

London Borough of Barking and Dagenham

Notice of Meeting

THE EXECUTIVE

Tuesday, 11 March 2008 - 7:00 pm
Council Chamber, Civic Centre, Dagenham

Members: Councillor C J Fairbrass (Chair); Councillor L A Smith (Deputy Chair); Councillor J L Alexander, Councillor G J Bramley, Councillor H J Collins, Councillor S Kallar, Councillor R C Little, Councillor M A McCarthy, Councillor M E McKenzie and Councillor Mrs V Rush

29 February 2008

R. A. Whiteman
Chief Executive

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AGENDA

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

In accordance with the Council's Constitution, Members are asked to declare any personal or prejudicial interest they may have in any matter which is to be considered at this meeting.
3. **Minutes - To confirm as correct the minutes of the meeting held on 4 March 2008**

To be circulated separately.
4. **Council Calendar of Meetings 2008/2009 (Pages 1 - 2)**
5. **Local Government Pension Scheme - Triennial Actuarial Valuation (Pages 3 - 9)**
6. **Local Government Pension Scheme - Funding Strategy Statement (Pages 11 - 30)**
7. **Local Development Framework - Submission of Revised Local Development Scheme (Pages 31 - 37)**

8. **Any other public items which the Chair decides are urgent**
9. **To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

Private Business

The public and press have a legal right to attend Council meetings such as the Executive, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 as amended). ***There are no such items at the time of preparing this agenda.***

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

THE EXECUTIVE

11 MARCH 2008

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

Title: Calendar of Meetings 2008/09	For Decision
<p>Summary</p> <p>This report sets out the principles around the drawing up the Calendar of Meetings and seeks the Executive's confirmation as to the basis of the Calendar for the forthcoming Municipal Year 2008/09.</p> <p>Taking into account experiences from last year and having regard to the key milestones in the Council's financial framework the following changes to previous years are proposed:</p> <ul style="list-style-type: none"> • The Executive/CMT Strategy Group taking place, on average, every 6 - 8 weeks compared to every 4-6 weeks in 2007/08, and these meetings preceding main meetings of the Executive (except in relation to the 14 January 2009 meeting which will take place prior to the Assembly in order to keep within the timetable for the annual budget process) • Meetings of the Assembly, Executive and Scrutiny Management Board have been scheduled to avoid clashing with planned school holiday periods, except where the business of the Council determines otherwise. Those exceptions are the Assembly on 23 July 2008, a provisional Executive on 12 August 2008 (summer break) and the Executive on 17 February 2009 (spring half term) • Avoidance of clashes of meetings generally within the political structure • Inclusion of portfolio meetings where known and requested. <p>In addition Members are asked to note the following two matters that will be subject to further reports which will have a bearing on the make up of the Calendar and ultimately require approval by the Annual Assembly:</p> <ul style="list-style-type: none"> ▪ Possible amendment to the structure and frequency of meetings of the Community Housing Partnerships, and ▪ As a result of a Peer Review of development control processes and procedures, a reduction in the frequency of meetings of the Development Control Board from fortnightly to once every three weeks. <p>The final version of the 2008/09 Calendar, taking into account any meeting structure changes, will be printed and circulated following the Annual Assembly in May 2008.</p> <p>Wards Affected: None</p>	

<p>Recommendation The Executive is recommended to:</p> <ul style="list-style-type: none"> (i) Agree the proposed changes to the basis of the draft Calendar for 2008/09 as detailed above; and (ii) Note that any subsequent decisions changing the structure of meetings in relation to Community Housing Partnership and Development Control Board will be incorporated into the Diary as necessary. 		
<p>Reason(s) The Council's Constitution requires that where possible, meetings are programmed in advance. The Executive is authorised to agree the basis for the Annual Calendar of Meetings.</p>		
<p>Implications</p> <p>Financial: Not applicable</p> <p>Legal: Not applicable</p> <p>Risk management: Not applicable</p> <p>Social Inclusion and Diversity: Not applicable</p> <p>Crime and Disorder: Not applicable</p> <p>Options Appraisal: Not applicable</p>		
<p>Contact Officer: John Dawe</p>	<p>Group Manager, Democratic Services</p>	<p>Tel: 020 8227 2135 Fax: 020 8227 2162 Minicom: 020 8227 2685 E-mail: john.dawe@lbbd.gov.uk</p>

Consultees:

Councillor C Fairbrass, Lead Member
 Bill Murphy, Corporate Director of Resources
 Nina Clark, Divisional Director of Legal and Democratic Services
 Joe Chesterton, Divisional Director of Corporate Finance

Background papers used in the preparation of this report:

Council Constitution

THE EXECUTIVE

11 MARCH 2008

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

Title: LOCAL GOVERNMENT PENSION SCHEME – TRIENNIAL ACTUARIAL VALUATION	FOR DECISION
<p>Summary: Every three years, the Pension Fund (“the Fund”) actuary, Hymans Robertson, provides a detailed actuarial valuation for the Barking and Dagenham Local Government Pension Scheme. The valuation is carried out in accordance with Regulations 77 of the, Local Government Pension Scheme Regulations 1997 as amended, (“the Regulation”).</p> <p>The valuation compares the value of assets in the total Fund (current market value of investments), to the actuarial estimate of past service liabilities (future payments committed to in respect of contributions into the Fund).</p> <p>As at 31 March 2007, the triennial valuation performed by the Actuary has valued the fund as being 88% funded (i.e. assets represent only 88% of liabilities). In monetary terms, this equates to a £75m deficit. In comparison the 2004 valuation was 87% funded with a deficit of £56m.</p> <p>During the last three years the Fund’s value has increased by 47.15% from £360 million to £530 million on the back of strong stock market returns. Over this period the liabilities of the Fund have also increased from £416 million to £605 million mainly as a result of increased longevity (members of the fund living longer than expected) and a reduction in gilt yields.</p> <p>The actuarial valuation assesses future influences / risks which might affect the fund while considering the interaction of funding and investment strategy. It recommends future employer contribution levels for all the admitted bodies into the Fund, to ensure that the deficit is recovered, and that future liabilities will continue to be funded. For Barking and Dagenham the actuary has agreed a stepped increase in the employer contribution rate from 16.2% in 2007/08 to 19% by 2010/11.</p> <p>Wards Affected: All</p>	
<p>Recommendation(s) The Executive is asked to:</p> <ul style="list-style-type: none"> (i) Note the contents of this report, which summarises the 2007 actuarial valuation; (ii) Agree the recommendations that the actuary has made in respect of future employer contributions; and (iii) Note the need for the fund to consider its future pressures namely rebuilding contribution margins, considering the impact of longevity and benefit changes. 	
<p>Reason The actuarial valuation has significant financial implications on future financial plans for the Council.</p>	

