF BARKING AND DAGENHAM
CAPITAL INVESTMENT STRATEGY**

February 2006

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London Borough of Barking & Dagenham

Capital Investment Strategy

1. Introduction

The capital strategy is an over-arching policy document relating to investment in services and describes how the deployment and redistribution of capital resources contributes to the achievement of corporate goals.

Asset Management is central to the Council's ability to support effective service delivery. The capital strategy, therefore, forms the framework for more operational strategies within service areas.

The strategy is a corporate document and as such has been developed in conjunction with Members and senior officers across the Council. The Authority continues to reinforce its corporate approach to asset management with the embodiment of the previous "Corporate Asset Forum" into the Regeneration Board, the members of which are the Authority's Chief Officers. This demonstrates the commitment of the Council to deliver its capital strategy.

The structure and operation of this approach is more fully explained in the Corporate Asset Management Plan (attached at Annex A), which has received a score of "Good" from the Office of the Deputy Prime Minister (ODPM) and has been amended to reflect the new ODPM guidelines.

2. The Council's Corporate Priorities

A wide ranging consultation programme has been undertaken with local community groups, the wider community and voluntary organisations, involving in-depth questionnaires and focus groups.

Some persistent themes emerged. The themes identified areas of concern that if addressed, would shape and improve the future economic, social and environmental well-being of Barking & Dagenham.

These themes have been developed into the following seven Community Priorities:

- Promoting Equal Opportunities and Celebrating Diversity
- Better Education & Learning for All
- Developing Rights & Responsibilities with the Local Community
- Improving Health, Housing and Social Care
- Making Barking & Dagenham Cleaner, Greener and Safer

- Raising General Pride in the Borough
- Regenerating the Local Economy

Further consultation on these priorities has continued with local stakeholders through the 'Local Strategic Partnership' forum. From this has been developed the Council's vision statement aptly called '20/20 vision'. Further consideration on the seven community priorities is shortly to be commenced to gauge the appropriateness of these community priorities to ensure the Council is meeting the requirements of its residents. The community priorities will inform the bidding process for future capital investment.

Other corporate strategies such as:

Community Strategy, The Housing strategy, Economic Development & Regeneration strategy, Education Development Plan, Leisure Strategy, Local Agenda 21, Community Care plan and older persons accommodation strategy, Anti poverty strategy, Procurement Strategy and Green Spaces Strategy will also be informed by the 20/20 vision statement and compliment the capital strategy and corporate asset management plan.

In order to bring our strategies plans and objectives together Barking & Dagenham have a proven performance management system - 'the balanced scorecard'. The balanced scorecard helps translate all the Council's strategies into operational objectives that drive both behaviour and performance. There are 28 service scorecards that ensure that each service head works towards the Authority's key strategic objectives including those relating to the capital strategy. Each service head is required to account for progress against their individual scorecards.

The Council has recently introduced a set of Corporate Priorities and Corporate Values which link the Community Priorities and individual Service Scorecards (see Annex B).

3. **The Strategic Objectives**

The Authority's strategic objectives, in relation to capital, can be summarised as follows;

- To ensure that capital resources are deployed in the most efficient, economic and effective manner and consistent with local priorities.
- That the priorities and approach to capital investment is determined with reference to the Council's wider policies and objectives

More specifically,

- The Council will continue to look for regeneration opportunities entering into partnerships and influencing decisions where possible. Build closer and better partnerships with the private sector, public agencies and

voluntary sector and the local community across the Borough, ensuring that Barking and Dagenham plays a full role in the future strategic developments of the region at an economic, social and environmental level.

- Encourage more private sector investment, shifting the Authority to an enabling role. Moving away from ownership of assets where this is not deemed appropriate and transferring the liability and risk to those more able to manage it.
- Reduce its holdings on non-operational/ commercial property to those consistent with agreed Council policy.
- Successfully deliver a capital programme which is consistent with the Council's key priorities.

4. **Council's Existing Capital Base**

The Authority has an annual gross revenue budget of approximately £500 million. This has been supplemented by a significant capital programme, on average £90 million per annum over the last 5 years and £45 million over the next 4 years. Full details of the capital programme and funding requirements are outlined in Annex C and Annex D.

Annex D shows that the Authority has an agreed capital programme with investment in our own assets likely to be around £182 million over the next 4 years. In addition, to this there are a number of schemes totalling around £31 million, which have not yet been included in the programme and are new schemes for the Authority. This figure excludes the investment in infrastructure that the Authority has levered into the Borough but not necessarily providing; for example the £45 million Education PFI scheme providing one new and one partially refurbished secondary school and the various regeneration schemes through the Thames Gateway London Partnership and associated partners.

In order to deliver a programme of this magnitude the Authority is optimising the use of funding other than capital receipts, through partnership working and is becoming less reliant on internally generated funds. As can be seen from the agreed programme in Annex D, £75 million of the total expected spend over the next four years of £182 million is from sources other than capital receipts. These other funding sources are in addition to the £156 million of other funding which has already supported the Council's capital programme over the previous 4 years (2002/03 to 2005/06).

The Council's view on utilising capital receipts is not to specifically ring-fence them. In addition, where opportunities exist for utilising potential capital receipts in a scheme the Council will look at the relevant business case of foregoing those receipts if this will generate greater service outcomes.

5. **Future Capital Requirements**

The Authority has an ambitious development programme aimed at meeting the Council's corporate priorities. Key developments are detailed below; it should be stressed that all the initiatives commented upon are driven by the Authority's corporate goals and the key to their delivery is successful Partnership working.

5.1 **Housing**

Housing assets account for more than half of the Council's capital assets and almost half of the housing stock in the Borough. The Council has developed a clear vision for housing in its Housing Futures options appraisal. This clearly indicates the desire to retain and maintain the majority of the Council's Housing stock whilst utilising Private Finance Initiative to deal with high rise blocks. The proposals, as approved by the Office of the Deputy Prime Minister (ODPM) in 2005 set out the role that housing can play in contributing to a vibrant and sustainable community, with the emphasis on working in partnership to achieve this.

Aims of the housing strategy are to create balanced and sustainable communities; improve housing conditions and standards across all sectors and to do this through strategic partnering and procurement.

The strategy for achieving these aims has been developed through an in-depth process of data analysis and consultation, building on the findings from the recently completed Public and Private Sector Stock Condition Survey and Housing Needs Survey up date.

The findings of the Stock Condition Survey for the Public Sector has formed the basis of the investment decisions for all housing capital works. The aim is to ensure that all Council Housing meets the Governments Decent Home Standard by 2010. Tenants have told us during consultation that they want us to go beyond this basic standard to include some "livability" issues such as security and environmental improvements. The proposals now agreed meet the tenant's aspirations.

