

## Notice of Meeting

### CABINET

**Tuesday, 19 January 2016 - 7:00 pm**  
**Council Chamber, Town Hall, Barking**

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

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### AGENDA

**1. Apologies for Absence**

**2. Declaration of Members' Interests**

In accordance with the Council's Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting.

**3. Minutes - To confirm as correct the minutes of the meeting held on 15 December 2015 (Pages 3 - 8)**

**4. Budget Monitoring 2015/16 - April to November (Month 8) (Pages 9 - 52)**

**5. Budget Strategy Report 2016/17 to 2019/20 (Pages 53 - 72)**

**6. Housing Revenue Account Estimates and Review of Rents and Other Charges 2016/17 (Pages 73 - 96)**

**7. Calculation and Setting of the Council Tax Base for 2016/17 (Pages 97 - 102)**

**8. Procurement of Mechanised Street Sweeping Equipment (Pages 103 - 110)**

9. Oracle R12 - Proposal to Extend Contract for Hosting and Support (Pages 111 - 119)
10. Any other public items which the Chair decides are urgent
11. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.

#### **Private Business**

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

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



## **Our Vision for Barking and Dagenham**

### **One borough; one community; London's growth opportunity**

#### **Encouraging civic pride**

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

#### **Enabling social responsibility**

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

#### **Growing the borough**

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

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## MINUTES OF CABINET

Tuesday, 15 December 2015  
(7:02 - 8:02 pm)

**Present:** Cllr Darren Rodwell (Chair), Cllr Saima Ashraf (Deputy Chair), Cllr Dominic Twomey (Deputy Chair), Cllr Laila Butt, Cllr Evelyn Carpenter, Cllr Bill Turner and Cllr Maureen Worby

**Apologies:** Cllr Cameron Geddes and Cllr Lynda Rice

### 70. Declaration of Members' Interests

There were no declarations of interest.

### 71. Minutes (10 November 2015)

The minutes of the meeting held on 10 November were confirmed as correct.

### 72. Budget Monitoring 2015/16 - April to October (Month 7)

The Cabinet Member for Finance and Central Services introduced the report on the Council's capital and revenue position for the 2015/16 financial year, as at 31 October 2015.

The General Fund showed a projected end of year spend of £157.29m against the approved budget of £151.44m, which represented a slightly improved position to that at 30 September, although the Cabinet Member pointed out that the current overspend of £5.85m was likely to remain around that level for the remainder of the financial year. With that in mind and to ensure that the Council's General Fund reserves remained above the preferred minimum threshold of £15m, it was proposed to bring forward the implementation of 2016/17 savings proposals wherever possible.

The Housing Revenue Account (HRA) continued to show a predicted breakeven position, although the Cabinet Member referred to a slight underperformance on rent collection levels which was being addressed. It was further noted that the in-year General Fund savings for 2015/16 were largely on target, with a forecast saving of £21.99m against the overall target of £23.52m, while the projected spend within the Capital Programme was in line with the reprofiled budget of £131.5m.

The Cabinet Member elaborated on the request for an additional £0.6m allocation from reserves to support the development of final business cases for several projects being progressed under the Council's Ambition 2020 programme. Clarification was also provided in respect of a number of other matters, which included:

- The elements that made up the "other available reserves" within the General Fund;
- The continued availability of HRA decanted properties for use as temporary

accommodation for at least the next few years, as a consequence of the Council's borough-wide estate renewal programme;

- The need to factor known inflationary increases for aspects such as tenants' water charges into the HRA budget setting process in the future; and
- The need to realign the allocations within the Capital Programme that related to the Decent Homes North and South projects to properly reflect the accelerated funding and spend levels.

Cabinet **resolved** to:

- (i) Note the projected outturn position for 2015/16 of the Council's General Fund revenue budget at 31 October 2015, as detailed in paragraphs 2.1, 2.4 to 2.10 and Appendix A of the report;
- (ii) Note the progress against the agreed 2015/16 savings at 31 October 2015, as detailed in paragraph 2.11 and Appendix B of the report;
- (iii) Note the overall position for the HRA at 31 October 2015, as detailed in paragraph 2.12 and Appendix C of the report;
- (iv) Note the projected outturn position for 2015/16 of the Council's capital budget as at 31 October 2015, as detailed in paragraph 2.13 and Appendix D of the report;
- (v) Agree that all Chief Officers be instructed to implement any agreed 2016/17 savings during the current financial year to assist in reducing the Council's overspend, as detailed in paragraph 2.2.3 of the report; and
- (vi) Agree to the use of £0.6m of Council reserves to fund the development of business cases for the Ambition 2020 programme, as detailed in paragraph 2.9.7 of the report.

### **73. Corporate Delivery Plan - Quarter 2 (2015/16) Update**

The Strategic Director of Finance and Investment introduced a report which provided an update on the priority projects and performance indicators agreed by the Cabinet in October 2014 as part of the Corporate Delivery Plan, in addition to progress against the LGA Peer Challenge implementation plan.

In noting the main areas of improved performance, Members praised the work of the active volunteers in the Borough who had already recorded over 20,000 hours of support during the year. The Leader referred to several events and publications that had recognised the work of volunteers and undertook to ensure that the latest achievements were also publicised.

A number of other issues were also highlighted:

- a) East London University Technical College (ELUTECH) - The Cabinet Member for Education and Schools was pleased to report that ELUTECH had now relocated to the londoneast-uk Business and Technical Park (former Sanofi site).

- b) Pupil Attainment - The latest data showed that primary schools in Barking and Dagenham had improved at a faster rate than other London boroughs, with an increase of 8% over the last year, which meant that 78% of the Borough's primary schools were rated "good" or "outstanding". In relation to secondary education, the percentage of "good" or "outstanding" schools was even stronger at 82%, above the national level (74%) and closing the gap with the London average (85%). The Cabinet Member for Education and Schools pointed out that Barking and Dagenham was outperforming a number of other London Boroughs, several of which were in far more affluent areas.
- c) Demographic Growth - The Cabinet Member for Children's Services and Social Care referred to the impact of demographic growth for Barking and Dagenham and other London Boroughs and it was noted that the issue was a key priority amongst London Leaders in discussions with Government Ministers and officials. Officers also referred to the provisional 2016/17 Local Government Finance Settlement that was due to be announced later in the week and the potential benefits for Barking and Dagenham as a consequence of a proposed new method for distributing Revenue Support Grant.
- d) Capital Programme Review - It was noted that the Public Accounts and Audit Select Committee (PAASC) had planned to carry out a review but it was suggested that an alternative Member-led body could take on the role.

Cabinet **resolved** to note the performance for the priority projects, key performance indicators and LGA Peer Review implementation plan for quarter 2 of the 2015/16 financial year.

#### **74. Barking Housing Zone Update and Clockhouse Avenue / Broadway Project**

Further to Minutes 26 (21 July 2015) and 64 (10 November 2015), Members received a report on progress relating to the Barking Housing Zone proposals which included specific plans to purchase leasehold interests in a site, the entering into of a grant funding agreement with the Greater London Authority (GLA) and outline plans relating to the financing of up to 500 shared ownership units.

Councillor Twomey, presenting the report on behalf of the Cabinet Member for Regeneration, referred to the benefits of securing the leasehold interests in respect of the site bordered by Clockhouse Avenue / Broadway / East Street / Grove Place at the present time even though the longer-term vision for the area had still to be determined. The grant funding agreement with the GLA related to the North Street site, between the London Road junction and Whiting Avenue, and the former Kingsbridge site at King Edwards Road. Councillor Twomey confirmed that the 38 properties across the mixed tenure sites would each attract £24,000 Affordable Housing Grant funding.

In welcoming the proposals, Members asked officers to ensure that all new developments included 'designing out crime' measures within the specifications and that sensible consideration was given to resident parking in the light of experience with other developments in the area. The Divisional Director of Regeneration confirmed that the Council would hold the nomination rights for the shared ownership properties that would be developed and he advised that a policy

report on shared ownership would shortly be presented to the Cabinet.

Cabinet **resolved** to:

- (i) Agree, subject to the completion of satisfactory due diligence, to the purchase from Flodrive Holdings of leasehold interests of the site bordered by Clockhouse Avenue / Broadway / East Street / Grove Place shown hatched in the plan at Appendix 1 to the report, on the terms set out in the exempt Appendix 2 to the report;
- (ii) Agree to the payment of fees and taxes of up to £180,000 associated with the land purchase and due diligence;
- (iii) Agree to enter into a grant funding agreement with the GLA for the North Street and Kingsbridge sites as set out in paragraph 5.2 of the report; and
- (iv) Note that, subject to the agreement of satisfactory terms, a further report will be submitted to Cabinet seeking approval to enter a funding agreement with the GLA and Horizon Infrastructure to finance up to 500 shared ownership new build units, as detailed in section 5.3 of the report.

#### **75. Contract for Provision of Agency and Temporary Staff**

The Cabinet Member for Finance and Central Services presented a report on the proposed procurement of a new contract for the supply of agency and temporary staff to the Council, to commence on the expiry of the current contract on 10 June 2016.

The Cabinet Member advised that a detailed options appraisal had identified the current Master Service Provider (MSP) delivery model as the preferred route for the new contract. It was noted that the contract would require the MSP and second-tier suppliers to maximise local growth opportunities through a number of initiatives, such as engaging with local suppliers and working with the Job Shop to maximise the number of local people on the contractors' books.

Cabinet **resolved** to:

- (i) Approve the re-procurement of a contract for the provision of agency staff through the East Shires Purchasing Organisation (ESPO) Framework Lot 2 – Managed Service Provider, in line with the strategy outlined in the report, on an initial term of three years with an option to extend by up to one year; and
- (ii) Delegate authority to the Strategic Director of Customer, Commercial and Service Delivery, in consultation with the Cabinet Member for Finance and Central Services, the Strategic Director of Finance and Investment and the Head of Legal and Democratic Services, to award and enter into the contract and any period of extension.



## **76. Procurement of New Nursery Service and Annual Childcare Sufficiency Assessment Report 2015**

The Cabinet Member for Education and Schools introduced a report on the procurement of a new nursery service which would help to alleviate childcare pressures in Gascoigne, Abbey and Thames wards, together with the Council's Childcare Sufficiency Assessment Report for 2015.

The Cabinet Member explained that the new nursery service would provide 80 full-time equivalent places for children aged between three months and five years. It was also noted that the contract and co-terminus lease arrangement for the nursery building would be for up to 10 years and tenderers' submissions would be assessed against a criterion of 95% quality / 5% price.

Cabinet **resolved** to:

- (i) Agree the procurement of a seven year contract, with an extension option for up to three years, for the provision of nursery services at a new nursery on the Shaftesbury Estate;
- (ii) Delegate authority to the Corporate Director for Children's Services, in consultation with the Cabinet Member for Education and Schools, the Strategic Director of Finance and Investment and the Head of Legal and Democratic Services, to award and enter into the contract and coterminous lease to the successful bidder in accordance with the strategy; and
- (iii) Note the Childcare Sufficiency Assessment Report 2015 as set out at Appendix 1 to the report.

## **77. Debt Management Performance and Write-Offs 2015/16 (Quarter 2)**

The Cabinet Member for Finance and Central Services introduced the performance report for the second quarter period ending 30 September 2015 in respect of the debt management function carried out by the Revenues and Benefits Service within Elevate East London.

The Cabinet Member referred to the rent collection rate issue that had been raised during his presentation of the earlier Budget Monitoring report and confirmed that the most recent data showed the collection rate at 98.85%, compared to 98.34% at 30 September. Although that continued to be slightly below target levels, the Cabinet Member referred to the reasons behind the underperformance and other variations against targets. Members concurred that, overall, Elevate East London was performing well in difficult circumstances and in the context of increasingly challenging targets.