<p>Implications:</p> <p>Financial: As noted in paragraph 5.7, financial implications of contribution rates have been factored into the Council's Medium Term Financial Strategy.</p> <p>Legal: No specific implications</p> <p>Risk Management: No specific implications</p> <p>Social Inclusion and Diversity: No specific implications</p> <p>Crime and Disorder: No specific implications</p> <p>Options Appraisal: Not applicable</p>		
<p>Contact Officer Joe Chesterton</p> <p>Miriam Adams</p>	<p>Divisional Director of Corporate Finance</p> <p>Treasury & Pensions Manager</p>	<p>Tel: 020 8227 2932 Email: joe.chesterton@lbbd.gov.uk Minicom: 020 8227 2413</p> <p>Tel: 020 8227 2722 Email miriam.adams@lbbd.gov.uk Minicom: 020 8227 2413</p>

1. Introduction

1.1 The provision and maintenance of Local Government Pension Schemes (LGPS) is governed by the Local Government Pension Scheme Regulations 1997. The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- Receives contributions, transfer payments and investment income; and
- Pays scheme benefits, transfer values and administration costs.

1.2 There are a number of objectives that the Fund is looking to achieve. The key themes that are considered in setting the Fund's objectives are affordability, prudence, stability and transparency. Key objectives will include:

- Ensuring the long-term solvency of the Fund and the long term solvency of shares of the Fund attributable to individual employers;
- Ensuring that the contribution rates are set at a level which is sufficient but stable;
- Ensuring that any shortfall in assets relative to the value placed on accrued liabilities are recovered over the longer term; and

- Reducing the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.

1.3 The objectives of the Fund, and the strategies to ensure that these objectives are met, are captured in the Funding Strategy Statement. This document is also being presented to the Executive for approval on the 11 March 2008.

1.4 The London Borough of Barking and Dagenham is the administering authority to the Fund. The following organisations are admitted bodies (other employers) to the Fund:

- University of East London
- Barking College
- Magistrates Court
- Age Concern
- Barking Abbeyfield Society
- Barking and Dagenham Citizen's Advice Bureau
- London Riverside
- Enterprise Plc (Thames Accord)
- E- Learning Cross River

2. Actuarial Valuation

2.1 The main purpose of the valuation is to assess the financial position of the Fund and determine the rate at which the employers should contribute in the future while ensuring that existing assets and future contributions will be sufficient to meet future payments from the Fund. It is also important to ensure that all relevant statutory certificates and statements are completed and to highlight future volatility and risks.

2.2 This report summarises the key findings of the actuarial valuation of the London Borough of Barking and Dagenham Pension Fund ("the Fund") as at 31 March 2007.

3. Key Findings and assumptions of the Actuarial Valuation

3.1 The funding level across the entire Fund (ratio of assets to liabilities) as at 31st March 2007 is 88% (compared to 87% as at 31 March 2004). In monetary terms, this corresponds to a past service deficit of £75m (compared to a £56m deficit as at 31 March 2004). The funding level improved overall, although the deficit of the fund increased as a result of longevity of members in the fund hence total liabilities are much greater than total assets.

3.2 The funding valuation is effectively a budgeting exercise, to assess the funds needed to meet the benefits as they fall due. The discount rate used is set taking into account the Fund's current and expected investment strategy, asset outperformance of 1.6% p.a. was assumed.

3.3 A further factor, future longevity was taken into consideration. The object of this was to calculate the average future life expectancies for pensioners aged 65 at the valuation date.

Table 1 shows the 2007 valuation adopted assumptions which give the average future life expectancies for pensioners aged 65 at the valuation date: source (Hymans Robertson)

	Assumptions to assess funding position and 'gilt based' position at 31 March 2007		Assumptions to assess funding position at 31 March 2004	
	M	F	M	F
Males (M) or Females (F)				
Average future life expectancy (in years) for a pensioner aged 65 at the valuation date	20.7	23.6	18.4	21.3
Average future life expectancy (in years) at age 65 for a non-pensioner aged 45 at the valuation date	20.7	23.6	18.4	21.3
Average future life expectancy (in years) at the age of 45 for a non-pensioner aged 45 at the valuation date	40.1	43.0	37.2	40.2

3.4 Assets were taken at their market value, with an allowance for the future expected payments in respect of early retirement strain and augmentation costs granted prior to the valuation date in the value of assets, liabilities and with the previous valuation date.

3.5 Other factors which occurred after the valuation date of 31 March 2007 were also considered by the actuary, which resulted in an adjustment being made to the funding level. Equities and equity – type investments (such as property) fell by 25%, with no change in bond markets, the price of bonds rose by 1% and index linked bonds fell by 0.5%.

4. Changes since the previous valuation

4.1 Since the previous valuation in 2004, there have been changes to the fund, its membership, economic environment in which the fund operates and to the valuation process.

4.2 The LGPS benefit structure experienced changes like the transitional removal of the Rule of 85 for some or all services, commutation was introduced, the minimum membership required for entitlement to deferred benefit was reduced, some restrictions on aggregation of former membership was introduced and finally survivor benefits were introduced for civil partners.