The ongoing Shape Up Programme due to finish in 2006 will complete external refurbishment and central heating, alongside of this a programme to refurbish kitchens, bathrooms and rewiring which will ensure that the Council is at least 50% of the way to delivering the Decent Homes Standard by 2010.

Our Housing Revenue Account Business Plan along with our Housing Futures option appraisal explains in detail the resources needed to accomplish this and that we will have to continue to explore other options to ensure that the resources are in place as identified. Key to this will be the ability to be innovative about partnerships and methods of procurement.

The provision of new affordable homes will in the main be funded by the Housing Corporation with capital allocations made direct to the Council's housing association partners for schemes which have been drawn up in partnership. However, particularly in relation to the re-provision of social rented housing associated with estate renewal schemes, the new affordable homes may be funded by a contribution of the Council foregoing part/or all of the Housing Revenue Account land value and cross subsidy from the new market price homes that are developed.

Key investment in Housing within the Borough is as follows:

- Major Capital works to the Council's housing stock covering roofing, central heating, electrical work, lifts, central heating, and painting.
- Works required by the Community Housing Partnerships i.e. Security works and lighting.
- Pilot PFI scheme at Oldmead and Bartlett Houses.
- Contaminated land programme.
- Private Sector Housing investment in partnership with Registered Social Landlords.
- CCTV at various sites in the Borough.

5.2 **Education**

The investment in schools has continued as the Council responds to the growing demand for school places at secondary transfer and meet the Community Priority "Better Education and Learning for All". The recently complete investment of the £45m schools PFI project; which has provided one state of the art new build Jo Richardson Community School and one partially refurbished secondary school at Eastbury.

The new Jo Richardson Community School will be a focus for the community and incorporate a range of facilities including a public library, and leisure and community facilities. This will deliver strong, viable and sustainable community links through the school; not only through shared facilities, but also in a life-long learning context with community access outside core curriculum hours.

In addition, the Building Schools for the Future agenda has been instigated and currently exploratory work is underway to support the anticipated growth in school numbers over the next decade. The Council has been successful in securing support for this through the Department for Education and Skills (DfES).

Other investment planned and ongoing is around:

- Children's Centres
- Sure Start projects
- Sports facilities at schools
- Continual refurbishment and modernisation of primary and secondary schools
- Adult learning and Arts facilities.

For Education, the Council has an extensive Asset Management Plan, the basis of which has been audited by the DfES, and it shows that we need to invest around £60-£70 million to improve the condition and suitability of the Education estate.

5.3 **Social Services**

The Authority continues to review its whole approach to Social care service provision again in line with corporate priorities. With the need to modernise and rationalise services, a building based approach to service provision is being continually challenged in terms of benefit to the users of our services to ensure accommodation is fit for purpose.

There has been the replacement of Residential Care Homes for Older People, with new Housing with Care Schemes. These schemes were developed by utilising LASHG (Social Housing Grant). 2005/6 saw the building and opening of a new residential care home for younger adults with learning disabilities along with day care re-provision.

The Authority is currently considering options to maximise the use of assets and buildings with the Barking and Dagenham Primary Care Trust (PCT). The Local Initiative Finance Trust (LIFT) programme is being looked at to develop Health and Social Care Centres in the Borough, together with a new build nearing completion of a Intermediate Care/Rehabilitation facility together with nursing bed provision in partnership with the PCT. This will contribute to the strategy for reducing un-necessary admission to hospital, and speed up discharge / transfer from hospital settings.

The Authority is also committed to maintaining its Social Care establishments to the necessary standards of care as prescribed by the Commission for Social Care Inspection (CSCI), as well as providing suitable accommodation for its staff.

5.4 **Regeneration and Environment**

As previously stated 'livability' issues continue to dominate the local agenda. Residents have highlighted, through focus groups and surveys, that the Community priority of "Greener, Cleaner and Safer" is their number one priority.

To this end the Capital programme includes a number of schemes that supports this priority being:

- Street Lighting - A rolling programme of around £220,000 per annum that will provide for the replacement of all street lanterns. These new sodium lanterns will improve visibility, deter crime and provide a safer environment.
- Management of Traffic - A rolling programme where schemes will be developed to ensure traffic is controlled in its speed, volume and use of suitable routes thereby achieving significant environmental improvements for the residents of the Borough.
- Local traffic schemes e.g. 20mph zones and accessibility.

The Council is also working with the Greater London Authority through Transport for London (TfL) to improve both transport networks in the Borough and to provide a cohesive strategy across London. The Authority receives direct grants for a range of schemes and initiatives including planned maintenance on principal roads, local traffic schemes, safer routes to schools, cycle lanes, bus routes and bridge strengthening. Investment in the Borough's non-principal road network is also a priority. A range of external funding has already been approved. Work for TfL for 2005/2006 is nearing completion which will build on the success of the capital investment already achieved.

Consideration has been given to the investment required around environmental issues such as the collection of recyclable and household waste and funding allocated accordingly.

The new waste disposal contract with East London Waste Authority (ELWA) is now in place and providing valuable benefits to the Council.

Future Capital investment within Parks and Open Spaces is planned and is ongoing over the next 4 years including the finalisation phases 3 and 4 of the Beam Valley project and the roll-out of the Green Spaces strategy at a cost of around £4 million. All of these schemes involve extensive partnership working to fund the required investment.

In terms of investment in leisure activities, the Authority is currently considering the long-term funding arrangements for its leisure centres. Future options for service delivery and investment will include public/private partnerships and charitable trusts including the use of

Industrial Provident societies. In the meantime there is ongoing investment to the Council's leisure facilities.

The Council has a major role in regeneration and has a number of ambitious schemes around the Borough and the current programme includes a major number of regeneration activities principally around the Barking Town Centre. Some of the major schemes are; creation of a lifelong learning centre, artwork, Lintons redevelopment, land acquisition, child and family health centre.

5.5 **Other Services**

Other major areas of ongoing and planned investment are:

- Customer First contact centre accommodation, other customer accommodation facilities and the development of One Stop Shops.
- Accommodation improvements for Revenue Services, customer and office facilities.
- Modernisation of the Revenues IT system for benefits, council tax and rents.
- Investment in support infrastructure for the Council's Information Communication Technology.
- Voluntary services accommodation.
- An e-government programme.
- Consideration for e-procurement.
- A Corporate accommodation strategy to rationalise the number of officer occupied buildings down to a core of only 5 buildings based upon a detailed cost benefit analysis.