Cabinet **resolved** to:

- (i) Note the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of enforcement agents; and
- (ii) Note the debt write-offs for the second quarter of 2015/16 and that a

number of the debts would be published in accordance with the policy agreed by Cabinet.

## **78. London NHS Devolution**

The Cabinet Member for Adult Social Care and Health advised on the Chancellor of the Exchequer's announcement earlier in the day of the launch of five pilot schemes across London, one to be led by Barking and Dagenham Council, which would see powers over NHS services transferred from Whitehall to local authorities. The Barking and Dagenham pilot scheme would integrate primary and secondary care more closely, focusing on intervening early and managing the chronically ill, through the creation of an Accountable Care Organisation (ACO) in partnership with Havering and Redbridge Councils. It was noted that the scheme would also provide the Boroughs with the opportunity to integrate approaches to commissioning and take more radical action on prevention through the sharing of financial risks and benefits.

The Cabinet Member whole-heartedly welcomed the devolution arrangements which she felt represented a great opportunity to make a difference to the health and wellbeing of the local community.

## CABINET

19 January 2016

<b>Title:</b> Budget Monitoring 2015/16 - April to November (Month 8)	
<b>Report of the Cabinet Member for Finance and Central Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
<b>Report Author:</b> Kathy Freeman Divisional Director, Finance	<b>Contact Details:</b> Tel: 020 8227 3497 E-mail: <a href="mailto:kathy.freeman@lbbd.gov.uk">kathy.freeman@lbbd.gov.uk</a>
<b>Accountable Director:</b> Jonathan Bunt, Strategic Director of Finance and Investment	
<b>Summary</b>	
<p>This report provides Cabinet with an update of the Council's revenue and capital position for the eight months to the end of November 2015, projected to the year end.</p> <p>There is a projected overspend of £6.1m on the 2015/16 budget, an increase of £0.3m from last month. The current projection consists of overspends on Children's Services and Environmental services of £6.6m (including £1m of programme costs) and £0.4m respectively, partially offset by £0.9m additional investment income from treasury management activity and a VAT refund. There are pressures in a number of other service areas but all are currently forecast to be managed.</p> <p>The total service expenditure for the full year is currently projected to be £157.5m against the budget of £151.4m. The projected year end overspend will significantly reduce the General Fund balance to c£20m at year end though that is still above the minimum target balance set by the Strategic Director of Finance and Investment.</p> <p>The Housing Revenue Account (HRA) is projected to break-even, leaving the HRA reserve at £8.7m. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund.</p> <p>The Capital Programme budget stands at £131.5m, inclusive of the European Investment Bank (EIB) funded general fund housing schemes. Forecast outturn is £135.1m, £3.6m over budget, mostly within Children's Services, which has incurred accelerated spend on projects. Funding allocations will be adjusted between years accordingly.</p>	
<b>Recommendation(s)</b>	
<p>The Cabinet is recommended to:</p> <p>(i) Note the projected outturn position for 2015/16 of the Council's General Fund revenue budget at 30 November 2015, as detailed in paragraphs 2.1, 2.4 to 2.10 and Appendix A of the report;</p> <p>(ii) Note the progress against the agreed 2015/16 savings at 30 November 2015, as</p>	

detailed in paragraph 2.11 and Appendix B of the report;

(iii) Note the overall position for the HRA at 30 November 2015, as detailed in paragraph 2.12 and Appendix C of the report; and

(iv) Note the projected outturn position for 2015/16 of the Council's capital budget as at 30 November 2015, as detailed in paragraph 2.13 and Appendix D of the report.

#### **Reason(s)**

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

## **1 Introduction and Background**

1.1 This report provides a summary of the Council's General Fund and HRA revenue and capital positions. It also provides an update on progress made to date in the delivery of the agreed savings targets built into the 2015/16 budget, setting out risks to anticipated savings and action plans to mitigate these risks.

1.2 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. This is achieved within the Council by monitoring the financial results on a monthly basis through briefings to the Cabinet Member for Finance and Central Services and reports to Cabinet. This ensures Members are regularly updated on the Council's overall financial position and enables the Cabinet to make relevant financial and operational decisions to meet its budgets.

1.3 The Budget report to Assembly in February 2015 provided for a target of £15.0m for the General Fund balance and the revenue outturn for 2014/15 led to a General Fund balance of £26.0m. The table below shows the available reserves at the authority's disposal to cover the cost of implementing savings proposals, the Growth Commission, Ambition 2020 and any financing gaps in the 2016/17 budget. The latest estimate of the cost of implementing savings proposals has reduced by £1.762m compared to the last report to Cabinet and following the issue of the provisional local government finance settlement, as reported elsewhere on the Cabinet agenda, the previous budget gap of £5.170m for 2016/17 has been eliminated. The remaining GF reserve balance is now forecast to be above the target figure at £20.505m:

<b>Projected Level of Reserves</b>	<b>£000</b>	<b>£000</b>
Current GF balance		26,024
Other available reserves		7,127
<b>Total available reserves</b>		<b>33,151</b>
<b>Calls on reserves:</b>		
Implementation of savings proposals	(4,481)	
Growth Commission and Ambition 2020	(2,100)	
Budget Gap 2016/17	-	
Projected overspend	(6,065)	
		(12,646)
<b>Projected remaining reserves</b>		<b>20,505</b>

- 1.4 The additional level of reserves above the minimum level provides the Council with some flexibility in its future financial planning but, to take advantage of that, it is essential that services are delivered within the approved budget for the year. Overspends within directorate budgets will erode the available reserves and therefore limit the options that reserves could present in the medium term as the Council makes decisions on savings and service provision. The Council's earmarked reserves will be reviewed before the year end to ensure that they are still required for their original purposes and an updated total will be advised to Cabinet as part of the main budget report in February 2016.

## 2 Current Overall Position

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

<b>Council Summary 2015/16</b>	<b>Net Budget  £000</b>	<b>Full year forecast at end November 2015 £000</b>	<b>Over/(under) spend Forecast  £000</b>
<b>Directorate Expenditure</b>			
Adult and Community Services	51,033	51,033	0
Children's Services	62,748	69,315	6,567
Housing (GF)	1,512	1,512	0
Environment	18,462	18,860	398
Chief Executive	17,876	17,876	0
Central Expenses	(187)	(1,087)	(900)
<b>Total Service Expenditure</b>	<b>151,444</b>	<b>157,509</b>	<b>6,065</b>

	<b>Balance at 1 April 2015 £000</b>	<b>Forecast Balance at 31 March 2017 £000</b>
General Fund	26,024	20,505*
Housing Revenue Account	8,736	8,736

\*Includes the use of GF balances to implement savings proposals – see paragraph 1.3

## 2.2 Strategic Director of Finance and Investment's comments

- 2.2.1 The current Directorate revenue projections indicate an overspend of £6.1m for the financial year, primarily due to the overspend in the Complex Needs and Social Care division of Children's Services along with the associated costs of the programme to address the budget challenge.
- 2.2.2 October's Cabinet was asked to note the cost of setting up of a temporary project team, estimated at £1m, to prepare and support the delivery of an Outline Business Case aimed at managing service demand and expenditure to enable a balanced

budget over the next two years. The ability of that plan to deliver savings, which will be monitored at a detailed level, will strongly influence any decisions on a wider spend freeze or other measures to reduce the in year overspend. Some services have already put in place a mini spend freeze to enable the containment of pressures within that area.

- 2.2.3 After reporting an improving position to recent meetings, the forecast for the Complex Needs and Social Care division has worsened by £300k this month. Across the Children's Services directorate, this is offset by improved positions for the other two divisions.
- 2.2.4 It is very unlikely that the Children's Services position can be brought back to budget by the end of the financial year, though it is still anticipated that it can be significantly reduced from the earlier reported pressures, and other actions will need to be identified to avoid a very large call on reserves in 2015/16. In the first instance, all Chief Officers have been instructed to contain any other pressures that have been identified within services and as detailed within the later paragraphs of this report. Furthermore, December's Cabinet meeting instructed all Chief Officers to implement any agreed 2016/17 savings during the current financial year to assist in reducing the overspend. Recent experience is of the financial position improving as the financial year progresses though there is no guarantee that this will always be the case.
- 2.2.5 Adequate reserves must be maintained to not only provide the minimum advised balance but also to enable investment in future programmes to deliver the Council's medium term financial strategy. Cabinet noted at its October meeting that the Children's Services programme is forecasting to reduce spend levels by £11m by March 2017 and therefore consideration could be given to agreeing an overspend against budget for 2015/16 with the general fund balance replenished in 2016/17 to provide the funds for investment to deliver future savings. The business case did not indicate this was achievable from within Children's Services alone with the current plan seeing the department deliver on budget in 2016/17 rather than substantially underspend.
- 2.2.6 Whilst the current forecast overspend would result in a reduction in the Council's General Fund balance, the balance will still remain above the budgeted target of £15.0m. The Strategic Director of Finance & Investment, as the Council's statutory Chief Finance Officer, has a responsibility under statute to ensure that the Council maintains appropriate balances and, following the settlement and the review of the use of reserves for the delivery of savings this year and next year, the projected 2016/17 year end balance would remain substantially above the target figure.
- 2.2.7 Looking forward, the revised MTFs approved in July includes additional funding for Children's Services and other demographic/service pressures which, along with the programme for Children's Services outlined above, would be expected to move towards a robust and deliverable budget in 2016/17. It will not, however, deliver an underspend equal to the forecast overspend this year to replenish reserves to the level as at April 2015.

## 2.3 Directorate Performance Summaries

2.3.1 The key areas of risk which might lead to a potential overspend are outlined in the paragraphs below. As this report reflects the position as at 30 November projected to the end of the financial year, it remains presented in the departmental structure of previous reports as the new senior management structure takes effect. The reporting format will be amended to reflect the new senior management structure in the next financial year (2016/17).

## 2.4 Adult and Community Services

<b>Directorate Summary</b>	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	54,025	<b>51,033</b>	<b>51,033</b>
Projected over/(under)spend			<b>0</b>

2.4.1 The Adult and Community Services Directorate is forecast to breakeven by year end. The department continues to actively work towards mitigating pressures of £3.16m, down from £3.56m last month. The table below summarises the headline pressures:

<b>Main Pressures</b>	<b>£000</b>
Purchase of Adult Social Care	1,659
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	381
Abbey Leisure Centre income pressures	671
Mental Health residential placement costs	265
Better Care fund performance penalty – target for reduced admissions unachieved	182
<b>Total Pressures</b>	<b>3,158</b>

2.4.2 Appendix A provides a summary by division of service and the following paragraphs explain these variances. Adult Social Care division reflects an overall forecast pressure of £1.881m, a reduction of £0.233m from last month's forecast of £2.113m. The main pressure in this area is the purchase of adult social care across all client groups (except mental health) which is projecting a pressure of £1.659m. This is an improvement of £0.369m on last month's position due to action undertaken by cluster managers to review current homecare activity resulting in a reduction in the estimated number of homecare hours required. The pressure includes a number of transition cases from Children's services and the outcome of re-assessments under the Care Act. The remaining pressure of £0.222m is a combination of the undelivered Maples savings target of £0.091m and staffing pressures within the division. Forecasts continue to be monitored as activity levels fluctuate.

2.4.3 Commissioning and Partnership's is forecasting a net pressure of £0.144m, an increase of £0.072m from last month's position of £0.072m. This is primarily due to the Better Care Fund (BCF) performance penalty of £0.182m, partially offset by underspends on extra care budgets arising from maximum hours not being utilised. The movement in the forecast followed negotiations with the extra care provider to

extend the contract and an increase in the hourly rate has been agreed and backdated to April 2015.

