

THE EXECUTIVE

Tuesday, 13 June 2006

**Agenda Item 5. The Council's Revenue and Capital Outturn 2005/06
(Pages 1 - 34)**

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THE EXECUTIVE

13 JUNE 2006

REPORT OF THE CHIEF EXECUTIVE

COUNCIL'S REVENUE AND CAPITAL OUTTURN 2005/06	FOR DECISION
<p>Summary:</p> <p>The report provides the Executive with the Council's revenue and capital outturn position for the financial year 2005/06.</p> <p>For the Council's General Fund revenue services, it highlights that the final position is an overall underspend of £33,000, after carry forward requests from departments. Given the size of the Council's budget, the end-of-year position demonstrates a successful year of financial control, accurate forecasting and good systems/processes.</p> <p>For the Housing Revenue Account, the final working balance shows a position of £3.5m, demonstrating sound financial strength.</p> <p>For Capital, the final position shows that £88.7m has been spent out of the original budgeted programme of £92.9m, which shows considerable progress has been made in quicker capital delivery based on accurate profiling.</p> <p>The report also covers the position on relevant carry forward requests from departments for both revenue and capital, for consideration by Members.</p> <p>This report should be read and discussed in conjunction with the final performance indicators report for 2005/06 which is also being presented to this Executive meeting.</p> <p>Wards Affected: All Wards This is an annual outturn report of the Council's resource position and applies to all wards.</p>	
<p>Implications:</p> <p>Financial:</p> <p>The report identifies the Council's final revenue and capital outturn position for the financial year 2005/06 and the financial performance of all services throughout the year. It indicates that the Council's overall services throughout 2005/06 were maintained and delivered within existing budgets.</p> <p>The report also identifies the relevant revenue and capital budgets that need to be carried into 2006/07.</p> <p>Legal:</p> <p>There are no legal implications regarding this report.</p> <p>Risk Management:</p>	

The risk to the Council is that the overall 2005/06 budget could be overspent and that this will reduce the Council's resource position. Whilst there have been variations within individual departmental outturns these have managed and monitored throughout the financial year by way of specific procedures including reports and necessary action plans to Resource Monitoring Panels, Departmental Management teams, the Corporate Management team and the Executive.

Social Inclusion and Diversity:

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

Crime and Disorder:

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

Recommendations

The Executive is asked to:

- (a) Note the final outturn position of the Council's revenue and capital budgets for 2005/06 (Section's 1 and 2 and Appendix A);
- (b) Note the position of the working balance for the Housing Revenue Account (Section 4);
- (c) Approve the carry forwards from the Revenue budget to be incorporated into the relevant 2006/07 Departmental budgets (Section 5 and Appendix B);
- (d) Note the final outturn position of the Council's Capital programme (Section 6 and Appendix C)
- (e) Approve the carry forwards, for categories A, B, D and E (i.e. committed and rolling programmes) totalling £5.6m, from the 2005/06 Capital Programme to be incorporated into 2006/07 relevant service capital programmes (Appendix D and D(i));
- (f) Approve that the roll forward requests for category C schemes (i.e. not yet contractually committed) undergo an appraisal through the CPMO process and that these schemes only proceed with the appropriate approval (Appendix E);
- (g) Approve that the appropriate 2006/07 budgets be adjusted for advanced expenditure in 2005/06 of £1.5m (Appendix F);
- (h) Note the outturn position for 2005/06 Prudential Indicators (See Appendix G)

Reason

As a matter of good financial practice, the Executive should be informed of the final outturn and performance of the Council's Revenue and Capital financial resources.

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1. Introduction

- 1.1 At the end of 2005/06 the Council has a net underspend of £1.7 million against a profiled budget for the year of £232.3 million (0.7% under budget). The full detail is included in Appendix A and is summarised as follows:

	Budget 2005/06	Expenditure 2005/06	Over/(under) spend 2005/06	Roll Forward Requests 2005/06	Overall Position 2005/06
	£'000	£'000	£'000	£'000	£'000
General Fund Services	232,252	230,570	(1,682)	1,649	(33)

- 1.2 This can be analysed as a £1.69 million service underspend, which when offset by carry forward requests from Corporate Directors of £1.65 million to support once-off activity, transitional costs, and items now to be expended in 2006/7. This produces an overall net underspend for the year of £33,000.
- 1.3 In summary, within the overall underspend position there was an overspend in the DRE budgets of £860,000 which was offset by an overperformance of investment income to the general fund of around £600,000 as well as a number of minor departmental underspends.

2. Service Position

- 2.1 Details of each area of the Council's financial position are provided in Appendix A. There are a number of variations to individual service accounts and relevant explanations are provided below:

2.2 Education, Arts and Libraries

The final outturn position for Education services in 2005/06 is an underspend of £39,000. This includes the repayment of £216,000 brought forward from the previous financial year. During 2005/06 the service implemented an action plan to both strictly control individual budgets and where possible reduce costs.