6. **Assets Portfolio**

6.1 **Non-operational and Commercial Property**

The Council holds a substantial portfolio of non-operational and commercial property; valued at an estimated £30 million and generating income of £3 million per annum.

The Authority has disposed of some of these from the portfolio because the holdings were either;

- uneconomic to manage,

- had potentially high capital value in comparison to rental income generated or
- capital could be better employed elsewhere in service delivery.

The Authority is committed to continue to review its portfolio with the intention of disposing of the remainder unless it falls into one of the following categories:

- Income generation investment - a good return on investment
- Social/ Community - e.g. local shops in isolated communities, in which case aim is to reduce subsidy.
- Strategic property e.g. properties acquired over time to enable larger schemes to proceed at future date.

6.2 **Land Disposals Programme**

The Council has been working on a major land disposals programme for both General Fund and Housing Revenue Account sites.

The initial programme expected to deliver £53 million over its 3 year life to support the financing of the capital programme. However, after two years of this active programme £55 million has been generated with an expectation of a further £4 million by the end of 2005/06 and expectations of around £27 million for 2006/07 and 2007/08. In all a total of sum £86 million to support the Council's capital programme.

In addition, as part of the Housing Futures option appraisal there has been the identification of £24 million of under-utilised sites to support the major investment in our housing stock over the next 10 to 15 years.

7. **Managing the Council's Capital Programme**

The Council has a significant capital programme and it is important that this is well managed through a structured process to ensure that the Community and Corporate priorities are achieved.

The programme is heavily dependent upon funding from external sources and our own internal sources – mainly capital receipts. The current position is that the level of capital receipts available to support the programme are reducing due to lower right to buy sales and fewer land disposals. As a consequence it is a timely opportunity to review our “debt free” status. This review is currently in place and the objective of the exercise is to determine when the Authority should go into borrowing and when we do the cost implications of this on the Council's budget.

The Council continually reviews the appropriateness of the Programme and its ability to deliver.

For new schemes to enter the capital programme they need to be part of the Council's annual review of its programme. Directors are asked to submit these on a detailed pro-forma to allow all the key issues to be available for Corporate Management Team and Executive consideration. The pro-forma currently used is attached at Annex E.

7.1 **Capital Appraisal System**

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

As a result there has been the creation of the Capital Programme Management Office (CPMO) to oversee the delivery of the capital programme.

Also, as a consequence of this review all capital projects are required to be appraised and scored in terms of:

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

For any scheme to be included in the approved capital programme it needs to have successfully achieved the required score in each category. This is denoted by the category achieving a "four green light" status.

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

The procedure used is green book/treasury compliant and meets the requirements of the new Prudential Code.

7.2 **Capital Monitoring**

A sophisticated model of monitoring is used by the Council and is referred to as the Management Information Report (MIR). This procedure is run by the Capital Programme Management Office in the Department of Regeneration and Environment and is supported by Financial Services.

All project sponsors are required to submit progress on their schemes on a monthly basis and this in turn is included in the MIR and reported to the Council's monthly Resource Monitoring Panels for each Department where both revenue and capital budgets are monitored.

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

Following this the Executive receives a monthly monitoring position on the Council's overall position for revenue and capital.

The process enables the Council to maximise its capital investment and enable programme delivery of key requirements for the organisation.

7.3 **Tenders**

Tender lists are selected in accordance with Standing Orders and the agreed procurement route. Post tender reporting will follow established procedures in accordance with the Contracts Code of Practice and the Authority's procurement strategy.

Within evaluations there is the need to look at Quality/Price assessments reflecting improved value for money in relation to whole life costs and greater community benefits i.e. projects being approved on a cost/benefit basis rather than lowest price.

7.4 **Procurement**

Effective procurement will enable the organisation to develop more efficient and best practice processes and procedures which will assist in the successful delivery of major procurement projects, the management of strategic partnerships and the realisation of savings that can be channelled into priority services or into council tax reductions.

To this end the Council has embarked on a number of procurement initiatives with a view towards maximising both financial savings and improving efficiency, ensuring that these procurement initiatives fit with the broader strategic objectives of the Council. Specific examples include the procurement of three Construction Framework Agreements covering three major programmes of construction work where contracts are let to a pre-selected number of contractors based on their ongoing performance as well as price. The outcome of this is the Council will have reduced costs and increased efficiency in its tendering processes, the sharing of risk and benefits with the contractors, and the ability to take advantage of the financial benefits derived from focussing construction expenditure on a finite number of contractors.

A review of the Council's contract procedures is underway, the outcome of which will include the application of Best Value procurement practices, improved management of risk and better contract management.

For future projects there will be a greater focus on exploring how opportunities to use various procurement options including use of consortia, partnering, with both the supply sector and other public bodies, and the use of voluntary and community sector can be exploited. There will also be more emphasis on building continuous improvement into project specifications. A recent example is the establishment of a Local Education Partnership (LEP) to support the Building Schools for the Future agenda.

Work is already underway to introduce electronic procurement solutions in order to improve efficiency in the procurement process, focus spend with contracted suppliers, improve invoice payment times and produce meaningful spend management information which will inform future procurement decisions and strategies.

We are also working to establish mechanisms through which employment opportunities for local people can be exploited and local businesses developed and encouraged to exploit trading opportunities provided by the Council through its procurement activities.

Underpinning all of the above the Council, in collaboration with the London Centre of Excellence, is developing a series of procurement performance indicators which will enable us to monitor year on year performance and the effectiveness of the procurement function both internally and in comparison with other public body organisations.

February 2006

LIST OF ANNEXES

- A Corporate Asset Management Plan
- B Corporate Planning - Pyramid and Corporate Priorities/Values
- C Council's Existing Capital Base
- D 4 Year Capital Programme Summary 2006/07 to 2009/10
- E CPMO Form 1 (Sponsor Project Application Form)
- F CPMO Form 2 (Project Appraisal and Scoring)
- G CPMO Form 3 (CAM Formal Appraisal)
- H Pro-Forma Capital Programme Review

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The Prudential Code for Capital Investment in Local Authorities

Prudential Indicators – 2006/07 to 2008/09

1. Introduction

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

2. The Prudential Indicators

- 2.1. The Prudential Code sets out the information that each Council must consider when making its decisions about future borrowing and investment. This takes the form of a series of "Prudential Indicators".
- 2.2. The Code is a formal statement of good practice that has been developed to apply to all authorities regardless of their local circumstances. For example, while Barking and Dagenham is in a debt free position, the indicators in respect of borrowing are not currently relevant. However, spending on the capital programme results in reduced interest on investments, which creates a gap in the revenue budget, and represents a sum that could otherwise have been spent reducing Council Tax levels, or being spent on other priorities.
- 2.3. This appendix sets out the prudential indicators for the London Borough of Barking and Dagenham, based on the revised capital programme for 2006/07 to 2008/09 as detailed in this report.