4.3 From 2008, a new scheme is to be introduced by the LGPS, some of the key changes include the option to exchange part of the retirement pension for lump sum, up to a

maximum of 25% of the capital value of benefits. The earliest retirement age for non ill health retirement now is age 55 with employer consent.

- 4.4 Overall, changes in economic factors have been favourable in terms of their effect on the funding level, however lower gilt rates have increased the assessed cost of future service benefits.
- 4.5 The factors described above have resulted in an increase in the market value of the Fund's assets, but have also led to an increase in the scheme's liabilities. The table below shows how the 2007 contribution rate was derived:

Contribution Rate	Assumptions	Effect in percentage terms
Contribution rate in 2004		15.8%
	Changes in demographic assumptions	0.0%
	Allowance for commutation at 30%	-0.4%
	Change on life expectancy	2.7%
	Change in anticipated inflation	3.3%
	Abolition of the rule of 85	-1.7%
	New scheme 2008	0.7%
	Change in long term interest	1.8%
	Other items	-3.5%
Contribution rate in 2007		18.7%

- 4.5 In light of these findings, the actuarial valuation recommends adjustments to the employers' contribution rates to address the deficit.

5. Contribution Rates

- 5.1 The overall message in the valuation is that the Fund is "underfunded" – that there is a need to address the current shortfall in assets in the fund to meet future liabilities. This is not an unusual situation to be in; indeed most local authorities are facing deficits of varying degrees in their pension funds following the economic and longevity experiences of the last three years. The London Borough of Barking and Dagenham Pension Fund has in fact one of the lowest deficits amongst London authorities and also one of the lowest employer contribution rates. What it does mean, however, is that action needs to be taken to rectify this deficit.
- 5.2 A number of factors could contribute, in future, to a reduction or addition on this deficit, or the creation of a pension fund surplus. Examples of such factors include longevity. If longevity improves in the future at a faster pace than allowed for in the valuation then the funding level will decline and the require contribution rate will increase.
- 5.3 The current employers' average cost of future service contribution rate as at 31 March 2007 (i.e. ignoring any past service deficit) is 14.2% of pensionable pay. The Actuary has advised that assuming a funding level of 100% is to be targeted over a

period of 16 years, the common employers contribution rate across the whole Fund needs to be 18.7% of pensionable pay in order to move the fund towards a position where by the deficit can be recovered by 16 years.

Table below 3 below shows the common contribution rate:

Valuation Date	2004	2007
Deficit Recovery Period	20yrs	16yrs
Future Service Costs	% of pay	% of pay
Total Costs	17.8%	20.3%
Employee Contribution	6.0%	6.5%
Expenses	0.4%	0.5%
Net Employer Share	12.2%	14.2%
Past Service Adjustment	3.6%	4.5%
Common Contribution Rate	15.8%	18.7%

Source: Hymans Robertson LLP

- 5.4 The additional contribution rate in respect of the past service shortfall for the whole fund has been calculated as 4.5% of pensionable pay. This represents the cost of the past service shortfall spread over a period of 16 years.
- 5.5 Adjustments have been made to the common rate of employers' contribution to take account of certain circumstances that are peculiar to individual employers as required by Regulation 77(6).
- 5.6 The common contribution rate for the fund is 18.7%, but rates vary from organisation to organisation in terms of the "target rate" that needs to be reached. In some instances, rates will be phased over the period to reach the target rate, and discussions have taken place with admitted bodies to agree this phasing, where relevant. The agreed contribution rates across all admitted bodies for the years 2008/09, 2009/10 and 2010/11 are as follows:

Employer	Current Rate	2008/09 Rate	2009/10 Rate	2010/11 Rate	Target Contribution Rates
LB Barking and Dagenham	16.2%	17.0%	18.0%	19.0%	19.0%
University of East London	13.5%	17.0%	18.0%	18.5%	19.2%
Barking College	13.8%	14.5%	15.8%	17.1%	17.1%
Age Concern	17.5%	19.5%	19.5%	19.5%	26.2%
Barking Abbeyfield Society	17.1%	21.5%	21.5%	21.5%	21.5%
Barking and Dagenham CAB	10.5%	12.5%	12.5%	12.5%	12.5%
Enterprise plc	16.4%	16.4%	16.4%	16.4%	16.4%
E- Learning Cross River	11.5%	11.5%	11.5%	11.5%	11.5%

Note: Age Concern will be making annual payments to cover funding deficit as follows:

2008/09	£106.0k
2009/10	£111.0k
2010/11	£116.0k

- 5.7 The increase in the employer's contribution rate for Barking and Dagenham only in 2008/09 to 17% has been included in the Council's budget for 2008/09. Further increases to the contribution rate for 2009/10 and 2010/11 have been included in the updated Medium Term Financial Strategy covering these years.

6. Agreement of Contribution Rates

- 6.1 The actuarial valuation report must be issued by 31 March 2008. Agreement has been reached with all admitted bodies on contribution rates, and the final report is expected to be issued within the relevant timescales.

7. Future Considerations and Post-valuation Events

- 7.1 The Pension Fund would be considering on an ongoing basis the review of ill-health budgets, a review of the mortality experience of the pension fund as a whole and individual employers as well as the funding positions of each employer and the fund as a whole.