- 2.4.4 Mental Health is forecasting pressure of £0.265m due to the number of residential placements. NELFT colleagues continue to work towards managing the admission and discharge process. It should be noted a net increase in placements over the remainder of the year would increase pressure on this budget.
- 2.4.5 Culture and Sport is forecasting pressure of £0.683m mainly due to income pressures within Abbey Leisure Centre and non delivery of saving targets. The delayed opening of the Abbey Leisure Centre has resulted in a reduction in income projections of £0.671m. This pressure will be partially mitigated by an estimated £0.25m compensation expected from the contractors who worked on the Leisure Centre project. Delays to the Leisure Trust saving proposal equate to a pressure of £0.25m this year and risk to the additional £0.75m in 2016/17. There are further dependant Library savings which could also be at risk. There is also a net pressure of £0.012m as a result of delays to the transfer of the management of the Broadway Theatre to the Barking & Dagenham College offset by underspends within the Libraries and heritage.
- 2.4.6 The Council's initial Public Health grant allocation for 2015/16 was £14.213m, however, from the 1 October 2015, this has increased by £2.512m due to the part year transfer of the 0-5 children's public health commissioning to the Local Authority bringing the total allocation to £16.725m. At the end of the last financial year there was a £0.978m underspend which as a ring-fenced grant has been carried-forward into the current financial year. It was announced that there would be a £200m non-NHS health budget cut in year which will impact the Public Health budget. This has been confirmed as a 6.2% reduction equating to c£1m cut in funding. Spending plans have been reviewed in response to this. It should be noted that these reductions will impact on services across the Council.
- 2.4.7 A challenging savings target of £4.145m is built into the 2015/16 budget. These are largely in the process of being delivered or already implemented. However, current forecasts indicate under delivery of £0.381m (see savings tracker for further details). Where under delivery has been identified, the Department is actively managing the resulting pressure.

## 2.5 Children's Services

<b>Directorate Summary</b>	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	67,359	<b>62,748</b>	<b>68,301</b>
Projected over/(under)spend			<b>5,553</b>
Programme costs			<b>1,014</b>

- 2.5.1 The service is forecasting an overspend of £5.553m against a budget of £62.748m. The position includes the full delivery of the departments £2.065m 2015/16 saving target and reduction in the overspend through the Social Care Ambition and Financial Efficiency programme (SAFE). Corporate funding of £1.7m and partnership funding of £0.474m has been allocated to support the position in 2015/16. Despite an overall positive movement of £0.096m on the position reported



last month, there remains ongoing risk in achieving this position. The movement is due to improvements in Education and Commissioning and Safeguarding and an adverse movement within Complex Needs and Social Care (CNSC). In addition to this, delivery of the SAFE programme is expected to cost £1.014m in year.

- 2.5.2 The Education Service is forecast to underspend by £0.247m – an improvement of £0.098m on the October position of £0.150m. This is primarily due to underspends within the Early Years and Childcare Service and Integrated Youth Services as a result of the early delivery of 2016/17 savings and an underspend within the School Improvement Service as a result of posts being held vacant. The position is partially offset by pressures within Adult Education following reductions in Government funding and the funding of redundancy costs.
- 2.5.3 The Commissioning and Safeguarding Service is forecasting a breakeven position which is an improvement on the October position of £0.299m overspend. This has been achieved by an increase in traded income received, lower than forecast level of spend on a range of specialist commissioned services and increased efficiencies realised through smarter commissioning. However, given the ongoing growth in demand it is unlikely that this would result in an ongoing saving without a change in policy. The service is managing pressure of £0.280m within the Child Protection and Reviewing Service caused by difficulty in recruiting permanent staff and the need to use agency staff.
- 2.5.4 Significant demand pressures within the Complex Needs and Social Care (CNSC) division have continued from 2014/15 into the current financial year. In October 2015, Cabinet approved an Outline Business Case aimed at managing service demand and expenditure in order to deliver a balanced budget by the end of 2016/17. Implementation of the approved business case is underway with progress being made towards the target reductions in 2015/16 and beyond.
- 2.5.5 The SAFE programme aims to deliver on budget in 2016/17. Projects are well underway and savings have been achieved in a number of areas including reductions in agency staff, NRPF clients and SEN Transport costs. The £11m overspend reported in July has been reduced significantly and aims to be closed completely over two years.
- 2.5.6 Current projections indicate an overspend of £5.800m at the year end which is an increase of £0.300m on the forecast last reported to Cabinet. This is primarily due to additional pressure on placements. The Council has a statutory duty with regard to vulnerable children and delays in moving young adults out of supported living due to the demand on available Housing has resulted in Additional pressure.
- 2.5.7 The table below shows the original forecast overspend together with progress made to date and planned further reductions. The reduction delivered year to date is £3.906m inclusive of the £2.100m corporate funding. This will bring the service to a forecast outturn position of £5.800m at the end of the year.

	<b>Original Forecast Overspend £000</b>	<b>Reduction Delivered £000</b>	<b>Current Position £000</b>	<b>Planned Further Reductions £000</b>	<b>November forecast £000</b>
<b>Complex Needs</b>					
Agency /Staffing/ASYE	3,365	(992)	2,373	(383)	<b>1,990</b>
Placements	3,919	(309)	3,610	(578)	<b>3,032</b>
Transport	543	(343)	200	0	<b>200</b>
Legal	500	0	500	(100)	<b>400</b>
NRPF	1,600	(50)	1,550	(200)	<b>1,350</b>
UASC	1,128	(112)	1,016	(88)	<b>928</b>
Funding Adjustments	0	(2,100)	(2,100)	0	<b>(2,100)</b>
<b>Total Complex Needs</b>	<b>11,055</b>	<b>(3,906)</b>	<b>7,149</b>	<b>(1,349)</b>	<b>5,800</b>

2.5.8 The work streams underway are described below.

#### **Reductions in Staffing Costs**

The year end overspend in this area is projected to reduce by £0.200m from the position reported in October of £1.990m. The ASYE graduate trainees have been integrated into the Assessment and Care Placement Teams allowing the release of expensive agency workers. Posts are being held vacant in preparation of future staff realignments.

#### **Placements Pressure**

The year end forecast reflects an overspend of £3.032m, an increase of £0.300m from the position reported in October. This is due to 4 additional residential placements in November resulting in additional cost of £0.220m and delays in moving young adults out of supported living. Children's Services continue to work closely with Housing to identify suitable accommodation for young adults who are ready to move out of supported living but the high demand on housing placements has caused delays, contributing to the additional pressure. These pressures have been partially offset by a reduction in the forecast cost of Internal Fostering of £0.150m. All placements are reviewed on a regular basis to ensure that costs are minimised where possible, however, the Council does have a statutory duty to vulnerable children.

#### **Transport**

A review of SEN Transport has been carried out which considers transport routes, travel training and revised eligibility criteria including consultation. This has identified savings for 2015/16 with a full year effect in 2016/17.

#### **Legal Costs**

Children's Services are working closely with Legal to identify the most cost effective way to meet the Council requirements of the service. There is a proposal to hire two advocates and to stop using 3rd party advocacy services. This will not be in place until February and so the anticipated reduction on this project is now £0.100m in 2015/16. It should be noted that it is anticipated that the full year effect of this saving in 2016/17 will be over £0.300m.

## **NRPF**

The No Resource to Public Funds service now uses a fraud officer and a home office officer to identify fraudulent claims and speed up home office decisions. The fraud officer helps the initial application process and the Home Office officer accelerates “right to remain” decisions from the Home Office. This allows families to be moved out of NRPF more rapidly following resolution with the Home Office.

## **UASC**

The review of accommodation used for Unaccompanied Asylum Seeking Children clients has resulted in benefits realised through reduced costs in 2015/16, mainly through increased use of internal fostering. The year end position remains unchanged and further reductions will be delivered.

## **2.6 Dedicated School Grant (DSG)**

2.6.1 The DSG is a ring fenced grant to support the education of school-age pupils within the borough. The 2015/16 DSG allocation is £231.1m, covering Individual Schools Budgets, High Needs and Early Years services.

## **2.7 Housing General Fund**

<b>Directorate Summary</b>	<b>2014/15 Outturn £000</b>	<b>2015/16 Budget £000</b>	<b>2015/16 Forecast £000</b>
Net Expenditure	3,417	<b>1,512</b>	<b>1,512</b>
Projected over/(under)spend			<b>0</b>

2.7.1 The service is forecasting to outturn within budget, however, current projections indicate risk of overspend in the region of £125k 2015/16.

2.7.2 Significant savings were expected to be delivered through a reduction in temporary accommodation placements within Bed and Breakfast accommodation together with the renegotiation of Bed and Breakfast nightly rates. However, demand over recent months has been steadily increasing and this has been further exacerbated by ongoing Welfare Reforms and the Courts confirming they have brought forward their evictions list in the run up to Christmas.

2.7.3 The number of Bed and Breakfast placements stood at 83 at the end of November which is above the budgeted average of 68 and, at the end of the first week in December, numbers had increased to 94. The projected average number of placements per month for the year is now estimated to be 61. However, this average will only be achieved if there is a significant reduction in the B&B numbers between now and the end of March. To this end, negotiations have taken place with one of our procured providers for the use of a block of 27 units and lease arrangements with Look Ahead Housing Association on Bevan House have been completed, where there are 12 voids.

2.7.4 Recent negotiations for additional PSL units coupled with the expected hand over of Butler Court at the end of January and the anticipated down turn in demand over Christmas should result in the year end average being 61 in total, which is slightly below the budgeted figure.

- 2.7.5 Earlier in the year, when the numbers in B&B accommodation were averaging around 50 the resulting under spend was used to fund additional rental payments to Private Sector Lease providers in order to ensure a continuous supply of properties, on site security and reception improvement works at several of the Council's homeless hostels. Now that the B&B numbers have increased to nearer the budgeted level, these costs can no longer be contained, hence the potential overspend. Every effort will, however, be made to reduce costs up to year end, so that a break even position can be achieved.
- 2.7.6 Arrears have increased by £243k since the start of the financial year, although this is a reduction from previous months now that the backlog in processing Housing Benefit claims has been cleared. The budget available to top up the provision is expected to be sufficient based upon current assumptions.
- 2.7.7 The opening of Butler Court Hostel has been rescheduled to facilitate the provision of additional units. The facility was initially expected to open in October with 69 units, however, now that full access has been obtained, it has been established that a further 11 units can be provided. The facility is now expected to open in late January with 80 units. The enhanced refurbishment of the hostel will be funded from corporate reserves and will result in a higher level of ongoing income.
- 2.7.8 There are significant risks in this area if Bed and Breakfast numbers increase and the reduction forecast for the latter part of the financial year does not materialise. There are also additional risks if the available supply of PSL properties does not meet demand or the amount of bad debt increases substantially above the current provision.