The Arts, Libraries and Cultural Service underspent by £319,000. This represents a number of roll forward balances for specific earmarked initiatives and items planned to be implemented in the 2006/07 financial year. These are detailed in Appendix B.

2.3 Regeneration and Environment

The department overspent by £0.8m in 2005/06. The key reasons for the overspends are as follows:

Leisure and Community Services - £1.47m

Leisure Centre income was below target as estimated throughout the year and reported to Members as a result of one-off closures of facilities to meet health and safety improvements to facilities. Additional employee costs to make consistent part-time and casual staff terms and conditions in 2005/06 were incurred and have been part funded in 2006/07 via a pressure bid. Premises and energy costs at leisure centres also exceeded budget as a result of a combination of one-off backdated bills being identified and higher unit costs (£219,000).

The Grounds Maintenance function also incurred additional employee and running costs and generated less variation order income resulting in a £417,000 negative outturn with actions already planned by the new Corporate Director of Regeneration to minimise these costs in 2006/07.

Asset Management – (£613,000)

The Land and Property division generated an additional net one-off £158,000 surplus mainly as a result of transaction fees and a back-dated turnover rent being finalised. Reduced support costs and an over-recovery of fees by Engineers generated a surplus of £255,000. The surveyors, architects and building design teams generated a net surplus of (£146,000).

Regeneration, Planning and Development – (£464,000)

As a result of containing employee and running costs and using Planning Delivery Grant to off-set other costs this division has underspent.

Environmental Services - £772,000

Waste Services - due to a change in the apportionment of trade waste tonnage charge from ELWA non-recurring net additional costs were incurred that could not be fully recovered – net cost of £152,000. Running costs (£29,000) and additional vehicles were hired to deliver the flattened recycling collection service £80,000

Street Cleansing – additional employee, transport and supplies costs were incurred in order to meet standards and improve performance.

Fleet Services – reduced demand for coaches from Education and Social Services (£150,000). Reduced private hire demand (£113,000) offset by reduced vehicle hire (£74,000), one-off costs (£102,000) to ensure the secure and safe premises of the new transport depot as a result of the re-location from Eastbrook Garage to Creek Road Depot. Other net transport operations underspend of £26,000.

Reduced rental income at the Civic Amenity site, additional non-recurring premises costs to meet health & safety requirements at Frizlands Depot and other variances account for the balance £104,000.

Directorate, HR, Policy Support and General – (£260,000)

Additional one-off costs of recruitment and interim management (£87,000) were more than offset by reduced employee insurance costs (£37,000), staff vacancies (£87,000), reduced spend on training and development (£110,000) and other running costs (£113,000).

2.4 **Finance**

The Finance department incurred a net underspend of £431,000 in 2005-06.

The main reasons for this position are as follows:

- The Financial Services division underspend by £174,000 due to difficulties in staff recruitment, however many posts have now been filled.
- The IT Division's underspend was £579,000. This is partly due to lower levels of spend on Supplies and Services towards the end of the Financial year. This includes various contracts which were not procured until March 2006. Many of the supplies and service budgetary underspends are due to timing delays of various IT Projects.
- The Revenue & Benefits service has incurred a net over spend of £390,000. Reasons for this were that agency staff covering vacancies at higher than budgeted levels and a review of the position around the collection of all Housing Benefits overpayment income which has resulted in a one-off increase in provisions to cover this. This position however has been slightly off-set by the achievement of Benefits overpayment income in excess of the budget. The Division has now implemented plans to successfully recruit staff and avoid its reliance on Agency staff in 2006-07.

In order to meet ongoing commitments in 2006/07, the Finance department is requesting roll-forwards of £525,000 be rolled forward which are listed and explained in Appendix B.

2.5 **Social Services**

The end of year position for Social Services resulted in an underspend of £16,000 on a Gross budget of £103 million. Although service pressures were experienced in all areas, management team controls and budget holder efforts resulted in no overspends or budget problems again in this demand-sensitive area.

Pressures were particularly felt around care at home budgets, with a noticeable shift from traditional pressures in residential budgets in Older Persons and Children's.

Challenges lie ahead for the newly created Adults and Children's Budgets in 2006/7 with infinite demand for services from users, and efficiency pressures to secure value for money.

2.6 **Housing & Health**

Housing General Fund

This service is reporting a small overspend of £38,000 and pressures were reduced by relevant management action.

Health & Consumer Services

Health and Consumer Services achieved a small underspend of £21,000 (0.5%). Although there were pressures within the Licensing service, economies were made throughout the year to ensure that overall the service remained within budget.

2.7 **Corporate Strategy**

The Corporate Strategy department incurred a net underspend of £326,000 in 2005-06.

A significant number of the underspends arose because of delays in completing specific one-off projects during the year including:

- Programme slippage in the setup costs relating to the Kingsbridge;
- Reprofiting of certain training, review and project items;
- Various improvement projects as a result of the Legal Best Value Review.