Consultees

Joe Chesterton – Divisional Director Corporate Finance

John Hooton – Group Manager Accounting and Technical

Background Papers

London Borough of Barking and Dagenham Pension Fund Valuation as at 31 March 2007

– Hymans Robertson

Draft Funding Strategy Statement

Medium Term Financial Strategy 2008/09 – 2010/11

2008/09 Council Tax Report

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THE EXECUTIVE

11 MARCH 2008

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

Title: LOCAL GOVERNMENT PENSION SCHEME – FUNDING STRATEGY STATEMENT	For Decision
<p>Summary:</p> <p>The purpose of this report is to agree the Funding Strategy Statement for 2008/09 – 2010/11 in accordance with the Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004.</p> <p>The purpose of the Funding Strategy Statement is as follows:</p> <ul style="list-style-type: none"> • To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward; • To support the regulatory requirement to maintain as nearly consistent employer contributions as possible; and • To take a prudent longer-term view of funding those liabilities. <p>Admitted bodies have been circulated with valuation results for comment and agreement on contribution rates. Responses have been considered in preparing the Funding Strategy Statement.</p> <p>Wards Affected: All</p>	
<p>Recommendation</p> <p>The Executive is asked to consider and approve the attached Funding Strategy Statement for 2008/09 – 2010/11 (Appendix 1).</p>	
<p>Reason</p> <p>It is a statutory requirement for this report to be agreed by the 31 March 2008.</p>	
<p>Implications:</p> <p>Financial: For the Council, the financial implications of the revised funding strategy statement are that employer contributions will increase in line with Appendix A.</p> <p>Legal: No specific implications.</p> <p>Risk Management: Section 5 of the report deals with specific risks and controls.</p>	

Social Inclusion and Diversity:

No specific implications.

Crime and Disorder:

No specific implications.

Options Appraisal:

No specific implications.

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Miriam Adams	Treasury & Pensions Manager	E-mail: Miriam.adams@lbbd.gov.uk Minicom: 020 8227 2413

1. Introduction

This is the Funding Strategy Statement (FSS) of the London Borough of Barking and Dagenham Pension Fund (“the Fund”), which is administered by the London Borough of Barking and Dagenham, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson, and after consultation with the Fund’s employers and investment adviser and is effective from 1 April 2008.

1.1 Regulatory Framework

Members’ accrued benefits are guaranteed by statute. Members’ contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The FSS forms part of a framework which includes:

- the Local Government Pension Scheme Regulations 1997 (regulations 76A and 77 are particularly relevant);
- the Rates and Adjustments Certificate, which can be found appended to the Fund actuary’s triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions, provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

1.2 Reviews of FSS

The FSS is reviewed in detail at least every three years ahead of triennial valuations being carried out, with the next full review due to be completed by 31 March 2011. More frequently, Appendix A is updated to reflect any changes to employers.

The FSS is a summary of the Fund’s approach to funding liabilities. It is not an exhaustive statement of policy on all issues.

2. Purpose

2.1 Purpose of FSS

The DCLG has stated that the purpose of the FSS is:

- “to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities.”

These objectives are desirable individually, but may be mutually conflicting. This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers’ contributions, and prudence in the funding basis.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Appendix B.

2.3 Aims of the Funding Policy

The objectives of the Fund’s funding policy are as follows:

- to ensure the long-term solvency of the Fund and the long term solvency of shares of the Fund attributable to individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer’s contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

- a) the estimated cost of future benefits being accrued, referred to as the “future service rate”; plus
- b) an adjustment for the funding position (or “solvency”) of accrued benefits relative to the Fund’s solvency target, “past service adjustment”. If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund’s actuary is required by the regulations to report the Common Contribution Rate, for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the deficit under (b) is currently spread over a period of 16 years.

The Fund’s actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed “peculiar” to an individual employer. It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.5.

In effect, the Common Contribution Rate is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods. Employer contribution rates differ due to differing:

- Differing membership profiles;
- Differing salary rates, mortality rates, outsourcings and other demographic assumptions;
- Differing levels of maturity; and
- Previous contributions paid to recover deficit.

Appendix A contains a breakdown of each employer’s contributions following the 2007 valuation for the financial years 2008/09, 2009/10 and 2010/11.

Any costs of non ill-health early retirements must be paid as lump sum payments at the time of the employer’s decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers’ contributions are expressed as minimum rates, with employers able to pay regular contributions at a higher rate. Employers should discuss with the Administering Authority before making one-off capital payments.

3.2 Solvency and Target Funding Levels

The Fund's actuary is required to report on the "solvency" of the whole fund at least every three years.

'Solvency' for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund actuary's ongoing funding basis. This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the administering authority.

The fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. Please refer to paragraph 3.8 for the treatment of departing employers.

3.3 Ongoing Funding Basis

The **demographic** assumptions are intended to be best estimates of future experience in the Fund. They vary by type of member reflecting the different profile of employers.

There has been no change since the 2004 valuation, best estimate in the 2007 valuation is based on the LGPS experience, however the demographic assumptions have been refined to allow for fewer ill health retirements and 50% commutation. In addition specific consideration has been given to future mortality improvements

The mortality assumptions was derived by calibrating standard tables to past experience of the fund, while 2004 valuation expectation of life was 18.4 years, in the 2007 valuation it was assumed to be 18.7 years. In addition the actuary adjusted for future improvements in mortality rates, this has a knock on effect of increasing past service liabilities by 3 -5%, equivalent to 1% of pay while increasing employer future service cost by 5 – 6% equivalent to 0.8% of pay.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from equities in excess of bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

It is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the 2007 valuation, it is assumed that the Fund's equity investments will deliver an average additional return of 1.6% a year in excess

of the return available from investing in index-linked government bonds at the time of the valuation.

The same financial assumptions are adopted for all ongoing employers.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The approach used to calculate each employer's future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the Projected Unit Method of valuation with a one year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

3.4.2 Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the *Attained Age* funding method is adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the Actuary's report on the valuation. Both future service rates will include expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's asset share.

The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, manual/non manual);
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death; and
- the additional costs of any non ill-health retirements relative to any extra payments made over the period between each triennial valuation.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus". The methodology adopted means that there will inevitably be some difference between the asset shares

calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.

The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 Deficit Recovery Periods

The Administering Authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The Administering Authority has targeted the recovery of any deficit over a period not exceeding 16 years. However, these are subject to the maximum lengths set out in the table below.