## 2.8 Environment

<b>Directorate Summary</b>	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	19,687	<b>18,462</b>	<b>18,860</b>
Projected over/(under)spend			<b>398</b>

- 2.8.1 Environmental Services is forecast to overspend at year end by £0.398m. The service would need to manage pressure of £1.850m in order to outturn on budget, however, mitigation of £1.452m has been identified. This is primarily through spend restraint and holding vacancies. The adverse movement in the forecast follows a detailed review of establishment and funding. The table below summaries the main pressures:

<b>Pressure</b>	<b>£000</b>
Staffing	877
Parking Services (Impact of De-regulation Act 2015)	350
Income	327
2015-16 Savings (see savings tracker appendix for details)	226
Stour Road building	70
<b>Total</b>	<b>1,850</b>
Mitigating action	(1,452)
<b>Remaining pressure</b>	<b>398</b>

- 2.8.2 The main pressure within the service relates to the cost of staff, primarily within refuse and cleansing which has increased by £0.523m since last month. A review in November of caretaking staff between Housing and Environment has resulted in a number of staff not now being recharged to the HRA. Management are taking action to resolve the budgetary problems that result, although it is unlikely to be resolved within the financial year.
- 2.8.3 The forecast overspend for Parking remains at £350k. This follows the De-Regulation Act 2015 which came into effect from April 2015 which introduced a ban on the use of CCTV cameras for enforcement of static parking contraventions, except outside schools and bus stops. Initial indications were that this would create a pressure of £1.9m. However, following review of enforcement strategies and the income profile year to date, the initial risk has been managed down.
- 2.8.4 Current projections indicate pressure on income budgets of £0.327m across a number of services including refuse, cemeteries, Barking Market and fleet. This represents an improvement of £0.030m on last month's position.
- 2.8.5 The service has a challenging savings target of £1.7m built into the 2015/16 budget. These are largely in the process of being delivered or already implemented, however, current forecasts indicate under delivery of £0.226m. The majority of this relates to the introduction of charges for the green garden waste service which has been postponed until 2016/17. The other savings pressures relate to increasing advertising income, the postponement of changes to prestart payments for refuse workers and income generation in cemeteries.

## 2.9 Chief Executive's Directorate

<b>Directorate Summary</b>	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	18,716	<b>17,876</b>	<b>17,876</b>
Projected over(under)spend			<b>0</b>

- 2.9.1 Chief Executive's Directorate is currently on target to spend to budget this year though that is dependent on a number of pressures being contained within services. The current position is that these pressures will be mitigated.
- 2.9.2 There are over £2.5m of savings relating to Elevate services for 2015/16 including large individual savings relating to the transformation of ICT and Customer Services and the automation of other services. These are being monitored through joint programme boards with Elevate and Agilisys with the highest risk being on parts of the automation proposals. There are also substantial ongoing demand pressures on the benefits service with high numbers of new claims and changes in circumstances that are being managed within existing resources. The backlog in processing change of circumstance for benefit claimants reported in last month's report has now been cleared using short term agency staff employed at Elevate's expense. However, close monitoring will be required to ensure that backlog's don't re-occur that may put at risk full reimbursement of expenditure from the Department of Work and Pensions.

- 2.9.3 There are pressures totalling £0.190m within Human Resources through the under-recovery of some school buybacks.
- 2.9.4 The review of senior management has commenced and it is expected that £0.2m of the £0.3m will be delivered by the end of the year. Further work is required to deliver the savings required from the business support review.
- 2.9.5 At the end of November, Legal and Democratic Services had already achieved their income target for the year, in addition to delivering against their savings target. If the level of trading activity continues, this is likely to generate surplus income of approximately £30k.
- 2.9.6 The Asset Strategy team are currently carrying out a series of rent reviews which will result in the generation of additional rental income. It is expected that the income generated will be re-invested into the commercial properties portfolio to protect or increase future revenues. Any income not invested will generate an overachievement of the income budget in the Asset Strategy team which will be used to mitigate pressures in other areas of the directorate.

## 2.10 Central Expenses

<b>Directorate Summary</b>	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	2,186	<b>(1,456)</b>	<b>(2,356)</b>
Projected over(under)spend			<b>(900)</b>

- 2.10.1 This budget covers treasury management costs (interest paid on loans and received on investments), budgets to cover the costs of redundancy and doubtful debts and a small contingency to cover any unforeseen pressures.
- 2.10.2 The Treasury team continues to achieve good returns on the Council's cash deposits, without a significant increase in the risk taken, in a low interest environment resulting in a favourable variance of £0.8m is forecast against budgets for interest paid on loans and received on investments. A refund of £0.1m has been received for overpaid VAT following a review of payments made over the last two years and this has increased the projected underspend to £0.9m. The position regarding the doubtful debts provision is being kept under review and it may prove possible to reduce the contribution required if current collection rates are maintained.

## 2.11 In Year Savings Targets – General Fund

- 2.11.1 The delivery of the 2015/16 budget is dependent on meeting a savings target of £23.5m. Directorate Management Teams are monitoring their targets and providing a monthly update of progress which is summarised in the table below. Where there are shortfalls, these will be managed within existing budgets and do not affect the monitoring positions shown above.
- 2.11.2 A detailed breakdown of savings and explanations for variances is provided in Appendix B.

<b>Directorate Summary of Savings Targets</b>	<b>Target £000</b>	<b>Forecast £000</b>	<b>Shortfall £000</b>
Adult and Community Services	4,145	3,764	<b>381</b>
Children's Services	2,065	2,065	-
Housing (GF)	1,005	1,005	-
Chief Executive	14,595	13,673	<b>922</b>
Environment	1,710	1,484	<b>226</b>
<b>Total</b>	<b>23,520</b>	<b>21,991</b>	<b>1,529</b>

## 2.12 Housing Revenue Account (HRA)

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

### Income

2.12.2 Income is expected to be ahead of budget by £1.914m. This is largely due to an increase in the number of HRA Decants being used for Temporary Accommodation generating £1.2m additional income and increased water charges of £0.6m as notified by the water provider after Council budgets were agreed. There is a net nil impact to the HRA of the increased water charges as these are collected by the Council and passed through to the water company.

2.12.3 The main risk to the income position is collection performance and stock movements. The current projected performance on rent collection is 98.85% compared to the target of 99.24%. This creates a shortfall in cash collected of around £0.4m. Changes in local policy around repeat claims for Discretionary Housing Payments (DHP) have also impacted the allocation of DHP towards housing rents. The Housing Service has been working with Capita to analyse tenant profiles which will assist in developing intervention models and enable improved rent collection levels and reductions in rent arrears. The position will be monitored closely throughout the year. If the position is not recovered there will be an increased pressure on the bad debt provision.

2.12.4 Stock movements are monitored as level of Right to Buy sales and void levels impact the rental income position. There have been 143 Right to Buy sales so far this year and current projections continue to assume 220 sales for the year.

### Expenditure

2.12.5 Expenditure is expected to be over budget by £1.914m. This is partly due to the increase in water charges payable to the water company as explained above.

2.12.6 In order to achieve a breakeven position, the Housing Service will need to manage cost pressures within the year. The most significant risk area is Repairs and Maintenance which is reporting a forecast overspend of £1.3m. Pressures include restructure and efficiency savings not delivered in 2014/15, pressures on staffing budgets and pressure on sub-contractor spend due to the high levels of responsive repairs carried out by external contractors. Improving the position is dependant on a number of management actions including the greater use of in-house workforce over sub contractors, establishing productivity improvements and the

implementation of a revised repairs policy. This forms part of the ongoing transformation of the housing service.

2.12.7 The increase in the number of HRA decants being used for Temporary Accommodation has led to additional unbudgeted void refurbishment spend in the region of £780k, however, this is offset by the additional rental income generated. The resulting net pressure within Repairs and Maintenance after deducting this spend is £578k.

2.12.8 The additional income raised from HRA decant units for temporary accommodation is not sufficient to offset projected overspends and therefore a budgeted revenue contribution to capital of £0.1m will be replaced by funding from HRA capital reserves. At the end of Quarter 3 the technical accounting forecasts, including bad debt provision and interest budgets, will be reviewed in line with current activity.

### HRA Balance

2.12.9 It is expected that HRA balances will remain at £8.7m at year end.

### 2.13 Capital Programme 2015/16

2.13.1 The Capital Programme forecast against the budget as at the end of November 2015 is as follows:

	2015/16 Current Budget £000	Actual Spend to Date £000	2015/16 Forecast £000	Variance against Budget £000
Adult & Community Services	2,192	883	2,192	0
Children's Services	27,111	16,553	30,547	3,437
Environmental Services	4,005	2,525	4,005	0
Chief Executive Department	7,489	3,715	7,603	113
Housing General Fund – EIB	9,222	8,191	9,222	0
<b>Subtotal – GF</b>	<b>50,019</b>	<b>31,867</b>	<b>53,569</b>	<b>3,550</b>
HRA	81,493	56,028	81,493	0
<b>Total</b>	<b>131,511</b>	<b>87,895</b>	<b>135,062</b>	<b>3,550</b>

2.13.2 The 2015/16 capital programme stands at a revised budget of £131.5m, and Directorates are currently forecasting to exceed this by £3.6m. This variance is mostly within Children's Services, which has incurred accelerated spend on projects, and funding allocations between years will be adjusted accordingly.

### 2.13.3 New Capital Schemes

There are no new capital schemes this month.



#### 2.13.4 **Adult & Community Services**

Adult & Community Services has a revised budget of £2.483m and current estimates indicate spend to budget with no funding issues.

#### 2.13.5 **Children's Services**

Children's Services has a revised capital budget of £27.111m in 2015/16; and is forecasting to exceed this by £3.437m. This variance is mostly due to Barking Riverside Secondary Free School (£2.500m), where the project is now accelerating (subsequent to initial delays). The project will still be completed within the total budget, and the funding allocations between years will be adjusted accordingly. Additionally there are overspends on Marsh Green Primary (£0.400m), Barking Riverside City Farm (£0.160m), and Jo Richardson Expansion (£0.355m). Over and underspends are drawn from or returned to the available funding, and re-profiled between years where necessary, such that the overall programme is completed within the total funding available.

#### 2.13.6 **Environmental Services**

Environmental Services has a revised budget for 2015/16 of £4.004m. Overall the directorate is forecasting to be on budget. Some projects have a low current level of spend in relation to the forecast, and therefore an accelerated level of spend will need to be incurred in the remaining months in order to achieve the forecast position.

#### 2.13.7 **Chief Executive**

The Chief Executive Department has an overall budget for 2015/16 of £7.489m; and is currently forecasting to exceed this by £0.113m. This is due to two schemes: the Merry Fiddlers junction improvements (£0.068m), which will be funded by additional S106 money; and the bus stop accessibility improvements (£0.045m), which will be funded from TfL money.

#### 2.13.8 **Housing General Fund (EIB)**

The Housing General Fund (EIB) schemes have a budget for 2015/16 of £9.2m, and are forecasting to spend to budget.

#### 2.13.9 **Housing Revenue Account (HRA)**

The HRA has a revised capital budget of £81.493m; and is forecasting to spend to budget overall. Despite the reduced revenue contribution to capital (per 2.12.18), the overall HRA capital budget remains the same as last month, as the reduction will be offset by additional use of HRA balances (Major Repairs Reserve and Capital Receipts),

**Estate Renewal** – This area has a revised budget of £9.730m. Actual spend to date indicates progress is ahead of schedule due to a high level of leasehold buy back completions and advanced progress in respect of the Gascoigne Estate demolitions. Despite the relatively high level of spend to date, expenditure is still expected to be in line with the budget at year end.

**New Build Programme** - The New Build Programme is currently projected to spend in line with the overall revised budget of £26.917m.

**Investment in Stock** – The revised budget for Investment in Stock is £44.845m, and it is forecasting to spend to this level overall. However there are a number of

offsetting variances across individual schemes within this position, the most significant of which are the Decent Homes programme (underspend of £0.266m); and central heating installations (overspend of £0.450m). There are also a number of other scheme variances under £0.1m (shown in full Appendix D).