As a result of these delays, Roll-forward requests for all of these projects are being proposed and these are detailed in Appendix B.

The services remaining underspend relates to a combination of staff vacancies and a £48,000 underspend in the Human Resources service as a result of the restructure of the service in 2005. The 2006-07 budgets now reflect the full impact of the restructure and savings that have arisen.

Other Services

2.8 Use of Reserves

The final outturn for 2005/06 includes a number of projects that have been funded from ear-marked reserves and these can be summarised as follows:

	<u>£'000</u>
Roll-Forwards from 2004/05	2,870
Customer First	1,301
Council Re-structure	286
Procurement – Spend to Save	54
Regeneration – Preparing for the Future	250
Construction Framework Contracts	250
Regeneration Initiatives	66
Cleaning up the Borough Initiative	500
Supporting 2005/06 Budget	1,500
Efficiency Reviews	50
Single Status Review	109
Total	<u>7,236</u>

2.9 Use of Contingency

In setting the budget for 2005/06, a contingency budget was approved for any unforeseen items that may arise during the year. The contingency budget made allowance for factors such as the cost of redundancies from savings options and premature retirement costs.

The final contingency budget showed a net underspend of £56,000.

3. Interest on Balances

3.1 The final position shows a favourable variance of approximately £1 million for the year. Of this total, £0.6m was attributable to the general fund. The favourable position has arisen due to a number of factors, the key ones being as follows:

- The profile of capital expenditure throughout the financial year resulted in average investment balances to be higher than expected by approximately £10 million. The additional interest earned on these balances totalled approximately £0.6 million.
- Performance above the benchmark from investment managers and the in-house investment team. This has also contributed to the overall position with an additional £0.4 million.

4. Housing Revenue Account

- 4.1 The final position for the Housing Revenue Account shows that there is a working balance at the end of 2005-06 of £3.5m compared to an original budget of £3.0m. This can be summarised as follows:-

	Estimate	Actual	Variance
	£'000	£'000	£'000
Income	(70,560)	(73,029)	(2,469)
Expenditure	71,268	72,614	1,346
Net Expenditure	708	(415)	(1123)
Net Appropriations	(765)	54	819
Net Surplus	(57)	(361)	(304)
Working Balance b/f	(2,913)	(3,174)	(261)
Working Balance c/f	(2,970)	(3,535)	(565)

- 4.2 As reported throughout the year, the HRA has underspent due to additional rental income being achieved as a result of fewer Right to Buy sales than originally estimated and a significant improvement in the void rates, down from an estimated 2.5% to an actual 1.55%.
- 4.3 Charges to Corporate and Democratic Core were adjusted, for example to top up the insurance fund.
- 4.4 Apart from some minor roll forward requests, which have been added to the working balance, the remainder of the underspend has been used as a revenue contribution to capital in accordance with the earlier decision in the year by the Executive.

5. Revenue Roll-forwards

- 5.1 Directors have requested roll-forwards from their 2005/506 underspends into 2006/07 to progress with service issues and developments that were not achieved in 2005/06.
- 5.2 The process currently adopted allows a degree of flexibility in budget management and avoids unnecessary or wasteful expenditure at the year end to spend in full a Department's allocated budget. The current process is recommended for continuation.
- 5.3 A detailed exercise has been undertaken regarding these requests and a summary of the position for each Department is shown at Appendix B. The total value of the roll-forward requests amount to £1.67 million for General Fund services and this has been accounted for as part of the assessment of the Council's overall outturn position (paragraph 1.1). Members are therefore, invited to consider these requests and approve as necessary.

6. **Capital Programme**

- 6.1 The total capital expenditure for 2005/06 was £88.7m out of a total budget of £92.9m. Included in this report are roll-forward requests totalling £5.6m (Appendix D), with £1.5m of budgets brought forward from 2006/07 (Appendix E), giving a net roll-forward position of £4.1m.
- 6.2 These figures demonstrate that 95% of the capital programme was spent in 2006/07. This represents a significant improvement on the position for 2004/05, when 81.3% of the programme was spent in the year.
- 6.3 The capital programme has been managed throughout the year by the Capital Programme Management Office (CPMO) alongside the Finance department. Significant efforts have been made to co-ordinate this work, ensuring that financial input is received effectively from finance groups, and that technical and project management expertise is received from the CPMO. These efforts have contributed to improvements in the management of the programme for 2005/06, which were considered to be vital when the capital outturn position was reported this time last year.
- 6.4 The Executive is asked to consider and approve the carry forward of unspent budgets from 2005/06 into 2006/07. The detail of these requests is included in Appendix D to this report. They total £5.6m (£15.7m in 2004/05). Of this sum, £2.4m relate to internally funded projects, and £3.2m relate to externally funded schemes.
- 6.5 An exercise has also been undertaken to highlight any existing schemes that remain uncommitted. This has highlighted only one scheme totalling £12,000 that remained uncommitted throughout the year and this detailed in Appendix F.
- 6.6 The capital outturn position can be summarised as follows:

	<u>£'000</u>
Revised Budget 2005/06	92,913
Less	
Actual Expenditure 2005/06	(88,688)
Underspend	4,225
Less	
Budgets Rolled Forward into 2006/07	(5,664)
Budgets Brought Forward from 2006/07	1,507
In-year Underspend	68

7. **Prudential Indicators**

- 7.1 Regulations issued under the Local Government Act 2003 require local authorities to have regard to the CIPFA Prudential Code for Capital Finance. This code considers the prudence, affordability and sustainability of capital investment decisions made by the Council.

7.2 The Council set a series of “prudential indicators” to measure capital investment decisions against the key principles of the code. They include the level of capital expenditure, the associated financing costs and impact on Council Tax and Housing Rents. They also include treasury management indicators which set out limits for investment and borrowing decisions throughout the year.

7.3 Appendix G sets out the outturn position for 2005/06 against the indicators as set in February 2005. The headline assessment of these figures is that the capital programme placed a marginally lower burden on the revenue budget in terms of financing costs than had been budgeted for at the beginning of the year, as a result of slippage equivalent to 5% of the programme. The Council has not entered into any long term borrowing during the year. The treasury management indicators confirm that the limits set for investment and borrowing decisions were adhered to throughout the year.

8. Consultees

Rob Whiteman (Chief Executive)
Joe Chesterton (Head of Corporate Finance)

Background Papers

- Oracle Management reports.

Revenue Outturn 2005/06

	Original Estimate £'000	Revised Estimate £'000	Actual £'000	Variation £'000	Roll-Fwd Requests £'000	Total Underspend after Roll-fwd Requests £'000
<u>Service Departments</u>						
DEAL						
Education Services	135,525	138,169	138,130	(39)	39	0
Arts, Libraries & Cultural Services	5,834	6,351	6,032	(319)	319	0
DLES						
Environmental Services	17,893	18,804	18,811	7	0	
Planning Services	2,649	2,872	2,433	(439)	0	
Regeneration Partnerships	1,288	1,494	1,469	(25)	0	
Leisure Services	8,852	9,563	11,039	1,476	0	
Land & Property Services	(772)	45	(114)	(159)	0	
	29,910	32,778	33,638	860	0	860
Housing & Health						
Housing General Fund	529	549	587	38	0	38
Health & Consumer Services	2,309	3,572	3,551	(21)	0	(21)
	2,838	4,121	4,138	17	0	17
Social Services	71,263	71,912	71,896	(16)	0	(16)
Finance & Corporate Strategy						
Finance (inc Housing Benefit)	1,422	1,849	1,418	(431)	525	94
Corporate Strategy	5,118	4,950	4,624	(326)	232	(94)
	6,540	6,799	6,042	(757)	757	0
Total Service Departments	251,910	260,130	259,876	(254)	1,115	861
Corporate Management	5,672	5,666	5,188	(478)	478	0
General Finance	(32,318)	(39,562)	(40,396)	(834)	0	(834)
Contingency	1,082	112	0	(112)	56	(56)
Levies	5,906	5,906	5,902	(4)	0	(4)
Total	232,252	232,252	230,570	(1,682)	1,649	(33)

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Revenue Roll-Forward Requests 2005/06 into 2006/07

<u>Department</u>	<u>Division</u>	<u>Description</u>	<u>Revised Budget</u> £'000	<u>Actual</u> £'000	<u>Variation</u> £'000	<u>Roll-forward Request</u> £'000	
Finance	Financial Services	Training & Development Requirements					
	Financial Services	Consultancy Work - Use of Resources					
	Financial Services	Office Accommodation needs following Council's Restructuring					
	Financial Services	To commission a specialist consultant to assist with the implementation of an e-sourcing solution.					
	Financial Services	Purchase an electronic disbursement system to support the implementation of purchasing cards and to improve efficiency in low value purchase to pay transactions.	0	(174)	174	121	
	Financial Services	Development of Oracle Management Reports, Infrastructure of System etc					
	Financial Services	Rollout of CIPFA Financial Management module across the Organisation					
		IM&T	ICT hardware/software and network upgrade contingency	0	(579)	579	404
		Policy	Citizen's Panel contract set up costs and Customer Complaints team training	396	340	56	35
		Democratic Support	Member induction training & development contingency	288	156	132	52
	Policy & Performance	Kingsbridge Court	1,508	1,486	22	40	
	Legal Services	Various improvement projects as a result of the Legal Best Value Review and ICT related projects	(123)	(130)	(7)	105	
Total Finance and Corporate Strategy			2,069	1,099	955	757	