Type of Employer	Maximum Length of Deficit Recovery Period
Statutory bodies with tax raising powers	a period not exceeding 16 years
Community Admission Bodies with funding guarantees	a period not exceeding 16 years
Best Value Admission Bodies	the period from the start of the revised contributions to the end of the employer's contract
Community Admission Bodies that are closed to new entrants e.g. Bus Companies, whose admission agreements continue after last active member retires	a period equivalent to the expected future working lifetime of the remaining scheme members allowing for expected leavers, subject to not less than 9 years.
All other types of employer	a period equivalent to the expected future working lifetime of the remaining scheme members

This maximum period is used in calculating each employer's minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2008 for 2007 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would

reserve the right to propose alternative spreading periods, for example to improve the stability of contributions.

3.7.2 Surplus Spreading Periods

Any employers deemed to be in surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their **minimum** contributions.

However, to help meet the stability requirement, employers may prefer not to take such reductions.

3.7.3 Phasing in of Contribution Rises

Best Value Admission Bodies are not eligible for phasing in of contribution rises. Other employers will phase in contribution rises as follows:

- for employers contributing at or above its future service rate in 2007/08, phasing in the rise in employer contributions over a period of three years; and
- for employers contributing at less than its future service rate in 2007/08, phasing in the rise in contribution rises over a period of up to four years.

Employers are notified of the results of the tri-annual actuarial valuation, and the implications that this has on employer contributions. These details have been summarised in Appendix A.

3.7.4 Phasing in of Contribution Reductions

Any contribution reductions between 2008/09 – 2010/11 will be phased in over six years for all employers except Best Value Admission Bodies who can take the reduction with immediate effect, however employers are recommended to phase contributions over the shortest time possible. Agreed contribution rates in the 2007 valuation have been phased over 3 years.

3.7.5 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2007 valuation or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.

However any adjustment is expressed for different employers the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.8 Admission Bodies ceasing

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point. If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

- (a) For Best Value Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.
- (b) For non Best Value Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. This could give rise to significant payments being required.
- (c) For Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

3.9 Early Retirement Costs

3.9.1 Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable.

It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire.

The additional costs of premature retirement are calculated by reference to these ages.

3.9.2 Ill health monitoring

The Fund monitors each employer's, or pool of employers, ill health experience on an ongoing basis. If the cumulative number of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases.

4. Links to Investment Strategy

The Funding and the investment strategy are inextricably linked. The Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles. For details of this, please refer to Appendix C. The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2007, the proportion held in equities and property were 86% of the total Fund assets.

The investment strategy of lowest risk – but not necessarily the most cost-effective in the long-term – would be 100% investment in index-linked government bonds. The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from index-linked bonds. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 Consistency with Funding Basis

The Fund's investment adviser's current best estimate of the long-term return from equities is around 3% a year in excess of the return available from investing in index-linked government bonds.

In order to reduce the volatility of employers' contributions, the funding policy currently anticipates returns of 2% a year, which is 1% year less than the best estimate return.

The anticipated future returns from equities used to place a value on employers' liabilities only relate to the part of the Fund's assets invested in equities (or equity type investments), currently around 75% of all the Fund's assets.

Non equity assets invested in bonds and cash are assumed to deliver long-term returns of 0.4% pa more than the prevailing redemption yield on Government bonds.

In this way, the employer contributions anticipate returns from Fund assets which in the Fund actuary's opinion there is a better than 50:50 chance of delivering over the long-term (measured over periods in excess of 16 years).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 5 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

In the light of the 2007 valuation results which showed the sensitivity of individual employers' contributions to changes in investment returns, the Administering Authority is reviewing whether its single strategy should be refined. Enabling other investment strategies will require investment in new systems and higher ongoing costs which would have to be borne by the employers. The potential benefits of multiple investment strategies need to be assessed against the costs.

4.4 Intervaluation Monitoring of Funding Position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of annual interim valuations, measuring investment returns relative to the returns on a least risk portfolio of index-linked bonds. It reports back to employers by on an annual basis, following the production of the relevant information by the Fund's actuary.

5. Key Risks & Controls

5.1 Types of Risk

The Administering Authority's has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory;
- governance; and
- longevity.

5.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between formal valuations at whole fund level, provided on an annual basis
Inappropriate long-term investment strategy	Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities. Measuring performance and setting managers' targets as set out in the "fund objective guidelines". .
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark	Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading and phasing in of contribution rises. Consideration of the effects of possible increases in employer rates in the Council's Medium Term Financial Strategy.

5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Pensioners living longer.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>Fund actuary monitors combined experience of around 90 funds to look for early warnings of lower pension amounts ceasing than assumed in funding.</p>
Deteriorating patterns of early retirements	<p>Employers are charged the extra capital cost of non ill health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored.</p>

5.4 Regulatory

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, removal of Rule of 85 for new entrants from October 2006 and for existing members from 1 April 2008 (with protections)	<p>The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.</p> <p>It considers all consultation papers issued by the DCLG and comments where appropriate.</p> <p>The Administering Authority will consult employers where it considers that it is appropriate.</p>

5.5 Governance

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).	The Administering Authority monitors membership movements on a quarterly basis, via a report from the administrator at quarterly meetings.
Administering Authority not advised of an employer closing to new entrants.	<p>The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations</p> <p>Deficit contributions are expressed as monetary amounts (see Appendix A).</p>

<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.</p>	<p>The Administering Authority monitors membership movements on a quarterly basis.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <ul style="list-style-type: none"> • Seeking a funding guarantee from another scheme employer, or external body, where-ever possible. • Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. • Vetting prospective employers before admission. • Offering lower risk investment strategies – with higher employer contributions - for Best Value Admission Bodies to reduce the risk of volatile contributions and a significant debt crystallising on termination.