3. Capital Expenditure

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

Table 1: Capital Expenditure (**Prudential Indicator**)

	2006/07	2007/08	2008/09
	£'000	£'000	£'000
HRA	28,262	32,031	30,811
General Fund	37,705	19,878	2,304
Total	65,967	51,909	33,115

- 3.2 Table 1 shows the three year capital programme from 2006/07 to 2008/09.
- 3.3 The capital programme in future years has been subject to a fundamental review. The elements here in respect of HRA relate to the funding of Housing Futures, investment in which has been substantially increased for future years.
- 3.4 The General Fund programme has been increased by the new bids as detailed in Appendix C to this report. This programme may be added to pending a review of the remaining new bids as detailed in Appendix D of this report. Following this review, these prudential indicators will be updated and reported back to the Executive in quarter 1 of 2006/07.

4. Financing Costs

- 4.1 The prudential code requires Councils to have regard to the financing costs associated with its capital programme.
- 4.2 For an authority that has debt, the prudential indicator for its financing costs calculated based on the interest and repayment of principle on borrowing, less interest received.

Table 2 shows the following for the period from 2006/07 to 2008/09:

- The Council's Net Revenue Streams for both the General Fund and the Housing Revenue Account;
- Financing Costs for these two funds; and
- The ratio of Net Revenue Streams to Financing Costs, based on capital expenditure shown in Table 1.

Table 2: Financing Costs (**Prudential Indicator**)

	2006/07	2007/08	2008/09
	£'000	£'000	£'000
Net Revenue Stream			
HRA	72,904	72,904	72,904
General Fund	129,676	136,160	142,968
Financing Costs			
HRA	13,288	12,953	12,727
General Fund	(4,682)	(2,830)	(2,222)
Ratio			
HRA	18.22%	17.77%	16.83%
General Fund	3.61%	2.08%	1.55%

- 4.3 This shows the impact of falling interest receipts as a result of spending on the capital programme. In 2006/07, the Council is budgeting to receive £4.6m in interest receipts. This is expected to drop to £2.2m by 2008/09. This demonstrates the “opportunity cost” of spending on the capital programme, and represents a cost that will have to be met by the revenue budget in future years.
- 4.4 Financing costs in the HRA relate to the Major Repairs Allowance, which is a government subsidy from the Office for the Deputy Prime Minister (ODPM). This is an estimated figure for future years; these figures are confirmed by the ODPM during the year.
- 4.5 Financing costs can also be shown with reference to their impact on Council Tax and Housing Rents. This shows the additional Council Tax burden for Band D from financing new capital schemes **added to the programme**. This is set out in Table 3.

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

	2006/07	2007/08	2008/09
	£	£	£
For Band D Council Tax	5	2	0
For average Housing Rents	0	0	0

- 4.6 The table shows that the impact of new schemes based on Appendix C to this report. The impact on Council Tax is currently low, with a small number of additional schemes being added to the programme. This impact will be greater following the approval of additional schemes as included in Appendix D.
- 4.7 As a consequence of the absence of debt and the Government’s policy on rent restructuring the capital programme has a minimal impact on future rents. There are no borrowing costs and the revenue contribution to capital expenditure is set according to the rent levels that are established by the rent restructuring regulations.

5. Capital Financing Requirement

- 5.1 The Prudential Code requires the Council to measure its underlying need to borrow for capital investment by calculating its **Capital Financing Requirement**.
- 5.2 The capital financing requirement identifies the level of capital assets on an authority's balance sheet, and compares this to the capital reserves to see how much of these assets have been "funded". The difference is the level of debt that the authority has to repay in the future, or the "capital financing requirement".

Table 4: Capital Financing Requirement (**Prudential Indicator**)

	2006/07	2007/08	2008/09
	£'000	£'000	£'000
Housing Revenue Account (HRA)	(21,355)	(21,355)	(21,355)
General Fund	20,879	20,879	20,879
Capital Financing Requirement	(476)	(476)	(476)

- 5.3 As all capital expenditure is planned either to be funded from capital receipts, or through external funding, no borrowing is currently factored into the programme. As such, the Council's CFR, or underlying need to borrow, is negative throughout the period from 2006/07 to 2008/09.

6. Summary Assessment

- 6.1 The Prudential Indicators as laid out in this report show the impact of capital investment decisions for the period from 2006/07 to 2008/09.
- 6.2 These figures demonstrate that, while changes to the capital programme have had financial implications on the Council, they have been made having taken into account the key principles of the CIPFA Prudential Code of **prudence, affordability and sustainability**.
- 6.3 This position will be reported on throughout 2006/07 to account for any changes to decisions on capital investment.

THE ASSEMBLY

1 MARCH 2006

REPORT OF THE CHIEF EXECUTIVE

This report is submitted under Agenda Item 9. The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

Title: Treasury Management Annual Strategy Statement, Prudential Indicators and Annual Investment Strategy	For Decision
<p>Summary:</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 3 years.</p> <p>In accordance with the Council's constitution, on the 21 February, the Executive agreed to recommend the Treasury Management Annual Strategy, Annual Investment Strategy, and a borrowing limit for 2006/07 of £20 million to the Assembly for agreement.</p> <p>Wards Affected: None.</p>	
<p>Implications</p> <p>Financial Implications:</p> <p>The aim of this treasury management strategy is to maximise the Council's financial resources. Detailed financial considerations are considered throughout the appendix to this document.</p> <p>Legal Implications:</p> <p>It is a legal requirement for the Council to set an annual treasury management strategy, as set out in the Local Government Act 2003.</p> <p>Risk Management</p> <p>There are no further risks issues other than those already detailed in the appendix to this report.</p> <p>Social Inclusion and Diversity</p> <p>As this report does not concern a new or revised policy, there are no specific adverse impacts insofar as this report is concerned.</p>	

Crime and Disorder

This report has given careful consideration to the implications of Section 17 of the Crime and Disorder Act 1978 and there are no specific implications insofar as this report is concerned.

Recommendations

The Assembly is asked to consider the information in this report, and Appendix 1 and agree:

1. An authorised borrowing limit of £20 million for 2006/07;
2. The Treasury Management Annual Strategy and Annual Investment Strategy (appendix 1); and
3. The prudential indicators for 2006/07 through to 2008/09 (appendix A).