Revenue Roll-Forward Requests 2005/06 into 2006/07

<u>Department</u>	<u>Division</u>	<u>Description</u>	<u>Revised Budget</u> £'000	<u>Actual</u> £'000	<u>Variation</u> £'000	<u>Roll-forward Request</u> £'000
Contingency	Leisure	Ongoing Feasibility Studies - New Build Leisure Centres	80	37	43	43
	Regeneration	Ongoing Feasibility Studies - South Dagenham Arts Factory	25	12	13	13
Total Contingency			105	49	56	56
Education, Arts & Libraries	Broadway Theatre	Revenue contribution to support Broadway Theatre.	1,104	942	162	162
	Education Psychiatry	Training of Education Psychologists who work with CAMHS and the 06/07 CAMHS rental of Woodward Library	713	671	42	39
	Eastbury Manor House	Enhancement of the facilities available to visitors to the House including schools, the Community and commercial organisations.	197	181	16	12
	Heritage Libraries	Provision set aside for the promotion of the Heritage Strategy.	68	56	12	10
		Provision of a book fund for the new Libraries structure allowing for the maintenance of the quantity and quality of lending and reference resources for the Community				70
	Libraries	Cost of Additional storage and Administration facilities required during capital build of Central Library.	3,954	3,733	221	56
	Libraries	Roll forward of Libraries IT budget to cover replacement PC's				9
Total Education, Arts & Libraries			6,036	5,583	453	358
Corporate Management	Performance Improvement	Various projects to improve Service performance	5,666	5,188	478	478
Total Corporate Management			5,666	5,188	478	478
TOTAL GENERAL FUND ROLL-FORWARDS						1,649

CAPITAL OUTTURN 2005/6

Summary of Expenditure

Department	<u>Original Budget £000</u>	<u>Revised Budget £000</u>	<u>Actual £000</u>
Education, Arts and Libraries	20,286	16,171	15,504
Housing and Health	38,627	37,499	37,338
Regeneration and Environment	12,513	27,860	25,294
Social Services	13,429	4,058	4,006
Finance	3,286	3,959	3,678
Corporate Strategy	4,041	1,799	1,395
Accountable Body	4,069	1,567	1,473
Total	96,251	92,913	88,688

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CAPITAL OUTTURN 2005/2006

ROLL-FORWARDS BY CATEGORY

<u>DEPARTMENT</u>	<u>CATEGORY A</u> £'000	<u>CATEGORY B</u> £'000	<u>CATEGORY C</u> £'000	<u>CATEGORY D</u> £'000	<u>CATEGORY E</u> £'000	<u>TOTAL</u> £'000
EDUCATION, ARTS AND LIBRARIES	949	-	-	93	-	1,042
HOUSING AND HEALTH	-	-	-	124	18	142
REGENERATION AND ENVIRONMENT	2,879	57	12	454	248	3,649
SOCIAL SERVICES	20	-	-	32	-	52
FINANCE	-	-	-	280	-	280
CORPORATE STRATEGY	-	-	-	240	166	406
ACCOUNTABLE BODY	93	-	-	-	-	93
	3,941	57	12	1,223	432	5,664

Roll-forward Categories being:

- A - Stand alone project - Contractually committed
- B - Stand alone project - Pre-contract spend only - Contractually committed
- C - Stand alone project - Pre-contract spend only - Not yet Contractually committed
- D - Rolling Programme - Contractually committed
- E - Rolling Programme - Not Contractually committed

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CAPITAL OUTTURN 2005/06

ROLL FORWARD REQUESTS

<u>Scheme</u>	Figures for 2005/06			Roll fwd	
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Request</u>	<u>Category</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
<u>EDUCATION, ARTS AND LIBRARIES</u>					
<u>Primary</u>					
Rodings Kitchens	723	686	(37)	37	A
Gascoigne Primary Remodelling	200	136	(63)	63	A
<u>Secondary</u>					
Dagenham Park - 4 Court Sports Hall	600	203	(397)	397	A
Robert Clack Demountables	100	41	(59)	59	A
Robert Clack Sports Hall, Outdoor Pitches	153	8	(145)	145	A
<u>Other</u>					
School Modernisation Fund	2,420	2,393	(27)	22	D
DDA Access Costs	70	51	(19)	19	D
Sure Start Marks Gate - Single Storey Extension	257	243	(14)	14	A
John Perry Childrens Centre	1,023	951	(72)	72	A
William Bellamy Childrens Centre	930	835	(95)	95	A
Fire & Smoke Detection	475	423	(52)	52	D
<u>Arts and Libraries</u>					
Broadway Theatre	54	20	(34)	34	A
Valence Site Redevelopment	76	64	(12)	12	A
Community Music Service	75	54	(21)	21	A
Total Education, Arts and Libraries	7,156	6,108	(1,047)	1,042	