5.6 Longevity (mortality)

<p>Employees live longer than expected due to improved health care and standard of living</p>	<p>The risk is mitigated by:</p> <ul style="list-style-type: none"> • Seeking detailed monitoring of longevity profile of the fund over the valuation period • Bringing to the attention of all employers the risk involved and the need to make provision.
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APPENDIX A – Employers’ Contributions, spreading and phasing periods:

Following the 2007 valuation, the minimum total employer contributions to be shown in the Rates and Adjustment certificate attached to the 2007 valuation report are detailed in the table below:

Employer	2004 Contribution Rates (% of payroll)	2007 Contribution Rates (% of payroll)
LB of Barking and Dagenham	16.2%	19.0%
University of East London	15.9%	19.2%
Barking College	13.8%	17.1%
Age Concern	17.5%	26.2%
Barking Abbeyfield Society	17.1%	21.5%
Barking and Dagenham CAB	10.5%	12.5%
Thames Accord	16.4%	16.4%
E- Learning Cross River	n/a	11.5%

These contribution rates will be phased as follows:

Employer	Current Rate	2008/09 Rate	2009/10 Rate	2010/11 Rate	Future Service Funding Rate
LB Barking and Dagenham	16.2%	17.0%	18.0%	19.0%	14.2%
University of East London	13.5%	17.0%	18.0%	18.5%	13.9%
Barking College	13.8%	14.5%	15.8%	17.1%	14.5%
Age Concern	17.5%	19.5%	19.5%	19.5%	19.2%
Barking Abbeyfield Society	17.1%	21.5%	21.5%	21.5%	19.6%
Barking and Dagenham CAB	10.5%	12.5%	12.5%	12.5%	12.3%
Thames Accord	16.4%	16.4%	16.4%	16.4%	18.6%
E- Learning Cross River	11.5%	11.5%	11.5%	11.5%	n/a

E- Learning Cross River recently joined the fund therefore do not have a future service contribution rate for this valuation.

Age Concern will be making annual payments to cover funding deficit as follows: 2008/09 £106.0k

2009/10 £111.0k

2010/11 £116.0k

APPENDIX B – Responsibilities of Key Parties

The Administering Authority should:-

- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain and FSS and a SIP, both after proper consultation with interested parties; and
- monitor all aspects of the fund's performance and funding and amend FSS/SIP

The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the administering authorities promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:-

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS; and
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

APPENDIX C – Statement of Investment Principles

This is the Statement of Investment Principles adopted by the London Borough of Barking and Dagenham Superannuation Fund (“the Fund”) as required by the Local Authority Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. It is subject to periodic review by the Investment Panel which acts on delegated authority of London Borough of Barking and Dagenham.

In preparing this Statement, the Investment Panel has taken written advice from the Investment Practice of Hymans Robertson Consultants and Actuaries.

In relation to the CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom, the extent of the Borough’s adoption of the Principles is provided in a separate document named Myners Code Adherence Document.

Fund Objective

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Investment Panel aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

Investment Strategy

The Investment Panel has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. All day to day investment decisions have been delegated to the Fund’s authorised investment manager. The strategic benchmark has been translated into a benchmark for the Fund’s investment manager which is consistent with the Fund’s overall strategy. The Fund benchmark is consistent with the Investment Panel’s views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk.

The investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used on an ongoing basis).

The Investment Panel monitors Fund performance relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

To achieve their objectives the Investment Panel has agreed the following with its manager:-

Choosing Investments: The Investment Panel will appoint one or more investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Investment Panel, after seeking appropriate investment advice, has given the manager specific directions as to the asset allocation, but investment choice has been delegated to the manager, subject to its respective benchmarks and asset guidelines.

Kinds of investment to be held: The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and pooled funds. The Fund may also make use of derivatives and contracts for difference for the purpose of efficient portfolio management or to hedge specific risks. The Investment Panel considers all of these classes of investment to be suitable in the circumstances of the Fund.

Balance between different kinds of investments: The Fund's investment manager will hold a mix of investments which reflects its views relative to its respective benchmarks. Within each major market the manager will maintain a diversified portfolio of stocks through direct investment or pooled vehicles.

Risk: The Investment Panel provides a practical constraint on Fund investments deviating greatly from its intended approach by adopting a specific asset allocation benchmark and by setting its manager specific benchmark guidelines. The decision to appoint only one investment manager does involve some degree of risk (from potential underperformance of that manager) which the Investment Panel has taken into account.

Expected return on investments: Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the actuary in funding the Fund.

Realisation of investments: The majority of stocks held within the Fund may be realised quickly if required. Property, which represents 10% of total assets, may be difficult to realise quickly in certain circumstances.

Social, Environmental and Ethical Considerations: The Investment Panel recognises that social, environmental and ethical considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. The manager has produced statements setting out its policy in this regard. The manager has been delegated by the Investment Panel to act accordingly.

Exercise of Voting Rights: The Investment Panel has delegated the exercise of voting rights to the investment manager on the basis that voting power will be exercised by it with the objective of preserving and enhancing long term shareholder value. Accordingly, the manager has produced written guidelines of its process and practice in this regard. The manager is encouraged to vote in line with its guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

Additional Voluntary Contributions (AVCs): The Investment Panel gives members the opportunity to invest in a range of vehicles at the members' discretion.