Reason

It is necessary for the members to approve this report due to the requirements of the Local Government Act 2003 as stated above.

Contact Officer:	Title:	Contact Details:
John Hooton	Assistant Head of Corporate Finance	Tel: 020 8227 2801 Minicom: 020 8227 2413 Email john.hooton@lbbd.gov.uk

1. Introduction

- 1.1 It is a statutory requirement under the Local Government Act 2003 for the Council to set its authorised borrowing limit for the forthcoming financial year.
- 1.2 In addition, the Prudential Code requires the Council to agree a set of prudential indicators looking forward over the next three years.
- 1.3 The Executive, at its meeting on the 21 February 2006 recommended to Assembly the Director of Finance's proposals on an authorised borrowing limit of £20m for 2006/07 and also to approve the Treasury Management Strategy, Annual Investment Strategy and prudential indicators, as detailed in Appendix 1.

Background Papers

Executive Report 21st February 2006 (appendix 1)
Prudential Indicators (appendix A)
Interest rate forecasts (appendix B)
Specified and non-specified investments (appendix C)

THE EXECUTIVE

21 FEBRUARY 2006

REPORT OF THE DIRECTOR OF FINANCE

Title: Treasury Management Annual Strategy Statement, Prudential Indicators and Annual Investment Strategy	For Decision
<p>Summary</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 3 years.</p> <p>Wards Affected All wards.</p>	
<p>Financial Implications</p> <p>The aim of this treasury management strategy is to maximise the Council's financial resources. Detailed financial considerations are considered throughout this document.</p> <p>Legal Implications</p> <p>It is a legal requirement for the Council to set an annual treasury management strategy, as set out in the Local Government Act 2003.</p> <p>Risk Management</p> <p>There are no further risks issues other than those already detailed in this report.</p> <p>Social Inclusion and Diversity</p> <p>As this report does not concern a new or revised policy, there are no specific adverse impacts insofar as this report is concerned.</p> <p>Crime and Disorder</p> <p>This report has given careful consideration to the implications of Section 17 of the Crime and Disorder Act 1978 and there are no specific implications insofar as this report is concerned.</p>	

<p>Recommendations</p> <p>The Executive is asked to consider and refer the following to the Assembly on 1 March 2006 for approval:</p> <ol style="list-style-type: none"> 1. The Treasury Management Strategy Statement for 2006/07 (this document). 2. The authorised borrowing limit of £20 million for 2006/07, which will be the statutory limit determined under section 3(1) of the Local Government Act 2003 (section 2). 3. The Annual Investment Strategy for 2006/07, which states the investments that the Council may use for the prudent management of its investment balances (section 6). 4. The Treasury Management Prudential Indicators for 2006/07 (appendix A). 		
<p>Reason</p> <p>It is necessary for the Assembly to approve this report due to the requirements of the Local Government Act 2003 as stated above.</p>		
<p>Contact Officer: John Hooton</p>	<p>Title: Assistant Head of Corporate Finance</p>	<p>Contact Details: Tel: 020 8227 2801 Fax: 020 8227 2770 E-mail: john.hooton@lbbd.gov.uk</p>

1. Introduction

- 1.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.2 The Act therefore requires local authorities to set out their treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.3 The Office of the Deputy Prime Minister (ODPM)'s investment guidance states that authorities could combine the Treasury Strategy Statement and Annual Investment Strategy into one report; the Council has adopted that suggestion and the Annual Investment Strategy is therefore included in section 6.
- 1.4. The suggested strategy for 2006/07 in respect of the following aspects of the treasury management function is based upon officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:
 - Treasury Management Prudential Indicators;
 - The current treasury position and borrowing requirement;

- Prospects for interest rates;
- The borrowing strategy;
- The investment strategy;
- End of year investment report; and
- Any extraordinary treasury issues, such as the implications of a Large Scale Voluntary Transfer (LSVT) or Arms Length Management Organisation (ALMO).

2. Treasury Management Prudential Indicators

- 2.1 It is a statutory duty under section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The Act specifies that Councils must have regard to CIPFA's Prudential Code for Capital Investment. This code sets a range of indicators, some of them in respect of Treasury Management. A key indicator is the "**Affordable Borrowing Limit**". In setting this limit, the Council must have regard to the Prudential Code by ensuring that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.
- 2.2 It is proposed that the Affordable Borrowing Limit be set at **£20m**. This has increased from £10m in 2005/06. As the Council is currently in a debt free position, this limit would be for **short term** borrowing for cashflow purposes, rather than to enter into long term loan arrangements. The reason for the increase is that, in consultation with our treasury advisors, it is considered appropriate to increase the allowance for exceptional circumstances. In addition to ongoing revenue expenditure, the Council has a significant capital programme. Certain risks are attached to the capital receipts (eg land sales) and external money that is used to fund it. To cover exceptional circumstances, this limit has been adjusted to ensure any gap can be bridged in the short term without borrowing unlawfully. In practice, it is very unlikely that the limit will need to apply. In setting this limit, members agree to delegate this power to the Director of Finance.
- 2.2 Further details on the Council's Treasury Indicators have been included in **Appendix A** to this document.

3. Current Portfolio Position

Investments

- 3.1 The Council's treasury portfolio position at 31/12/2005 comprised:

	31 March 2005	31 December 2005	Rate of Return
	£ Million	£ Million	%
Council in House Team	79	65	4.80
Scottish Widows	28	29	4.49
Investec Guinness Flight	81	84	5.05
Borrowing	nil	Nil	-
Total	188	178	5.07

3.2 The table also shows the rates of return that have been realised for the 9 months to 31 December 2005.

The benchmark and objective is set for each fund manager as follows:

	Previous Benchmark	2006/07 Benchmark	Investment Objectives
Investec Guinness Flight	7 day rate	The higher of 4.75% and the 7 day rate	Security of the Fund is of paramount importance and the Manager's priority will be to minimise risk to capital values. The Manager's objective will be to optimise returns commensurate with the containment of risk.
Scottish Widows	7 day rate	The higher of 4.75% and the 7 day rate	To outperform the benchmark by 1% per annum (net of fees) over a rolling three year period.

It is recommended that for 2006/07, the benchmarks be changed from the standard "7 day rate" to the higher of 4.75% and the "7 day rate". This is to ensure that they provide sufficient challenge to fund managers, and ensure that the treasury management strategy is in line with the budget strategy.