<u>Scheme</u>	Figures for 2005/06			Roll fwd	
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Request</u>	<u>Category</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
<u>HOUSING AND HEALTH</u>					
<u>HRA</u>					
Thames Accord Depot - Wantz Rd	99	5	(94)	94	D
<u>Non-HRA</u>					
Contaminated Land Programme	612	594	(18)	18	E
CCTV Civic Centre	30	-	(30)	30	D
Total Housing and Health	741	599	(142)	142	

Roll-forward catagories being:

- A - Stand alone project - Contractually committed
- B - Stand alone project - Pre-contract spend only - Contractually committed
- C - Stand alone project - Pre-contract spend only - Not yet contractually committed
- D - Rolling programme - Contractually committed
- E - Rolling programme - Not contractually committed

CAPITAL OUTTURN 2005/06

ROLL FORWARD REQUESTS

<u>Scheme</u>	<u>Figures for 2005/06</u>			<u>Roll fwd</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Request</u>	<u>Category</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
<u>REGENERATION AND ENVIRONMENT</u>					
<u>Environment</u>					
Street Lighting Programme	505	526	21	1	D
Bridge Strengthening	33	(2)	(35)	20	D
Parking Restrictions - Signs	16	5	(11)	11	A
Radio System for Parking	12	-	(12)	12	C
Relocation of Eastbrook Garage	292	269	(23)	23	A
Waste Minimisation	440	399	(41)	41	B
Goresbrook Park Improvements	427	139	(288)	288	D
Goresbrook Filtration Plant	135	86	(49)	48	E
Goresbrook Leisure Centre	541	514	(27)	27	E
Security at Leisure Centres	125	42	(83)	83	E
Maritime House	233	225	(8)	8	A
PGSS Contingency	132	104	(28)	26	E
Beam Valley Phases 3/4	269	248	(21)	21	D
Park Masterplans	32	25	(7)	7	D
Pondfield Park	50	43	(7)	7	D
Big Lottery Fund - TYS Programme Consultation	7	1	(6)	6	D
Old Dagenham Park	496	437	(59)	59	D
Padnall Green	86	50	(36)	36	D
Parsloes Park	178	169	(9)	9	D
Capitalised Major Repairs Programme	1,055	1,010	(45)	45	A/E
<u>Regeneration</u>					
BTC Partnership - ex BRVP	51	10	(41)	41	E
BTC Public Art Project - Secret Garden	50	47	(3)	3	A
Barking Town Centre & Lintons	6,124	4,804	(1,320)	1,064	A
Dagenham Dock Interchange	128	127	(1)	1	B
Barking Child & Family Health Centre	2,880	1,143	(1,737)	1,737	A
New Dagenham Library & Customer First	51	36	(15)	15	B
Thames Gateway Social Infrastructure Framework	150	140	(10)	10	A
Total Regeneration and Environment	14,498	10,597	(3,901)	3,649	

Roll-forward categories being:

A - Stand alone project - Contractually committed

B - Stand alone project - Pre-contract spend only - Contractually committed

C - Stand alone project - Pre-contract spend only - Not yet contractually committed

D - Rolling programme - Contractually committed

E - Rolling programme - Not contractually committed

Appendix D (i)

CAPITAL OUTTURN 2005/06

ROLL FORWARD REQUESTS

<u>Scheme</u>	Figures for 2005/06				
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Roll fwd</u>	<u>Category</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>Request</u>	<u>£000</u>
<u>SOCIAL SERVICES</u>					
Grays Court	1,017	997	(20)	20	A
Shape-Up	913	850	(63)	32	D
Total Social Services	1,930	1,847	(83)	52	

<u>Scheme</u>	Figures for 2005/06				
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Roll fwd</u>	<u>Category</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>Request</u>	<u>£000</u>
<u>FINANCE</u>					
Revenue Services - Accommodation	780	739	(41)	41	D
Revenue Services - Replace IT System	2,326	2,209	(117)	117	D
ICT - Infrastructure Enhancement	331	325	(6)	6	D
E-govt Programme Council Services	133	110	(23)	23	D
E-govt Programme Libraries	115	22	(93)	93	D
Total Finance	3,685	3,405	(280)	280	

<u>Scheme</u>	Figures for 2005/06				
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Roll fwd</u>	<u>Category</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>Request</u>	<u>£000</u>
<u>CORPORATE STRATEGY</u>					
IT for Members	10	1	(9)	9	E
St Georges Complex - New Building	30	6	(24)	24	E
Customer First - One Stop Shop	1,278	1,194	(84)	84	D
Office Accommodation - Corporate Signage	145	12	(133)	133	E
Office Accommodation - Health & Safety	282	134	(148)	148	D
Respond - Customer Feedback Database	33	25	(8)	8	D
Total Corporate Strategy	1,778	1,372	(406)	406	

Roll-forward categories being:

- A - Stand alone project - Contractually committed
- B - Stand alone project - Pre-contract spend only - Contractually committed
- C - Stand alone project - Pre-contract spend only - Not yet contractually committed
- D - Rolling programme - Contractually committed
- E - Rolling programme - Not contractually committed

Appendix D (i)

CAPITAL OUTTURN 2005/06

ROLL FORWARD REQUESTS

<u>Scheme</u>	<u>Figures for 2005/06</u>			<u>Roll fwd</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Request</u>	<u>Category</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
<u>ACCOUNTABLE BODY</u>					
LRL - UTC Green Links	85	25	(60)	60	A
LRL - Grey to Green Havering Public Realm	21	-	(21)	21	A
LRL - Industrial Signage	196	184	(12)	12	A
Total Accountable Body	302	209	(93)	93	

LBBB Total	30,090	24,137	(5,952)	5,664
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Funded by:

LBBB	2,408
External	3,256
	5,664

Roll-forward categories being:

- A - Stand alone project - Contractually committed
- B - Stand alone project - Pre-contract spend only - Contractually committed
- C - Stand alone project - Pre-contract spend only - Not yet contractually committed
- D - Rolling programme - Contractually committed
- E - Rolling programme - Not contractually committed

CAPITAL OUTTURN 2005/06

Budgets to be brought forward from 2006/07 to 2005/06

<u>Scheme</u>	2005/06			2006/07 Budget	
	<u>Budget</u>	<u>Actual</u>	<u>Variation</u>	<u>Budget</u>	<u>Reduced Amount</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>EDUCATION, ARTS AND LIBRARIES</u>					
Secondary					
Warren Science Block	402	468	66	1,797	66
Others					
Schools Reboiler Programme	300	331	31	300	31
Gascoigne Childrens Centre	785	869	84	1,096	84
Becontree Childrens Centre	573	582	9	900	9
Preparing Schools for Future	200	211	11	500	11
Total Education, Arts and Libraries	2,260	2,461	201	4,593	201
<u>REGENERATION AND ENVIRONMENT</u>					
<u>Environment</u>					
Traffic Management	1,095	1,269	174	950	317
Highways Structural Repairs (Annual Programme)	1,898	1,979	81	3,000	71
Cemeteries - New Site @ Marks Gate	706	746	40	1,002	40
Central Park Peace & Memorial Gardens	110	143	33	65	33
CMRP Roycraft House	18	19	1	51	1
<u>Regeneration</u>					
A13 Artscape	33	56	23	114	23
BTC - Lifelong Learning	1,480	1,963	483	2,958	483
BTC - Public Realm	600	674	74	273	74
BTC Public Art Project - Artwork TGSC	96	131	35	624	35
Dagenham Heathway Public Realm	-	229	229	2,255	229
Total Regeneration and Environment	6,036	7,209	1,173	11,292	1,306
TOTAL	8,296	9,670	1,374	15,885	1,507

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CAPITAL OUTTURN 2005/6

CATEGORY C SCHEMES

<u>Scheme</u>	Figures for 2005/6			Roll fwd
	<u>Budget</u> <u>£000</u>	<u>Actual</u> <u>£000</u>	<u>Variance</u> <u>£000</u>	<u>Request</u> <u>£000</u>
<u>REGENERATION AND ENVIRONMENT</u>				
Radio System for Parking	12		(12)	12
Total Regeneration and Environment	12	-	(12)	12

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The Prudential Code for Capital Investment in Local Authorities

Outturn Report 2005/06

1. The Prudential Framework for Local Authority Capital Investment

- 1.1. The Prudential Code for Capital Investment commenced on the 1st April 2004. This system replaced the previous system of central Government control over council borrowing. The Government has retained reserve powers of control which it may use in exceptional circumstances.
- 1.2. The Prudential Framework offers significantly greater freedom to authorities to make their own capital investment plans. Within this new 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 will not be directly relevant for 2005/06. 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 original estimated 2005/06 prudential indicators as approved by the Council in March 2005, the revised estimates following in year budget adjustments, and the actual outturn position, now that the final spend on the capital programme for 2005/06 is known.

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)

	2005/06 Original Estimate	2005/06 Revised Estimate	2005/06 Actual
	£'000	£'000	£'000
HRA	35,535	35,025	34,940
General Fund	60,716	57,888	53,748
Total	96,251	92,913	88,688

- 3.2 Table 1 shows actual capital expenditure against budget for 2005/06. The difference between the revised estimate and actual represents slippage on the capital programme. This level of slippage equates to 5%, which is a significant reduction on the 2004/05 level, which was 16%.
- 3.3 The knock on effect of the reduction in spend on the capital programme is a reduction in the costs associated with financing the capital programme, and these are considered in the next section.