EXECUTIVE

11 MARCH 2008

REPORT OF THE CORPORATE DIRECTOR OF REGENERATION

Title: Local Development Framework – Local Development Scheme – 2008 revision	For Decision
<p>Summary:</p> <p>All local planning authorities are required to prepare a Local Development Scheme (LDS) which sets out a 3-year rolling programme for the production of their Local Development Framework (LDF) documents. It sets out key milestones for different stages of the production of each of the documents (consultation, submission to government, examination in public etc).</p> <p>Work on the Barking and Dagenham LDF has progressed well during 2007/08. However, work on the Core Strategy, Borough Wide Development Policies and Barking Town Centre Area Action Plan has slipped slightly. Furthermore we wish to add another document into the LDF family of documents – a Supplementary Planning Document on developer contributions.</p> <p>To address these factors the Local Development Scheme has been revised to guide ongoing work on the production of the Local Development Framework for Barking and Dagenham.</p> <p>It should be noted that despite the proposed revisions to the LDS timetables we are still amongst the ‘leading pack’ in comparison to other authorities. To date only 2 London Boroughs have had LDF documents examined (Redbridge and Havering) and only four other Boroughs have submitted documents to the Government (Brent, Kingston, Tower Hamlets and Islington). Of those, the latter two subsequently had to ‘withdraw’ their documents, resulting in them having to restart the process from the beginning, bad publicity, significant delays in updating their policy frameworks, and unforeseen additional financial costs.</p> <p>Wards Affected: All</p>	
<p>Recommendation(s)</p> <p>The Executive is asked to:</p> <ul style="list-style-type: none"> (i) Approve the revisions to the Local Development Scheme as summarised in section 3.1 of this report, for submission to the Secretary of State via the Government Office for London. (ii) Agree that the Local Development Scheme shall have effect four weeks after submission to the Secretary of State, provided that the Secretary of State does not propose to issue a call-in direction. (iii) Authorise the Corporate Director of Regeneration to make any factual or minor changes to the approved Local Development Scheme if so directed by the Secretary of State via the Government Office for London. 	

Reason(s)

To assist the Council to achieve all of its Community Priorities.

Implications:**Financial:**

All of the costs associated with the production of the LDF (with the exception of work on the Barking Town Centre Area Action Plan) can and will be met from within existing Spatial Regeneration budgets. The London Thames Gateway Development Corporation (LTGDC) fund the Barking Town Centre Area Action Plan project.

Legal:

Section 15 of the Planning and Compulsory Purchase Act 2004 (the 2004 Act) requires the Council to prepare a Local Development Scheme (LDS) setting out a three year rolling programme for the documents to be produced as part of our Local Development Framework, and to keep it up-to-date. Our original Local Development Scheme was prepared in accordance with the 2004 Act and also with Regulations 6 to 10 of the Town and Country Planning (Local Development) (England) Regulations 2004 (the 2004 Regulations).

The revised Local Development Scheme can only be formally brought into effect by re-submitting them to the Secretary of State via the Government Office for London, and comply with Regulation 11 of the 2004 Regulations.

Risk Management:

The revised LDS includes a risk assessment section which sets out the main risks which could impact upon the Council's ability to fulfil the work programme which it contains. Key risks include loss of personnel, underestimation of staff resources, delays in political agreement and budget constraints. The risk assessment sets out mitigation measures to help overcome these risks.

Not approving the revised LDS would mean that the Council will not have an up-to-date LDF project management tool or achievable milestones for the preparation of the component LDF documents. This would affect the Council's performance against national performance indicator BVPI 200b.

Public Service Agreement 6 sets out that the Council will be judged against the milestones set out in its Local Development Scheme. Furthermore, the award of the plan-making component of the Planning Delivery Grant is currently made depending upon the ability to meet these milestones. The arrangements for calculating Planning Delivery Grant are currently being reviewed, though plan-making is likely to retain a component of it. At the time of writing the detailed new arrangements for the future of Planning Delivery Grant had not been confirmed.

Failure to agree to the revised Local Development Scheme will therefore run the risk of the Council being judged both for BVPI and Planning Delivery Grant purposes against out-of-date milestones which are can no longer be met.

Social Inclusion and Diversity:

There are no direct social inclusion and diversity implications as the LDS does not concern the coverage or detail of any existing, new or revised policy. However, the LDF policies

themselves will contribute significantly to addressing issues relating to social inclusion and diversity.

An Equalities Impact Assessment of the Local Development Framework is currently being updated, and will be completed before the Core Strategy is submitted to Government.

Crime and Disorder:

There are no specific crime and disorder implications.

Options Appraisal:

Option 1: Do nothing. This would involve us continuing to work on the production of the LDF without an up to date project plan. It would also mean the Government judging us for Planning Delivery Grant and Best Value Performance Indicator purposes against out of date targets.

Option 2: Take measures to get back on track against current LDS key milestones. This would involve making sure that the Core Strategy and Borough Wide Development Policies are submitted to the Government by the end of March 2007 so that current LDS milestones for the end of this financial year are met. This option is not considered realistic or desirable as the risk of submitting documents before they are ready is considerable: the main risk being that we may be asked to withdraw them and go back to the beginning of the process.

Option 3: Revise the LDS. In the light of the above factors and the information set out elsewhere in this report, revising the LDS is seen as the only sensible and appropriate option. GOL have approved the principal of signing amending the LDS at this stage and will be asked to sign-off the detailed changes following the Executive meeting. Ongoing liaison strongly suggests there should be no problems gaining GOL approval.

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1. Introduction and Background

1.1 All local planning authorities are required to prepare a Local Development Scheme (LDS) which sets out a 3-year rolling programme for the production of their Local Development Framework (LDF) documents. It sets out key milestones for different stages of the production of each of the documents (consultation, submission to government, examination in public etc).

2. Current Position

2.1 Work on the Barking and Dagenham LDF has progressed well during 2007/08:

- The majority of the LDS milestones were met;
- GOL have regularly named LBBD as a leading example of good practice in the London region;

- The Statement of Community Involvement and the Urban Design Framework were both adopted on time;
- The Joint Waste Development Plan Document is progressing on schedule;
- There has been very positive feedback from both the GLA and GOL regarding the emerging Local Development Framework both in terms of approach and content;
- The Planning Peer Review said the quality of the approach on the LDF and associated documents so far was of a high standard.

2.2 However, work on two LDF documents (the Core Strategy and Borough Wide Development Policies documents) has slipped slightly meaning the milestones set for submitting them to the Secretary of State have not been met.