Borrowing

3.3 The Council currently has no borrowing. While this position is not expected to change throughout 2006/07, due to the internal resources (capital receipts) currently available, there may be instances where short term borrowing is advantageous from an overall treasury management point of view. However the Council may borrow in the near future to fund any additional capital expenditure over and above that currently proposed for 2006/07.

4. Prospects for Interest Rates

4.1 The level of, and fluctuations in, interest rates, are a key consideration for any treasury management strategy. The Council invests its portfolio throughout the year, and the level of interest rates determines the interest receipts that are generated to support ongoing revenue expenditure.

- 4.2 To arrive at an expectation of interest rates for 2006/07, and beyond, involves making a number of judgements and assumptions, and involves a degree of uncertainty.
- 4.3 The Council has appointed Sector Treasury Services as treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. **Appendix B** draws together a number of current City forecasts for short term or variable and longer fixed interest rates.
- 4.4 The average of these prospects indicates an interest rate of 4.5% for 2006/07. The Council has set the external and internal fund managers challenging targets and would expect a higher rate of return than merely matching the base rate. The 2006/07 budget is therefore based on an expected return of 4.75%.

5. Borrowing Strategy

- 5.1 A borrowing limit of £20m has been set per paragraph 2.3. This limit would apply to short term use of borrowing, and would be used to address cashflow issues. However, there may be instances in the longer term where a strategy of borrowing would be advantageous to the Council's overall objectives.
- 5.2 There are some significant programmes being undertaken that may require the Council to consider funding options in the longer term. They include Housing Futures, the Accommodation Strategy and a number of other projects designed to meet the Council's regeneration and customer first agendas.
- 5.3 Similarly, there may be instances where there may be a business benefit of borrowing. For example, the construction of a car park could be financed by a loan, while the longer term income received on this asset would make the borrowing economically beneficial.
- 5.4 The Council will move away from being in a debt free position at some point in the medium term, as disposals fall off, and pooling arrangements take effect on Right to Buy receipts. The Director of Finance has already begun discussions with the Corporate Management Team, the lead member for finance, the Executive and treasury advisors, and as this point approaches, or should any situation arise in the mean time where it would be beneficial for the Council to borrow, detailed proposals will be reported back to members.

6 ANNUAL INVESTMENT STRATEGY

Investment Policy

- 6.1 The Council must have regard to the ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and the Chartered Institute of Public Finance Accountants (CIPFA)'s Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -
- (a) the security of capital and
 - (b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

6.2 The Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the headings of Specified Investments and Non-Specified Investments. It is a requirement to report these investments to the Executive for approval. These are listed in **Appendix C**. It also sets out:

- The procedures for determining the use of each asset class (advantages and associated risk), particularly if the investment falls under the category of “non-specified investments”; and
- The maximum periods for which funds may be prudently committed in each asset class.

6.3 Consideration will be given in 2006/07 to a mixed portfolio of investments. This will include a review of the mix of both in-house and externally managed balances, and the duration of shorter and longer term investments.

Investment Objectives

6.4 All investments will be in sterling. The general policy objective for this Council is the prudent investment of its treasury balances. The Council’s investment priorities are the security of capital and liquidity of its investments. The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. We have set challenging targets for 2006/07, and the risk of balancing returns with prudence will need to be managed.

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

Security of Capital: the use of Credit Ratings

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

6.7 Monitoring of credit ratings:

- All credit ratings will be monitored monthly. The Council has access to Fitch credit ratings and is alerted to changes through its use of the Sector website;
- If a counterparty’s or investment scheme’s rating is downgraded with the result that it no longer meets the Council’s minimum criteria, the further use of that counterparty /investment scheme as a new investment will be withdrawn immediately. The Council will also immediately inform its external fund managers of the withdrawal of the same;
- If a counterparty is upgraded so that it fulfils the Council’s criteria, its inclusion will be considered and put to the Director of Finance for approval; and
- The Council will establish with its fund managers their credit criteria and the frequency of their monitoring of credit ratings so as to be satisfied as to their stringency and regularity.

Investment balances / Liquidity of investments

- 6.8 The sum invested broadly represents the capital receipts that the Council has not yet re-invested into capital projects, financial reserves and provisions, together with the impact of any difference between the collection of income and council expenditure.
- 6.9 It is difficult to forecast with any certainty predicted changes in the levels of funds available due to variations in the rate of capital expenditure and uncertainties over the level of capital receipt income.
- 6.10 Based on its cash flow forecasts, the Council anticipates its fund balances in 2006/07 to be approximately £125 million which is based upon the 2006/07 capital programme expenditure profile (including a prudent allowance for slippage) and the already committed use of reserves and other balances.
- 6.11 The Council may permit its external fund managers to use instruments such as gilts, bonds and other longer-dated instruments. Limits will have to be established in the use of such instruments to ensure that the Council can have access to its investments to finance the capital programme. These Treasury Management limits can be set as either a £ amount or percentage.
- 6.12 Giving due consideration to the Council's level of balances over the next 3 years, the need for liquidity, its spending commitments and provisioning for contingencies, the Council has determined that £40m of its overall fund balances can be prudently committed to longer term investments (i.e. those with a maturity exceeding a year).

Investments defined as capital expenditure

- 6.13 The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'.
- 6.14 A loan or grant by this Council to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure by this Council. It is therefore important for this Council to clearly identify if the loan has made for policy reasons (e.g to the registered social landlord for the construction/improvement of dwellings) or if it is an investment for treasury management purposes. The latter will be governed by the framework set by the Council for 'specified' and 'non-specified' investments.

Provisions for Credit-related losses

- 6.15 If any of the Council's investments appeared at risk of loss due to default, (i.e. this a credit-related loss, and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.
- 6.16 Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices.

6.17 The Council's external fund managers will comply with the Annual Investment Strategy. The agreements between the Council and the fund managers also stipulate guidelines on duration and other limits in order to contain and control risk.

7. Investment Strategy

7.1 The demands placed on the Council's treasury management activities remain broadly unchanged from previous years, as the Council is in a debt free position, and expects to remain so throughout 2006/07. For this reason the principles of the proposed strategy for 2006/07 continue those adopted in recent years and are:

- The weighting of the funds between the different fund managers will be kept under review in order to ensure that an adequate spread of risk is maintained within the smaller portfolio; and
- External investments will be managed in accordance with the policy guidelines set out in the management agreements with each of the fund managers. These demand the securing the highest rate of return commensurate with the maintenance of the capital value of the investment.