4. **Financing Costs**

- 4.1 The prudential code also requires Councils to have regard to the financing costs associated with its capital programme.
- 4.2 For an authority that has debt, the prudential indicator for its financing costs is calculated based on the interest and repayment of principle on borrowing. Conversely, for an authority without debt, it is the interest and investment income from its investments. This income contributes to the financing of the Council's revenue budget. However, when capital receipts are used to finance the capital programme, the amount of interest earned will be reduced. The use of capital receipts to finance the capital programme, rather than to raise interest receipts, is therefore a cost to the Council.

- 4.3 Since the authority does not borrow there is no Minimum Revenue Provision (“repayment of principle”) in the General Fund financing costs. For the HRA there is, however, a charge for depreciation based on the Major Repairs Allowance. This is included in the financing costs of the authority although in practice it is matched by an equivalent amount in HRA Subsidy.
- 4.4 Table 2 shows outturn figures for 2005/06 in respect of 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)

	2005/06 Original Estimate	2005/06 Revised Estimate	2005/06 Outturn
	£'000	£'000	£'000
Net Revenue Stream			
HRA	58,700	58,700	58,986
General Fund	232,252	232,252	232,252
Financing Costs			
HRA	14,356	14,889	14,889
General Fund	(5,284)	(5,284)	(5,173)
Ratio			
HRA	24.46	25.36	25.24
General Fund	(2.28)	(2.28)	(2.23)

- 4.5 The outturn position for the HRA shows a slight increase in the revenue stream, with financing costs equivalent to budget. The ratio of revenue streams to financing costs has therefore marginally decreased compared to the original estimate.
- 4.6 The outturn position for the General Fund shows revenue streams equivalent to budget. Financing costs were marginally lower than predicted, as a result of spending 95% of the capital programme rather than 100%. The ratio can be seen to decrease accordingly.

- 4.7 Financing costs can also be shown with reference to their impact on Council Tax and Housing Rents and this is set out in Table 3.

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

	2005/06 Original Estimate	2005/06 Revised Estimate	2005/06 Outturn
	£	£	£
For Band D Council Tax	6.05	6.05	3.88
For average Housing Rents	0	0	0

- 4.8 The table shows that, as a result of the underspend on the capital programme, the loss of interest and burden on the revenue budget for 2005/06 (and by definition on Council Tax levels) as a result of new schemes was lower than was budgeted.
- 4.9 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 outturn position for this is shown in table 4 below. 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)

	2005/06 Original Estimate £'000	2005/06 Revised Estimate £'000	2005/06 Outturn £'000
Housing Revenue Account (HRA)	(23,535)	(23,535)	(23,535)
General Fund	23,383	23,383	11,756
Capital Financing Requirement	(152)	(152)	(11,779)

5.3 The Council's underlying debt level remains unchanged from 2004/05 to 2005/06 – the Council has no underlying debt. The outturn position for the capital financing requirement has changed to a negative amount of £11,779 due to changes in the ODPM regulations.

6. **External Debt**

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

6.2 The operational limit was set at £0, as the Council does not plan to borrow any money apart from in exceptional, "cashflow" situations. The authorised limit was set at £10m to allow for these exceptional situations.

6.3 The Council borrowed on three occasions in 2005/06 for short term, cashflow purposes. None of these occasions resulted in a breach in the authorised limit.

Table 5: Authorised Borrowing Limits (Prudential Indicator)

	2005/06 £'million Original Estimate	2005/06 £'million Revised Estimate
Operational Limit on Borrowing	0	0
Margin for Unforeseen Cash Flow Movements	10.0	10.0
Authorised Limit	10.0	10.0

7. **Treasury Management Indicators of Prudence**

7.1 The authority has an integrated treasury management strategy and has adopted the *CIPFA Code of Practice for Treasury Management in the Public Sector*. The *Prudential Code for Capital Finance in Local Authorities* supplements this by requiring council's to set and monitor specific indicators to demonstrate the prudence of its treasury management policies. The position against these indicators for 2004/05 is set out below:

a) Interest Rate Exposure

Indicator set:

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

Outturn position:

The Council was not exposed to any interest rate risk in 2005/06.

b) Maturity Structure of Borrowing

Indicator set:

All the Council's borrowing will be for a period of less than one year.

Outturn position:

The Council's borrowing has all been for a period of less than one year.

c) Total Principle Sums Invested

The overriding objective of the investment strategy is to ensure that funds are available on a daily basis to meet the Council's liabilities. The risk inherent in the maturity structure of the Council's investments is that it may be forced to realise an investment before it reaches final maturity and thus at a time when its value may be dependent on market conditions that cannot be known in advance.

Outturn position:

The maturity structure of the Council's investments in 2005/06 was such that it did not have to release any of its investments before they reached their maturity date.

8. Summary Assessment

- 8.1 The outturn position is set out above in respect of the Prudential Indicators approved in March 2006.
- 8.2 The outturn figures confirm that the limits and controls set for 2005/06 were applied throughout the year, and that the treasury management function and capital investment decisions adhered to the key principles of the CIPFA Prudential Code of **prudence, affordability and sustainability**.