2.13.10 The detailed scheme breakdown is shown in Appendix D.

### **3. Financial Control**

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

### **4 Options Appraisal**

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

### **5 Consultation**

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

### **6 Financial Implications**

6.1 This report details the financial position of the Council.

### **7 Legal Issues**

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

### **Background Papers Used in the Preparation of the Report:**

Oracle monitoring reports

### **List of Appendices**

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

## GENERAL FUND REVENUE MONITORING STATEMENT

### November 2015/16

Directorate	Outturn 2014/15	Revised Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000
<b><u>Adult &amp; Community Services</u></b>				
Adult Social Care	31,072	25,910	27,791	1,881
Commissioning & Partnership	10,084	10,429	10,573	144
Culture & Sport	6,429	3,871	4,554	683
Mental Health	3,956	3,434	3,699	265
Public Health	785	15,688	15,688	-
Public Health grant	-	(15,688)	(15,688)	-
Management & Central Services	1,699	7,389	4,416	(2,973)
	<b>54,025</b>	<b>51,033</b>	<b>51,033</b>	<b>-</b>
<b><u>Children's Services</u></b>				
Education	4,660	4,687	4,440	(247)
Complex Needs and Social Care	42,564	39,205	45,005	5,800
Commissioning and Safeguarding	9,166	9,371	9,371	-
Other Management and Programme Costs	10,969	9,485	9,485	-
SAFE programme expenditure	-	-	1,014	1,014
	<b>67,359</b>	<b>62,748</b>	<b>69,315</b>	<b>6,567</b>
<b><u>Children's Services - DSG</u></b>				
Schools	176,960	182,336	182,336	-
Early Years	19,329	16,549	16,549	-
High Needs	28,807	28,087	28,087	-
Non Delegated	737	918	918	-
Growth Fund	2,375	3,250	3,250	-
School Contingencies	-	(22)	(22)	-
DSG/Funding	(228,208)	(231,118)	(231,118)	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Environmental Services</u></b>	<b>19,687</b>	<b>18,462</b>	<b>18,860</b>	<b>398</b>
<b><u>Housing General Fund</u></b>	<b>3,417</b>	<b>1,512</b>	<b>1,512</b>	<b>-</b>
<b><u>Chief Executive Services</u></b>				
Chief Executive Office	12	(10)	(10)	-
Strategy & Communication	(2)	1,187	1,187	-
Legal & Democratic Services	(192)	470	470	-
Human Resources	(89)	562	752	190
Corporate Finance & Assets	16,384	14,405	14,215	(190)
Regeneration & Economic Development	2,603	1,262	1,262	-
	<b>18,716</b>	<b>17,876</b>	<b>17,876</b>	<b>-</b>
<b><u>Other</u></b>				
Central Expenses	(6,579)	(11,461)	(12,361)	(900)
Levies	9,809	10,755	10,755	-
Budgeted Reserve Drawdown	(1,044)	-	-	-
Contingency	-	519	519	-
	<b>2,186</b>	<b>(187)</b>	<b>(1,087)</b>	<b>(900)</b>
<b>TOTAL</b>	<b>165,390</b>	<b>151,444</b>	<b>157,509</b>	<b>6,065</b>

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**Directorate Savings Targets: Progress at Period 8 (November 2015)**

**Adult and Community Services**

<b>Ref:</b>	<b>Detail</b>	<b>Current Position (please also state if a project is required to deliver the savings)</b>	<b>Target £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>
ACS/SAV/01	Workforce remodelling	On track to be delivered.	584	584	0
ACS/SAV/02a	Safeguarding adults - quality assurance and protection of property	Achieved	104	104	0
ACS/SAV/02b	Safeguarding adults - Domestic Violence and Hate Crime	Achieved	22	22	0
ACS/SAV/03a	Older People accommodation based services - review of Kallar Lodge	Achieved	100	100	0
ACS/SAV/06a	Personalisation of Learning Disability Day Services and consequential closure of The Maples.	The Maples closed in September 2015. Delays occurred due to the process required to identify solutions with individual service users and their families.	257	166	91
ACS/SAV/06b	Staffing efficiencies at 80 Gascoigne Road.	Achieved	70	70	0
ACS/SAV/07	Withdraw subsidy from Relish café.	Achieved	120	120	0
ACS/SAV/10	Care and support in the home focused on people with doubling up of care staff as a result of high needs	On track to be delivered.	85	85	0
ACS/SAV/12d	Community Interest Company delivering a range of services using creative arts	Achieved	16	16	0
ACS/SAV/12f	The Foyer Supported Living for 18-24 year olds	On track to be delivered.	275	275	0
ACS/SAV/12h	Summerfield House supported living for mothers aged 16-24 and their babies	Achieved	143	143	0
ACS/SAV/12i	Bevan House supported living for vulnerable families	On track to be delivered.	98	98	0
ACS/SAV/13b	Increase in social care income budget.	Expected to be delivered	300	300	0

Ref:	Detail	Current Position (please also state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
ACS/SAV/15a	Integration and Commissioning and Directorate Support teams	Achieved	200	200	0
ACS/SAV/16	Alcohol Services for adults and young people - to fund from Public Health grant	Achieved	495	495	0
ACS/SAV/17	Reduce range of crime and Anti Social Behaviour interventions - Victim Offender Location Time work	Achieved	47	47	0
ACS/SAV/18	Community Safety and IOM work - fund the Anti Social Behaviour Team from a range of funding streams rather than the GF	Achieved	75	75	0
ACS/SAV/19	Youth Offending Service reduction in Out of Court work	Achieved	92	92	0
ACS/SAV/24	School library service to be full cost recovery and Home Library Service to be delivered by volunteers.	On track to be delivered.	56	56	0
ACS/SAV/26	Delete Libraries casual staffing budget and transfer of centrally controlled costs	On track to be delivered.	35	35	0
ACS/SAV/23a	Reduce book fund	Achieved	10	10	0
ACS/SAV/29a	Broadway Theatre - transfer to College	Achieved	200	200	0
ACS/SAV/30	Community Halls - community managed or close	Achieved	52	52	0
ACS/SAV/31	Leisure centres - Management and reception staff	On track to be delivered	47	47	0
ACS/SAV/32	Leisure centres - extraordinary increase in net income	Savings currently not achieved due to income pressures as a result of the delayed	40	0	40

Ref:	Detail	Current Position (please also state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
		opening of the Abbey Sports Centre.			
ACS/SAV/34	Sport & Physical Activity team management cost reduction.	Achieved	152	152	0
ACS/SAV/36	Leisure and cultural services trust proposal	Risk to delivery this financial year as outcome of the review will not take effect in this financial year.	250	0	250
ACS/SAV/39	Active Age Centres income	On track to be delivered.	120	120	0
EH001	Food Safety Team Funding - Transfer of funding liability from General Fund to Public Health Grant	Achieved	100	100	0
<b>Total</b>			<b>4,145</b>	<b>3,764</b>	<b>381</b>

## Children's Services

Ref:	Detail	Current Position (please also state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
CHS/SAV/23	Significant reduction in improvement support for education	Alternative saving identified via capitalisation of revenue expenditure	100	100	0
CHS/SAV/25b	Childcare and early years - move to DSG	Achieved saving on general fund by utilisation of legitimate expenditure to grant	455	455	0
CHS/SAV/26	Children's Centres, part of policy paper re frontline service delivery (use of libraries, developing hubs approach etc. and use of assets Closure of a number of centres	On target by reducing activities for young children and their parents and seeking alternative funding for the play and communications (language development work)	400	400	0
CHS/SAV/27	Youth Service - reconfigure to voluntary sector provision with £100k budget	On target by reducing the number of youth sessions provided across the borough via youth centres, StreetBase Local community youth clubs and the youth bus	100	100	0
CHS/SAV/28b	Educational psychology - provision using DSG only	On target through implementation of plans to achieve savings and through additional monies available to address the Education Act requirement to provide Education Health and Care (EHC) plans.	440	440	0
CHS/SAV/34	Reduction in CIN (c20 year 1, c120 year 2, c60 year 3) due to impact of Troubled Families agenda	On target with utilisation of the grant funding to reduce CIN numbers through impact of the Troubled Families agenda	50	50	0
CHS/SAV/30	CAMHS - reduce to statutory minimum for year 1 and then delete service	On target but high risk at tier 2 but achievable by reducing Primary Mental Health Workers from 6 to 3 in 15/16	100	100	0
CHS/SAV/31	Limited support to Local Safeguarding Children's Board (LSCB). Reduce Child Death Overview Panel (CDOP) Manager to 0.5	On target but this is demand and risk driven. Demand on LSCB will be monitored. The CDOP manager is responsible for overseeing all child deaths that take place in B&D. The role is statutory and is part	15	15	0



		funded by the CCG for the rapid response function. Saving is to reduce this support.			
CHS/SAV/37	Reduce GF contribution to Information & Statistics team	On target and achievable by removing general fund contribution to the team	30	30	0
CHS/SAV/25a	Reduction in support to quality Childcare and early years provision	Saving delivered through reduction in saving and training costs.	200	200	0
CHS/SAV/28a	Social care learning and development	Expected to be delivered.	125	125	0
CHS/SAV/29	Access and connect - reduction in rewards available to young people to incentivise healthy behaviours	Saving to be delivered by reducing rewards to young people who use cashless card for catering.	50	50	0
<b>Total</b>			<b>2,065</b>	<b>2,065</b>	<b>0</b>

## Environment

Ref	Detail	Current Position (please state if project is required to deliver savings)	Target	Forecast	Variance
			£000	£000	£000
ES001	Loss of proactive drainage clearance	Saving has been delivered	80	80	0
ES002	Changes to winter maintenance of highway network	Saving has been delivered	35	35	0
ES007	Increase Parking Charges for all parking locations	New charges implemented. We are monitoring activity to assess purchasing trends and any impact on demand which may affect delivery of saving – hence amber rating.	190	190	0
ES008	Restructure Facilities Management - Building Services Officers - post deletions	Awaiting redundancy sign off	101	101	0
ES009A	Streamlining Building Cleaning	Saving has been delivered	49	49	0
ES009B	Building Cleaning - removal of Living Wage subsidy to school contracts	Saving cannot be delivered until 2016/17. Schools have contracts limiting any price increase in 2015/16. Increased income from ad-hoc activity and new contracts is expected to mitigate the pressure in 2015/16.	96	96	0
ES010B	Prestart payment to drivers	Will not deliver full year saving due to postponed implementation.	53	22	31
ES012	Cease green garden waste collection	Saving based upon fully chargeable service being in place from September 2015. Now postponed until 2016/17.	110	0	110
ES014	Market Management	Transfer is from 25 April 2015. Achieved	281	281	0
ES015	Redesign of street cleansing operations	Service redesign is in place already.	243	243	0
ES016	Income generation in cemeteries	Concessions and extension of burial/memorial offer will not be fully achieved in 2015. Will require a programme to deliver future ambitions for income growth	30	15	15

Ref	Detail	Current Position (please state if project is required to deliver savings)	Target	Forecast	Variance
			£000	£000	£000
ES019	Use of Public Health Grant to incentivise Council priorities through sports participation	Grant arrangements agreed for yr 1, but sustaining this will require all clubs/teams to develop significant capacity to deliver to club standard. Requires a programme to also pick up outcomes of playing pitch strategy	65	65	0
ES020	Increases in income expected from future regulatory activity.	Trajectory of enforcement actions is positive and expected to deliver.	125	125	0
ES021	Increase income from staff parking charges	New charges implemented. We are monitoring buying patterns as reduced demand may impact delivery – hence amber rating.	30	30	0
ES022	Marketing in the public realm	Existing strategies for selling advertising space are providing limited income. Review of corporate arrangements is required.	70	0	70
ES025	Domestic bins rental	Achieved. Recharge agreed	17	17	0
ES026	Recycling bins rental – Recharge to HRA	Achieved. Recharge agreed	135	135	0
<b>Total</b>	<b>Environment</b>		<b>1,710</b>	<b>1,484</b>	<b>226</b>