2.3 Also, work on the Barking Town Centre Area Action Plan has been delayed slightly to enable us to ensure we are being ambitious enough with our plans for Barking Town Centre. The London Thames Gateway Development Corporation (who fund this part of the LDF) are aware of this and have no objections.

2.4 In addition, in line with Government thinking in relation to developer contributions we wish to add another document into the LDF family of documents – a Supplementary Planning Document on developer contributions. This will outline a new approach to developer contributions based around a tariff or community infrastructure levy on development to finance infrastructure such as schools and sustainable transport which will be required to support our project housing growth and to create and maintain sustainable communities.

2.5 To address these factors the Local Development Scheme has been revised to guide ongoing work on the production of the Local Development Framework for Barking and Dagenham. The revised Local Development Scheme takes account of the slippage on these two documents, and also of the knock on effect that this is likely to have on the production of selected other LDF documents.

3. Changes Proposed

- 3.1 The following summarises where we are currently at on the various LDF documents, and summarises the changes proposed to the LDS:

Documents already adopted (no change to LDS required):	Next Milestone	Adoption
Statement of Community Involvement	n/a - adopted	August 2007
Urban Design Framework	n/a – adopted	October 2007
Documents progressing to plan (no change to LDS required)		
Joint Waste Development Plan Document	Preferred Options – March 08	June 2010
Documents with revised adoption dates and interim milestones		
Core Strategy Project extended by 6 months	Submission - June 2008	September 2009
Borough Wide Development Policies Project extended by 8 months	Submission - June 2008	November 2009
Barking Town Centre Area Action Plan adoption 4 months later than anticipated	Preferred Options Consultation - June 2008	July 2010
Site Specific Allocations adoption will be 4 months later than anticipated	Issues and Options Consultation - June 2008	December 2010
New documents not previously listed in the LDS		
Developer Contributions Supplementary Planning Document	Pre-production work - May 2008	June 2009

4. Benefits and Implications of Revising the LDS

- 4.1 Revising the LDS is a sensible risk-based approach to ensuring that the Council submits its LDF documents in accordance with an up to date project plan.
- 4.2 The proposed revisions also take into account very difficult lessons that have been learned by other London Boroughs – both positive lessons such as those provided by the London Boroughs of Havering and Redbridge, who have seen their Core Strategies successfully adopted in 2007/08, and more difficult lessons such as those learned by the London Boroughs of Islington and Tower Hamlets who submitted their Core Strategies and other LDF documents during 2007/08 only to have to withdraw them.
- 4.3 It is worth noting that despite the revisions to the LDF timetable LBBB is still amongst the ‘leading pack’ in comparison to other authorities. To date only 2 Boroughs have had LDF documents examined (Redbridge and Havering) and only four other Boroughs have submitted documents to the Government (Brent, Kingston, Tower Hamlets and Islington). Of those, the latter two subsequently had

to 'withdraw' their documents, resulting in bad publicity, significant delays in updating their policy frameworks, and unforeseen additional financial costs.

- 4.4 The main 'trigger' for revision to the LDS is the need to ensure we can continue to meet national Best Value Performance Indicator BVPI 200b, which monitors whether or not the Council is producing the LDF in line with the key project milestones set out in the LDF. During 2007/08 there was some slippage on the production of the LDF as lesson being learned by other London Boroughs had to be taken on board. Doing so required additional work and engagement with key stakeholders such as GOL and the GLA. Although this slippage was planned and approved by GOL, it did mean that by quarter 3 we were no longer able to report, in relation to BVPI 200b, that we had met all of the key milestones set out in the LDS.
- 4.5 As performing well against BVPI 200b is an important action in the Council's bid to 'achieve excellence', it is vital that this situation is rectified. To do this two options are available: either we attempt to 'catch-up' on the projects that have slipped in order to get back on track and meet the remaining key milestones in the current LDS (March 2007), or we revise the LDS and set out a new set of key milestones which take slippage to date into account. The former option would not be realistic without a significant injection of additional resources. This is not possible because, as set out above, work on the LDF is largely done in-house, and the costs are borne by existing Spatial Regeneration budgets which are already fully committed. The latter option, of revising the LDS, is therefore being recommended.

5. Financial Implications

- 5.1 The costs relating to the production of the Local Development Framework are mainly staffing related. There is however also an ongoing consultation process incurring expenditure on items such as document printing, 'Plain English' translations, hiring venues etc. The majority of work on the LDF is undertaken in-house and so absorbed within the existing funded staffing structures, although some external consultancy support is required from time to time.

All of the above costs (with the exception of work on the Barking Town Centre Area Action Plan) will be met from within existing Spatial Regeneration budgets.

- 5.2 The London Thames Gateway Development Corporation (LTGDC) fund the Barking Town Centre Area Action Plan project. The staffing costs associated with this element of the LDF will increase as a result of the revised project timetable as the specially appointed contract staff will have to be employed for longer. However, this cost will be borne by the LTGDC and there are no associated financial implications for the Council.

6. Consultees

- 6.1 The following were consulted in the preparation of this report:

Councillors:

Councillor Fairbrass:	Leader of the Council
Councillor Kallar	Regeneration Portfolio Holder

Officers:

Gordon Glenday Manager	Spatial Planning and Environmental Sustainability Group
Tim Lewis	Development Control & Building Control Group Manager
Ken Baikie	Area Regeneration Group Manager
David Higham	Transport Strategy Group Manager
David Woods	Corporate Director of Customer Services
Alex Anderson	Group Manager Regeneration Finance
Nina Clarke	Divisional Director Legal and Democratic Services
Mo Atchia	Press Officer
Stephen Meah-Simms	Acting Group Manager Policy and Partnerships

External:

London Thames Gateway Development Corporation
Government Office for London
Greater London Authority

Background Papers Used in the Preparation of the Report:

- PPS 12: Local Development Frameworks
- Barking and Dagenham Local Development Scheme 2007

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