7.2 The strategies of the fund managers will be determined in the light of market conditions and the actual movement of interest rates during the year. This will require the Director of Finance to review the investments made by the Council to determine the limits for Specified and Non-Specified Investments (**Appendix C**)

7.3 **Treasury Advisor Outlook:** The Council's treasury management advisors are forecasting base rates to be on a falling trend from 4.50% in Q1 to 4.25% in Q2 and Q3 and 4.00% in Q4 of 2006. However a rising trend is expected in 2007 with Q1 predicted at 4.25% and Q2 at 4.50%. The Council will therefore seek to lock in longer period investments at higher rates before this fall starts for some element of its investment portfolio which represents its core balances.

7.4 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (1-3 months) in order to benefit from the compounding of interest.

7.5 Fund Managers' Outlook: £113m of the Council's funds are externally managed on a discretionary basis by Investec and Scottish Widows.

Investec provide the Council with a periodic outlook on interest rates. In their most recent update, their "central scenario" saw interest rates as having peaked at 4.75%, but this has fallen to 4.50% and will remain unchanged at this level for many months.

Scottish Widows also provide the Council with an outlook on interest rates. Their central position is also to see a rise in interest rates from 4.5% to 4.75% at some point in 2006.

7.6 As stated in section 5, the Council has taken the view, based on this information, that interest rates will be 4.5% for 2006/07.

8. End of year Investment Report

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

9. Consultation:

Julie Parker – Director of Finance
Joe Chesterton – Head of Financial Services
Lee Russell – Head of Finance (Corporate & Central Services)
John Hooton – Assistant Head of Finance (Corporate & Central Services)
External – Sector Treasury Services

Background Papers:

Local Government Act 2003
CIPFA – The Prudential Code for Capital Finance in Local Authorities
CIPFA – Treasury Management in the Public Services
Approved capital programme 2006/07 to 2008/09
Capital programme – working papers
Interest receipts projections – working papers
Medium Term Financial Strategy 2006/07 to 2008/09
Land Disposals Programme

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The Prudential Code for Capital Investment in Local Authorities

1. Introduction

- 1.1. The Prudential Code for Capital Investment was introduced in April 2004 as part of the Local Government Act 2003. The Prudential Code for Capital Investment allows each council to form its own judgment as to the amount it should borrow to finance capital investment. It replaced the previous, complex system of central Government control over council borrowing, although the Government has retained reserve powers of control which it may use in exceptional circumstances.
- 1.2. To enable councils to establish whether their proposed borrowing is affordable and prudent the *Chartered Institute of Public Finance and Accountancy* (CIPFA) has produced *The Prudential Code for Capital Finance in Local Authorities*. This identifies a range of indicators which must be considered by the Council when it makes its decisions about its future capital programme and sets its budget.
- 1.3. A number of these indicators are in respect of the capital programme, and have been incorporated into the capital programme report for 2006/07 to 2008/09. The Prudential Code also prescribes a number of Treasury Indicators. This appendix deals with the following indicators:
 - PI (prudential indicator) 10 – Operational Borrowing Boundary
 - PI 11 – Authorised Borrowing Limit
 - PI 13 – Adoption of the CIPFA Treasury Management Code
 - PI 14 – Fixed Interest Exposure
 - PI 15 – Variable Interest Exposure
 - PI 16 – Maturity Structure of Borrowing
 - PI 17 – Investments over 364 days

2. External Debt

- 2.1 In the medium term local authorities only have the power to borrow for capital purposes. The current position is that The Council has no plans to embark on long term borrowing.
- 2.2 External borrowing and investment arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. In accordance with best professional practice the Council does not associate borrowing with particular items or types of expenditure. This means that in day to day cash management no distinction can be drawn between revenue or capital funds nor, similarly, between Housing Revenue Account and the General Fund.

- 2.3 For the management of this borrowing on a day to day basis the Council is recommended to approve an operational limit of zero for its external debts for the next three years. This is the formal expression of the Council's existing treasury management policy of not borrowing unless it proves essential for managing cash flow according to best professional practice.
- 2.4 At any point in time there are a number of cash flows in and out of the Council's bank account which are caused by the differential timing of payments and receipts from the Council. It is possible that an unanticipated cash movement could lead to a requirement for temporary borrowing. For this reason the Council is also recommended to approve the authorised limits set out in Table 1.

Table 1: Operational Boundary and Authorised Borrowing Limits (Prudential Indicators 10 and 11)

	2005/06 £'million	2006/07 £'million	2007/08 £'million	2008/09 £'million
Operational Limit on Borrowing	0	0	0	0
Margin for Unforeseen Cash Flow Movements	10.0	20.0	20.0	20.0
Authorised Limit	10.0	20.0	20.0	20.0

- 2.5 These limits give the Director of Finance authority to undertake borrowing for cash flow purposes. For this reason, in taking its decisions on this budget report, the Council is asked to note that the authorised limit for 2006/07 will be the statutory limit determined under section 3 (1) of the Local Government Act 2003.
- 2.6 The authorised limit for temporary borrowing is small in comparison with the scale of the Council's investments. It is therefore consistent with the Council's existing financial strategy and approved treasury management policy statement and practices. While borrowing within these authorised limits would therefore be neither imprudent nor unaffordable, a continuing need to borrow beyond the operational limit of zero would indicate to the Director of Finance that the Council's financial position should be re-evaluated.

Adoption of the CIPFA Treasury Management Code (Prudential Indicator 13)

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

Fixed Interest Exposure (Prudential Indicator 14)

As borrowing will only be in the short term for cashflow purposes, there will be no long term exposure to fixed interest rates on borrowing.

Variable Interest Exposure (Prudential Indicator 15)

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

Maturity Structure of Borrowing (Prudential Indicator 16)

The Council does not anticipate borrowing in the long term over the period in question.

Investments over 364 days (Prudential Indicator 17)

The overriding objective of the investment strategy is to ensure that funds are available on a daily basis to meet the Council's liabilities. The risk inherent in the maturity structure of the Council's investments is that it may be forced to realise an investment before it reaches final maturity and thus at a time when its value may be dependent on market conditions that cannot be known in advance. Taking into account the current level of investments, and future projections of capital expenditure, the following limits will be applied to sums invested:

Table 2: Principle Sums Invested

	2006/07 £'million	2007/08 £'million	2008/09 £'million
Total Investments (average)	140	105	90
Maximum invested over 1 year	80	60	40
Maximum invested over 2 years	60	40	0
Maximum invested over 3 years	40	0	0

These limits are derived from current projections on interest receipts and spending on the capital programme. They also include a level of contingency to take into account an element for new capital bids, and potential shortfalls in receipts from the disposals programme.