**Housing General Fund**

Ref	Detail	Current Position (please state if project is required to deliver savings)	Target	Forecast	Variance
			£000	£000	£000
HGF001	Expand Council hostel portfolio to accommodate temporary placements instead of using expensive B&B accommodation.	Saving expected to be delivered. YTD average below budget assumption and the provision of additional hostel units being made available. Additional units to be provided within 50 Wakering Road and Butler Court – although delays would impact this position. It should be noted that unforeseen increases in TA demand may impact ability to delivery saving.	900	900	0
HGF002	Housing Advice & Temporary Accommodation	Charges implemented - saving delivered	74	74	0
HGF003	Housing Strategy	Controls on non mandatory spend in place therefore saving delivered	31	31	0
<b>Total</b>			<b>1,005</b>	<b>1,005</b>	<b>0</b>

**Chief Executive's**

Ref:	Detail	Current Position (please state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
CEX/SAV/01	Staff reduction Sustainable Communities and Economic Development	Posts currently vacant	99	99	0
CEX/SAV/02	Increase Income in Strategic Transport area	LIP budget for 2015/16 already allocated with increased level of top slice.	63	63	0
CEX/SAV/03	Stop all business support activity e.g. business enterprise centre (move to no cost from 2015-16)	Stakeholders informed with regard to ceasing of funding. Employee to leave at end of March	224	224	0
CEX/SAV/04	Increase income in Development Planning area	Budget increased, current income levels suggest this enhanced target is achievable	85	85	0
CEX/SAV/05	Reduction in planning policy posts and amalgamation of Planning Policy Manager post and Strategic transport post	Savings on target to be delivered.	24	24	0
CEX/SAV/06	Reduction in supplies and services budget	Budgets reduced and savings on target to be delivered.	45	45	0
CEX/SAV/07	Increase in income from Capital Programme	Recharges agreed	20	20	0
CEX/SAV/7b	Reduction of costs in Sustainable Communities area	This would be delivered through recharges to Capital. This is on target to be delivered.	200	200	0
CEX/SAV/08	Increase in income employment and skills	Budget increased to reflect previous years levels of income	100	100	0
CEX/SAV/08a	Recharge to the HRA in respect of supporting Housing Tenants into permanent employment.	Budget increased to reflect previous years levels of income	200	200	0
CEX/SAV/08b	Capital Commissioning & Delivery Group – To generate an annual surplus of £50k through additional framework contract income and reduce General Fund recharges by £90k.	Savings on target to be delivered	140	140	0

Ref:	Detail	Current Position (please state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
CEX/SAV/09	Reduce democratic services structure dependant on moving towards a shared service and reducing the number and frequency of statutory meetings	Savings on target to be delivered but Leader may request that the post is put back into the structure.	47	47	0
CEX/SAV/10	Increase Legal trading income	Savings on target to be delivered	135	135	0
CEX/SAV/11	General Fund reduction in supplies and services budget for legal services	Savings on target to be delivered	75	75	0
CEX/SAV/12a	Member training stopped with exception of the training required for members to serve and operate on the quasi-judicial meetings	Remaining training to be funded from corporate L&D fund, which is already under pressure.	55	55	0
CEX/SAV/12b	Members Pension Contribution	Savings on target to be delivered	100	100	0
CEX/SAV/13	Residents Survey - no postal survey but online	Savings on target to be delivered	15	15	0
CEX/SAV/14	Centralise and top slice marketing and publicity budgets across Council	Consolidated M&C budgets are not sufficient to cover commitments and statutory obligations.	300	300	0
CEX/SAV/14a	Centralisation and top slicing of marketing and publicity budgets across the Council	Consolidated M&C budgets are not sufficient to cover commitments and statutory obligations	100	100	0
CEX/SAV/15	Remodel marketing and communications service - core minimum team and consider shared service with Thurrock	Shared M&C service is no longer possible with Thurrock.	250	250	0
CEX/SAV/15a	Further remodelling of marketing and comms	Shared M&C service is no longer possible with Thurrock	50	50	0
CEX/SAV/17	Develop a Research and Intelligence Hub	Saving requires consultation with Children's services and Public health to determine a forecast.	100	100	0
CEX/SAV/18	Centralise training and development budgets to improve efficiency of use and make saving	Departments are reducing the amount of budgets initially identified as budgets to be centralised. This has reduced the amount of budget available for training and	475	475	0

Ref:	Detail	Current Position (please state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
		development needs across the Council.			
CEX/SAV/21	Reduce health and safety provision, but must meet statutory responsibilities	Increased Income target should be achievable given current rate of HR and OH income generation	100	100	0
CEX/SAV/22	Look to provide employee relations advice in a different way	Savings on target to be delivered.	47	47	0
CEX/SAV/22a	Reduce the size of the HR Business Partner Team	Savings on target to be delivered.	60	60	0
CEX/SAV/23a	Additional savings to be delivered through centralising training and development budgets to improve efficiency of use	Departments are reducing the amount of budgets initially identified as budgets to be centralised. This has reduced the amount of budget available for training and development needs across the Council.	175	175	0
CEX/SAV/23b	Reduction in Business Change team staff	Savings on target to be delivered.	22	22	0
CEX/SAV/24	Remove Invest to Save budget	Savings on target to be delivered.	1,000	1,000	0
CEX/SAV/25	Debt interest payments	No issues as there is expected to be no further borrowing required in 2015/16 based on the current debt interest budget.	250	250	0
CEX/SAV/26	Minimum Revenue Provision (MRP) accounting	On target to be delivered	2,700	2,700	0
CEX/SAV/27	Investment income - rate change	Although the expected rate change has not occurred the Council is positioned to make the agreed savings for 2015/16	500	500	0
CEX/SAV/29	Investment income - increase risk appetite	The investment strategy have been amended to allow the required the Council to achieve this target.	250	250	0
CEX/SAV/30a	Shared accountancy service	Shared service did not proceed, however, a restructure has been implemented to produce the required level of saving. Due to delayed implementation however, the full year effect has not been achieved.. Pressure could be reduced as a result of a	500	450	50

Ref:	Detail	Current Position (please state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
		number of vacant posts.			
CEX/SAV/31	Capital Programme Management Office (CPMO)	Recharge to HRA has been agreed	25	25	0
CEX/SAV/33	Treasury recharge to Pensions	Recharges agreed	20	20	0
CEX/SAV/34	Project Manager/Accountant	Recharge to HRA from Innovation & Funding has been agreed.	30	30	0
CEX/SAV/35	Innovation & Funding consultancy budget	Budget referred to was used to fund costs in respect of the BSF programme which has now ended – savings therefore achieved	150	150	0
CEX/SAV/36	External treasury management	Savings delivered.	75	75	0
CEX/SAV/37	Card transaction costs	This has been implemented. No Issues.	35	35	0
CEX/SAV/38	Introduce credit card charging	Due to the complexity of setting up the charging mechanism for credit cards it is likely that this will only be fully implemented by May 2015. Despite the delay it is expected that the savings target will be achieved.	40	40	0
CEX/SAV/39	Benchmarking clubs	Expected to be delivered	40	40	0
CEX/SAV/40	Corporate sponsorship	Dagenham & Redbridge FC has been informed that this funding will cease.	30	30	0
CEX/SAV/41	Audit fees	Corporate Management saving – achieved in 2014/15	100	100	0
CEX/SAV/42	Energy team	Issues with where this saving will be realised from - potential double counting with Facilities saving	25	0	25
CEX/SAV/43	Compliance team	No issues, savings delivered	55	55	0
CEX/SAV/45	Maritime House	No issues, savings on target to be delivered	115	115	0
CEX/SAV/46	Internal audit days - reduce plan	Audit plan reduced	45	45	0
CEX/SAV/48	Client team restructure	An officer's post will now not be deleted until 30 June 2015. This creates a pressure on this saving which will be mitigated from	100	100	0



Ref:	Detail	Current Position (please state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
		within the service.			
CEX/SAV/49	Registrars Cost/Income	Savings target will not be delivered.	50	25	25
CEX/SAV/50	Taxicard Scheme	No issues savings on target to be delivered.	160	160	0
CEX/SAV/52a	Reduce council tax exemptions	The saving has been included in the Council Tax base for 2015/16. The level of Council Tax income will be monitored throughout the year to ensure it remains on budget.	200	200	0
CEX/SAV/52b	Amend council tax support scheme	The proposal to change the Local Council Tax support scheme, reducing the level of support from 85% to 75% was expected to generate additional Council Tax revenue of £0.7m. At period 4, the forecast for year end collection is estimated to be £0.25m which is significantly under target. This position will be monitored closely to assess the ongoing impact of the support scheme reduction.	700	250	450
CEX/SAV/54	Shared insurance service	Saving still to be determined / agreed with Thurrock	18	18	0
CEX/SAV/54a	Additional recharge to the HRA - Innovation & Funding	Recharge agreed	25	25	0
CEX/SAV/54c	Reduction in Council Tax bad debt provision	The saving has been included in the Council Tax base for 2015/16. The level of Council Tax collection will be monitored throughout the year to ensure it remains on budget.	100	100	0
CEX/SAV/54d	Reduction in Temporary Accommodation bad debt provision	Expected to be delivered based upon current position and delivery of Housing TA savings.	250	250	0
CEX/SAV/54e	Increase duration risk on external investments	The investment strategy have been amended to allow the required the Council	100	100	0

Ref:	Detail	Current Position (please state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
		to achieve this target.			
CEX/SAV/54f	Pay Pension Fund contributions on 1 April instead of monthly	This is on target. No Issues.	60	60	0
CEX/SAV/54g	Increase saving from centralisation of Fol/Complaints	Team restructure now completed	110	110	0
CEX/SAV/55	Elevate Overheads	Removal of overhead contribution to be negotiated as part of wider contract changes. Terms agreed but not formally contracted.	488	488	0
CEX/SAV/56	B&Ddirect - Customer Services Channel Shift	Elevate – Savings to be addressed as part of the overall new contractual deal.	64	64	0
CEX/SAV/58	Withdrawal of the Benefits Direct service at One Stop Shops.	Bens Direct closed at the end of February with resources transferring to the back office.	259	259	0
CEX/SAV/60	Automation of Inbound Email/Post Processing	Elevate – Savings to be addressed as part of the overall new contractual deal.	270	120	150
CEX/SAV/61	Council Tax - invest to collect more	Change notice agreed for additional resource along with commensurate change in collection target. Will be monitored monthly.	369	369	0
CEX/SAV/62	Property Services	Creates a pressure on repairs agenda on commercial portfolio but will be mitigated by increased income and whole business review being carried out by group manager.	138	138	0
CEX/SAV/63a	ICT End User Technologies	Initial service proposal agreed between Agilisys and ICT Client. Design workshops scheduled. Target cost payable to Elevate for the service has been reduced.	135	135	0
CEX/SAV/63b	ICT Service Management fulfilment		41	41	0
CEX/SAV/63c	ICT Infrastructure Applications		254	254	0

Ref:	Detail	Current Position (please state if a project is required to deliver the savings)	Target £000	Forecast £000	Variance £000
CEX/SAV/64	Client Team reduction	No issues savings on target to be delivered.	45	45	0
CEX/SAV/65	Returning services - management fee	No issues savings on target to be delivered.	136	136	0
CEX/SAV/66	Private Finance Initiative Monitoring efficiency	No issues savings on target to be delivered.	50	50	0
CEX/SAV/67	PMO efficiency	Redundancy of client side role agreed and non ICT PMO service returned to the Council but without resource.	90	90	0
CEX/SAV/68	Review of complaints/Fol	Savings unachievable because manager believes this saving was superseded by CEX/SAV/54g	40	0	40
CEX/SAV/69	HR/Payroll	The cost of the staff transferring is £1.33m by our calculations, against a budget available (taking into account savings expectations) of £1.288m. There are no plans in place to deliver any savings for the start of the financial year.	100	100	0
CEX/SAV/70	Revenues Services Restructure	Management restructure of Revenues agreed and implemented by Elevate.	92	92	0
CEX/SAV/77	Business Support review	Saving based on PwC management review – requires action to take forward and deliver saving	60	0	60
CEX/SAV/78	Reduction in middle management	Saving based on PwC management review – requires action to take forward and deliver saving	300	178	122
CEX/SAV/79	Corporate Procurement Saving	Ongoing corporate gainshare from Adecco contract. High agency rates in Children's Services will enable delivery of the saving.	500	500	0
<b>Total</b>			<b>14,595</b>	<b>13,673</b>	<b>922</b>

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**HOUSING REVENUE ACCOUNT MONITORING STATEMENT**  
**November 2015-16**

**Appendix C**

	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Dwelling Rents	(90,512)	(91,762)	(1,250)
Non Dwelling Rents	(737)	(737)	0
Other Income	(16,921)	(17,585)	(664)
Interest received	(336)	(336)	0
<b>Total Income</b>	<b>(108,506)</b>	<b>(110,420)</b>	<b>(1,914)</b>
Repairs & Maintenance	17,205	18,563	1,358
Supervision & Management	39,056	39,720	664
Rents, Rates and Other	700	700	0
Revenue Contribution to Capital	37,131	37,023	(108)
Bad Debt Provision	2,670	2,670	0
Interest Charges	10,059	10,059	0
Corporate & Democratic Core	685	685	0
Pension Contribution	1,000	1,000	0
<b>Total</b>	<b>108,506</b>	<b>110,420</b>	<b>1,914</b>

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## 2015/16 CAPITAL PROGRAMME - as at the end of November 2015

## APPENDIX D

Project No.	Project Name	Revised Budget 2015/16	Actual Expenditure	2015/16 Forecast	Forecast Variance
<b>Adult &amp; Community Services</b>					
<b>Adult Social Care</b>					
FC00106	Private Sector HouseHolds	818,718	353,370	818,718	-
FC02888	Direct Payment Adaptations Grant	200,000	67,332	200,000	-
				-	
<b>Culture &amp; Sport</b>					
FC02855	Mayesbrook Park Athletics Arena	74,899	11,486	74,899	-
FC02870	Barking Leisure Centre 2012-14	888,628	450,456	888,628	-
FC03029	Broadway Theatre	150,000	-	150,000	-
FC03032	Parsloes Park - Artificial Turf Pitches & Master Planning	60,000	-	60,000	-
<b>Total for Adult &amp; Community Services</b>		<b>2,192,245</b>	<b>882,644</b>	<b>2,192,245</b>	<b>-</b>

## 2015/16 CAPITAL PROGRAMME - as at the end of November 2015

## APPENDIX D

Project No.	Project Name	Revised Budget 2015/16	Actual Expenditure	2015/16 Forecast	Forecast Variance
<b>Children's Services</b>					
<b>Primary Schools</b>					
FC02736	Roding Primary School (Cannington Road Annex)	130,349	560	130,349	-
FC02745	George Carey CofE (formerly Barking Riverside) Primary School	23,826	450	23,826	-
FC02759	Beam Primary Expansion	78,268	46,282	100,268	22,000
FC02784	Manor Longbridge (former UEL Site) Primary School	303,310	-	303,310	-
FC02799	St Joseph's Primary - expansion	16,321	-	16,321	-
FC02860	Monteagle Primary (Quadrangle Infill)	35,000	18,571	35,000	-
FC02861	Eastbury Primary (Expansion)	50,000	2,229	50,000	-
FC02865	William Bellamy Primary (Expansion)	199,117	9,014	199,117	-
FC02919	Richard Alibon Expansion	74,278	356,212	74,278	-
FC02920	Warren/Furze Expansion	240,000	15,320	240,000	-
FC02921	Manor Infants Jnr Expansion	73,429	55,459	73,429	-
FC02923	Rush Green Expansion	110,000	14,751	110,000	-
FC02924	St Joseph's Primary(Barking) Extn 13-14	15,072	-	15,072	-
FC02956	Marsh Green Primary 13-15	150,000	329,040	550,000	400,000
FC02957	John Perry School Expansion 13-15	40,364	21,736	40,364	-
FC02960	Sydney Russell (Fanshawe) Primary Expansion	1,000,000	459,854	1,000,000	-
FC02979	Gascoigne Primary -Abbey Road Depot	5,500,000	2,481,606	5,500,000	-
FC02998	Marks Gate Junior Sch 2014-15	633,128	508,321	633,128	-
FC03014	Barking Riverside City Farm Phase II	4,054,377	4,152,257	4,214,377	160,000
FC03041	Village Infants - Additional Pupil Places	500,000	49,100	500,000	-
<b>Secondary Schools</b>					
FC02953	All Saints Expansion 13-15	245,351	80,827	245,351	-
FC02954	Jo Richardson expansion	1,692,960	2,044,361	2,047,486	354,526
FC02959	Robert Clack Expansion 13-15	1,000,000	375,598	1,000,000	-
FC02977	Barking Riverside Secondary Free School (Front Funding)	5,500,000	2,503,638	8,000,000	2,500,000



## 2015/16 CAPITAL PROGRAMME - as at the end of November 2015

## APPENDIX D

Project No.	Project Name	Revised Budget 2015/16	Actual Expenditure	2015/16 Forecast	Forecast Variance
FC03020	Dagenham Park	-	15,672	-	-
<b>Other Schemes</b>					
FC02826	Conversion of Heathway to Family Resource Centre	19,513	190	19,513	-
FC02906	School Expansion SEN projects	400,000	334,748	400,000	-
FC02909	School Expansion Minor projects	344,464	317,992	344,464	-
FC03043	Pupil Intervention Project (PIP)	125,000	-	125,000	-
FC02972	Implementation of early education for 2 year olds	509,090	479,213	509,090	-
FC02975	Barking Abbey Artificial Football Pitch	67,385	4,722	67,385	-
FC02978	Schools Modernisation Fund 2013-14	227,108	161,775	227,108	-
FC03010	SMF 2014-16	2,477,918	2,157,283	2,477,918	-
FC03013	Universal infant Free School Meals Project	33,687	27,825	33,687	-
9999	Devolved Capital Formula	925,109	240,372	925,109	-
<b>Children Centres</b>					
FC03033	Upgrade of Children Centres	300,000	-	300,000	-
FC02217	John Perry Children's	9,619	-	9,619	-
FC02310	William Bellamy Children Centre	6,458	-	6,458	-
<b>Total for Children's Services</b>		<b>27,110,501</b>	<b>16,552,554</b>	<b>30,547,027</b>	<b>3,436,526</b>

## 2015/16 CAPITAL PROGRAMME - as at the end of November 2015

## APPENDIX D

Project No.	Project Name	Revised Budget 2015/16	Actual Expenditure	2015/16 Forecast	Forecast Variance
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### Environmental Services

FC02764	Street Light Replacing	678,215	597,204	678,215	-
FC02873	Environmental Improvements and Enhancements	93,481	86,231	93,481	-
FC02964	Road Safety Impv 2013-14 (TFL)	428,280	120,046	428,280	-
FC02886	Parking Strategy Imp	51,770	6,930	51,770	-
FC02542	Backlog Capital Improvements	368,366	219,787	368,366	-
FC02930	Highways Improvement Programme	185,940	223,593	185,940	-
FC02982	Controlled Parking Zones (CPZ's) 2013-15	233,439	72,922	233,439	-
FC02999	Rippleside Cmtry prov 2014-15	11,895	1,974	11,895	-
FC03011	Structural Repairs & Bridge Maintenance	200,956	52,581	200,956	-
FC03012	Environmental Asset Database Expansion	147,508	138,054	147,508	-
FC03030	Fleet Management & Depots	290,160	-	290,160	-
FC03031	Highways & Environmental Design	1,049,840	983,815	1,049,840	-
<b>PGSS</b>					
FC03026	BMX Track	80,000	3,900	80,000	-
FC03034	Strategic Parks (Parks Infra £160k and Play facility £20k)	184,807	32,252	184,807	-
<b>Total for Environment Services</b>		<b>4,004,657</b>	<b>2,525,429</b>	<b>4,004,657</b>	<b>-</b>

## 2015/16 CAPITAL PROGRAMME - as at the end of November 2015

## APPENDIX D

Project No.	Project Name	Revised Budget 2015/16	Actual Expenditure	2015/16 Forecast	Forecast Variance
<b>Chief Executive (CEO)</b>					
<b>Asset Strategy</b>					
FC02587	Energy Efficiency Programme	15,500	8,379	15,500	-
FC02565	Implement Corporate Accommodation Strategy	1,777,000	860,456	1,777,000	-
<b>ICT</b>					
FC02738	Modernisation and Improvement Capital Fund (formerly One B &	550,535	608,072	550,535	-
FC02877	Oracle R12 Joint Services	373,435	216,881	373,435	-
FC03035	ICT Design Transformation	377,955	-	377,955	-
FC03016	Agilisys Connect Website Development	7,980	7,980	7,980	-
<b>Regeneration</b>					
FC03027	Establishment of Council Owned Energy Services Company	125,000	10,050	125,000	-
FC02458	New Dagenham Library & One Stop Shop Church Elm Lane	129,245	112,124	129,245	-
FC02596	LEGI Business Centres	376,978	254,095	376,978	-
FC02969	Creative Industries	11,630	1,044	11,630	-
FC02901	Creekmouth Arts & Heritage Trail	74,360	61,654	74,360	-
FC02902	Short Blue Place (New Market Square Barking - Phase II)	226,000	30,010	226,000	-
FC02891	Merry Fiddlers junction Year 2	170,000	238,443	238,443	68,443
FC02898	Local Transport Plans (TfL)	83,837	62,054	83,837	-
FC02962	Principal Road Resurfacing 2013-14 TfL	529,000	176,370	529,000	-
FC02963	Mayesbrook Neighbourhood Improvements (DIY Streets) 2013-14	304,511	70,360	304,511	-
FC02994	Renwick Road/Choats Road 2014/15	314,877	315,479	314,877	-
FC02995	Ballards Road/ New Road 2014/15	427,231	88,763	427,231	-
FC02996	Barking Town Centre 2014/15 (TfL)	901,374	606,313	901,374	-
FC02997	A12 / Whalebone Lane (TfL)	323,209	251,484	323,209	-
FC03000	MAQF Green Wall (TfL)	53,116	20,638	53,116	-
FC03015	Demolition of the Former	45,648	34,667	45,648	-

## 2015/16 CAPITAL PROGRAMME - as at the end of November 2015

## APPENDIX D

Project No.	Project Name	Revised Budget 2015/16	Actual Expenditure	2015/16 Forecast	Forecast Variance
FC03023	Bus Stop Accessibility Improvements	97,000	103,600	142,000	45,000
FC03025	Gale St Corridor Improvements	47,000	-	47,000	-
FC03028	Chadwell Heath Crossrail Complementary Measures (CCM)	147,000	10,417	147,000	-
<b>Total for the Chief Executive Department</b>		<b>7,489,421</b>	<b>3,715,571</b>	<b>7,602,864</b>	<b>113,443</b>