3. Summary Assessment

- 3.1 The Prudential Indicators confirm that the proposed treasury management strategy, in conjunction with the Council's budget strategy and capital programme, is in compliance with the key themes of the Prudential Code, those being prudence, affordability and sustainability.

- 3.2 The Council needs to confirm it is happy with the arrangements, whereby the Director of Finance has authority, in exceptional circumstances, to borrow up to £20 million. It is anticipated that in practice that such borrowing is unlikely to be necessary.
- 6.4 The treasury management indicators will be regularly monitored throughout 2006/07.

INTEREST RATE FORECASTS

Sector Treasury Services have compiled some forecasts on interest rates that are key considerations for the Council's treasury management strategy. The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. Individual Forecasts

Sector View interest rate forecast – January 2006

	Q/E1 2006 %	Q/E2 2006 %	Q/E3 2006 %	Q/E4 2006 %	Q/E1 2007 %	Q/E2 2007 %	Q/E3 2007 %	Q/E4 2007 %	Q/E1 2008 %	Q/E2 2008 %	Q/E3 2008 %	Q/E4 2008 %	Q/E1 2009 %	Q/E2 2009 %
Base Rate	4.50	4.25	4.25	4.00	4.25	4.50	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
5 yr Gilt Yield	4.00	4.00	4.00	4.25	4.50	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75

UBS Economic interest rate forecast (for quarter ends) – January 2006

	Q/E1 2006 %	Q/E2 2006 %	Q/E3 2006 %	Q/E4 2006 %	Q/E1 2007 %	Q/E2 2007 %	Q/E3 2007 %	Q/E4 2007 %
Base Rate	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50

Capital Economics interest rate forecast – January 2006

	Q/E1 2006 %	Q/E2 2006 %	Q/E3 2006 %	Q/E4 2006 %	Q/E1 2007 %	Q/E2 2007 %	Q/E3 2007 %	Q/E4 2007 %
Base Rate	4.25	4.00	4.00	4.00	4.00	4.00	4.00	4.00
5yr gilt yield	4.10	4.00	3.90	3.80	4.00	4.10	4.30	4.40

2. Survey of Economic Forecasts

HM Treasury – December 2005 summary of forecasts of 26 City and 14 academic analysts for Q4 2005 and 2006. (2007 – 2009 are as at November 2005 but are based on 18 forecasts)

	Repo	Quarter ended		annual average repo rate		
		Q4 2005 %	Q4 2006 %	ave. 2007 %	ave. 2008 %	ave. 2009 %
Indep. forecasters BoE Base Rate	4.50	4.49	4.29	4.39	4.54	4.60
Highest base rate	4.50	4.55	5.00	5.40	5.90	6.20
Lowest base rate	4.50	4.20	3.50	3.75	3.75	3.75

3. Economic background

Sector Treasury Services also provide the Council with economic information to support their views on interest rates, It is important that the Council's treasury management annual strategy is informed by such information. This section summarises some of the key developments.

UK

- GDP growth weakened from 3.2% in 2004 to 1.7% in 2005 under the impact of monetary and fiscal tightening and the oil price shock depressing household spending. Growth expected to cover weakly to about 2.0% in 2006 and then return to the long term trend rate of 2.5% in 2007.
- House price inflation fallen to very low levels may now stabilise.
- Inflation forecast to stay around target despite hike in oil prices. MPC on alert for pipeline cost pressures, primarily from oil price increases, feeding through into output prices and then into retail prices.
- Increasing concerns that the public sector deficit will decline steadily over the next few years as the Government cuts back on the rate of growth of its expenditure.

International

- Boom in world commodity prices driven by strong growth in China and India; potential for further increases in prices but supply side increases and improvements in technology are likely to reduce prices in the medium term
- In ability of oil producers to spend their huge cash surpluses and reluctance of Asian economies to run current account deficits will suppress world demand and dampen world growth
- US – continuation of measured rate rising by the Fed coupled nearing its. Fed rate may now peak at 4.5%
- US GDP growth expected to weaken from 4.2% 2004 to 3.5% 2005 and 3.0% 2006

- European Central Bank has held repo rate at 2.00% since June 2003; increase in December to 2.25% and further increases expected as the economic outlook has improved.
- European consumers lack confidence to increase their spending; GDP growth expected to rise weakly and to continue to under perform the UK and US economies.

Interest rate forecast

- The base rate is expected to hold at 4.50% until the end of Q1 2006, but due to fall further in Q2 and Q3 to reach 4.00% in Q4 2006 then edge up by 0.25% in Q1, Q2 and Q3 of 2007 to end the year at 4.75% when the interest rate cycle turns up and the market yield curve should have turned more stable.

Long term 25 year PWLB rate:

- Expected to remain flat at 4.25% until Q4 2006 when it will rise to 4.5% until Q4 2006 with a further increase to 4.75% in Q1 2007.

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Specified Investments and Non-Specified Investments

1. Specified Investments

All such investments will have maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	Govt Backed-Not Credit Rated	In-house
Term deposits – UK government	Govt Backed-Not Credit Rated	In-house
Term deposits – other LAs	High Security – although not Credit rated	In-house
Term deposits – banks and building societies	Short-term F1, or equivalent, Support 1,2 or 3	In-house and fund managers
Certificates of deposits issued by banks and building societies	Short-term F1, or equivalent, Support 1,2 or 3	Fund managers
Money Market Funds	AAA	In- house
UK Government Gilts	AAA	Fund Managers
Gilt Funds and Bond Funds	long-term AA	Fund Managers
Treasury Bills	Govt Backed-Not Credit Rated	Fund Managers

2. Non-Specified Investments:

A maximum of 75% will be held in aggregate in non-specified investments

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – UK government (with maturities in excess of 1 year)	Govt Backed-Not Credit Rated	In-house	25%	5 Years
Term deposits – other LAs (with maturities in excess of 1 year)	High Security – although not Credit rated	In-house	25%	5 Years
Term deposits – banks and building societies (with maturities in excess of 1 year)	Short-term F1, or equivalent, Support 1,2 or 3	In-house	25%	5 Years
Certificates of deposits issued by banks and building societies	Short-term F1, or equivalent, Support 1,2 or 3	Fund managers	75%	5 Years
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers	75%	10 Years

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	75%	10 Years
Bonds issued by a financial institution which is guaranteed by the UK government		In-house on a 'buy-and-hold' basis. Also for use by fund managers	75%	10 Years
Sovereign bond issues (i.e. other than the UK govt)	AAA	Fund Managers	75%	10 Years