### Housing General Fund Schemes - EIB

FC02990	Abbey Road Phase II New Build	6,222,000	6,486,664	6,222,000	-
FC02986	Gascoigne Estate	3,000,000	1,703,963	3,000,000	-
<b>Total for Housing General Fund Schemes</b>		<b>9,222,000</b>	<b>8,190,627</b>	<b>9,222,000</b>	<b>-</b>

<b>Grand Total General Fund</b>		<b>50,018,824</b>	<b>31,866,825</b>	<b>53,568,793</b>	<b>3,549,969</b>
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## 2015/16 CAPITAL PROGRAMME - as at the end of November 2015

## APPENDIX D

Project No.	Project Name	Revised Budget 2015/16	Actual Expenditure	2015/16 Forecast	Forecast Variance
<b>HRA</b>					
<b>Estate Renewal</b>					
FC02820	Boroughwide Estate Renewal	9,730,000	8,465,333	9,730,000	-
<b>New Builds</b>					
FC02823	New Council Housing Phase 3	-	7,078	-	-
FC02916	Lawns & Wood Lane Dvlpmnt	142,752	27,792	142,752	-
FC02917	Abbey Road CIQ	327,244	9,131	327,244	-
FC02931	Leys New Build Dev (HRA)	10,620,355	5,962,365	10,620,355	-
FC03009	Leys Phase II	500,000	40,220	500,000	-
FC02961	Goresbrook Village Housing Development 13-15	1,736,464	1,561,585	1,736,464	-
FC02970	Marks Gate Open Gateway Regen Scheme	5,552,454	5,353,361	5,552,454	-
FC02988	Margaret Bondfield New Build	7,738,054	5,199,530	7,738,054	-
FC02989	Ilchester Road New Built	150,000	76,246	150,000	-
FC02991	North Street	150,000	147,338	150,000	-
<b>Investment in Stock</b>					
FC00100	Aids & Adaptations	940,000	221,215	940,000	-
FC02933	Voids	4,600,000	3,659,806	4,600,000	-
FC02934	Roof Replacement Project	120,000	4,516	80,000	- 40,000
FC02938	Fire Safety Works	1,520,000	576,924	1,520,000	-
FC02943	Asbestos Removal (Communal Areas only)	1,014,000	186,807	950,000	- 64,000
FC02950	Central Heating Installation Inc. Communal Boiler Replacement	1,453,788	1,103,422	1,903,788	450,000
FC02983	Decent Homes Central	8,800,000	6,043,919	8,800,000	-
FC02984	Block & Estate Modernisation	362,393	519,374	425,000	62,607
FC02939	Conversions	180,000	4,920	130,000	- 50,000
FC03001	Decent Homes (North)	11,145,139	7,417,948	10,878,654	- 266,485
FC03002	Decent Homes (South)	7,911,065	4,041,317	7,911,065	-
FC03003	Decent Homes (Blocks)	3,058,753	3,077,537	3,058,753	-

## 2015/16 CAPITAL PROGRAMME - as at the end of November 2015

## APPENDIX D

Project No.	Project Name	Revised Budget 2015/16	Actual Expenditure	2015/16 Forecast	Forecast Variance
FC03004	Decent Homes (Sheltered)	1,944,665	1,737,337	1,944,665	-
FC03005	Decent Homes Small Contractors	6,538	1,300	6,538	-
FC03007	Windows	270,000	189,478	193,878	- 76,122
FC03036	Decent Homes Support - Liaison Teams/Surveys	378,000	189,000	378,000	-
FC03037	Energy Efficiency	50,000	-	30,000	- 20,000
FC03038	Garages	300,000	132	304,000	4,000
FC03039	Estate Roads & Environmental	150,000	-	150,000	-
FC03040	Communal Repairs & Upgrades	430,000	205,839	430,000	-
FC03044	Fire Safety Works (R&M)	70,000	-	70,000	-
FC03045	External Fabrics - Blocks	141,000	-	141,000	-
TBA	Street Purchase Scheme	-	-	-	-
<b>Grand Total HRA</b>		<b>81,492,664</b>	<b>56,028,170</b>	<b>81,492,664</b>	<b>-</b>
<b>TOTAL CAPITAL PROGRAMME</b>		<b>131,511,488</b>	<b>87,894,995</b>	<b>135,061,457</b>	<b>3,549,969</b>

**CABINET****19 January 2016**

<b>Title:</b> Budget Strategy Report 2016/17 to 2019/20	
<b>Report of the Cabinet Member for Finance</b>	
<b>Open Report</b>	<b>For decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
<b>Report Authors:</b> Kathy Freeman, Divisional Director – Finance	<b>Contact Details:</b> Tel: 0208 227 3497 E-mail: <a href="mailto:Kathy.freeman@lbbd.gov.uk">Kathy.freeman@lbbd.gov.uk</a>
<b>Accountable Director:</b> Jonathan Bunt, Strategic Director of Finance and Investment	
<b>Summary</b>	
<p>This report updates the Medium Term Financial Strategy presented to Cabinet in July 2015 and considers the impact of the Local Government Settlement announced on the 17<sup>th</sup> December 2015.</p> <p>The Settlement announcement covered the parliamentary period to 2019/20 which will enable the Council to plan the financial challenges ahead with greater certainty.</p> <p>The position reported in July was that the Council had a budget gap of £5.7m in 2016/17 and an overall budget gap of £71.6m by 2020/21.</p> <p>Following detailed analysis of the Settlement, the Council is now able to set a balanced budget for 2016/17 and the revised budget gap is now c£63m. This position will be subject to change, as new pressures emerge and legislative burdens are announced.</p> <p>Although the settlement was better than anticipated by £9m, the Council still faces a significant financial challenge ahead. In order to address the budget gap, the Council will continue with the Ambition 2020 programme to radically transform the way it delivers outcomes for and services to residents.</p>	
<b>Recommendation(s)</b>	
<p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> <li>(i) Note that the Council has a balanced budget in respect of 2016/17;</li> <li>(ii) Note the additions and amendments to the Medium Term Financial Strategy, as set out in sections 2, 3, 4 and 5 of this report;</li> <li>(iii) Note that the Council's budget strategy incorporates the 2% Council Tax charge in respect of the Social Care precept as set out in section 5.4;</li> <li>(iv) Note that the Social Care precept of 2% will be charged in addition to the 1.99%</li> </ul>	

increase on Council Tax proposed for 2016/17;

- (v) Note that the Government has yet to announce whether the London Enterprise Panel (LEP) top slice will be applicable for 2016/17, which could reduce the Council's overall funding by c£1m as set out in section 6.6 to 6.8 of the report, and that should a LEP top slice be applicable, Members will be requested to approve a drawdown equivalent to the level of the top slice from reserves, to enable the Council to set a balanced budget for 2016/17;
- (vi) Agree to fund £2m from reserves to mobilise the Ambition 2020 programme from April 2016 onwards, as set out in section 9 of the report; and
- (vii) Agree to the Council's capital bids for 2016/17 to 2019/20, as set out in section 10 and Appendix 2 to the report.

### **Reason**

Financial planning is key in supporting the Council to deliver its vision of "One borough; one community; London's growth opportunity."

## **1 Background**

- 1.1 In December 2014, Cabinet agreed a range of savings options which enabled a balanced two year budget covering 2015/16 and 2016/17 to be presented to Members. This was based on an estimate of available resources and anticipated pressures on Council budgets.
- 1.2 The budget and Council Tax for 2015/16 was formally agreed by Assembly in February 2015 along with the Council's Medium Term Financial Strategy (MTFS) for 2015/16 to 2018/19. This included the intention to raise Council Tax in 2016/17 and the use of £2.152m from Council reserves.
- 1.3 Since approval by Assembly, an updated Medium Term Financial Strategy was presented to Cabinet in July. This incorporated further pressures and assumptions in funding reductions, increasing the budget gap to £5.7m. The report in July also launched the Council's Ambition 2020 transformation programme, and the Growth Commission.

## **2 July 2015 budget gap**

- 2.1 The position reported in July captures a number of pressures including additional demographic growth and further reductions in central government funding.
- 2.2 The budget gap of £5.7m included £12.855m of savings proposals previously agreed.



<b>Pressures/Income</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Prior year (surplus)/deficit</b>	<b>-565</b>	<b>5,711</b>	<b>27,095</b>	<b>44,125</b>	<b>58,523</b>
Investment in capital programme	500	900	900	900	900
Staff pay award & capacity building	2,000	1,000	1,000	1,000	1,000
Pension fund deficit & NI	2,650	325	325	325	325
ELWA levy adjustment	265	320	350	350	350
Non staff inflation & delay interest		5,100	2,100	2,100	2,100
Implications of the Care Act 2014	670	700	770	1,010	1,260
Increased demand – Children/Adult	1,000	1,400	1,800	1,900	1,900
Demographic demand & legislation	500	2,500	2,500	2,500	2,500
<b>Total additional costs</b>	<b>7,585</b>	<b>12,445</b>	<b>9,745</b>	<b>10,085</b>	<b>10,335</b>
Changes in funding	12,988	9,912	8,285	5,187	4,002
2% increase in Council Tax	-890	-919	-949	-980	-1,012
Increase in Council Tax base	-552	-570	-589	-608	-628
New homes bonus	0	516	538	714	428
<b>Total change in income</b>	<b>11,546</b>	<b>8,939</b>	<b>7,285</b>	<b>4,313</b>	<b>2,790</b>
In year budget gap	19,131	21,384	17,030	14,398	12,125
Savings	-12,855				
<b>Cumulative budget gap</b>	<b>5,711</b>	<b>27,095</b>	<b>44,125</b>	<b>58,523</b>	<b>71,648</b>

### 3 Budget pressures in 2015/16

- 3.1 Cabinet is aware that Children's Services are currently reporting an overspend of approximately £6m from pressures in a number of areas including difficulties in recruiting permanent social workers, those accessing no recourse to public funds (NRPF) and the increased number of children requiring assessments. The £6m overspend is the net position, after £5.5m of mitigating actions in place to manage down the position. Children's Services now have a financial recovery plan in place, project SAFE, which will seek to address the recurring pressure of £11.5m on an ongoing basis by the end of the 2016/17 financial year.
- 3.2 Adult Social Care are experiencing pressures in the allocation of personal budgets, nursing home and residential placements. The rates paid to suppliers have been held for the last three years and the implementation of the Care Act now requires councils to ensure financial sustainability of the supplier market place. Although the pressures are currently being managed by the service, the position cannot be maintained going forward without additional funding.
- 3.3 Environmental Services are still experiencing pressures following the introduction of the De-regulation Act in April 2015, banning the use of CCTV cameras to set parking fines, which caused a pressure of £1.9m. This is partially being mitigated through the use of additional parking attendants issuing fines on foot.
- 3.4 The 2015/16 MTFS assumed £0.3m income from the Business Rates pool that the Council formed with LB Havering, Thurrock Council and Basildon Council. Due to the changes announced in March 2015 for business rates appeals, a large number

of appeals have been lodged by local businesses in Thurrock and Basildon. As a result, the expected income from the pool did not materialise which has created a deficit in this Council's funding of £0.3m. The funding shortfall is being managed in-year, however it is proposed that the £0.3m business rates income is reversed in 2016/17 due to the future uncertainty of income from the pool.

#### **4 Updating the MTFS**

4.1 In addition to the in year issues above, since July 2015, a number of pressures have arisen and are captured below.

##### **Review of savings proposals**

4.2 The Council has undertaken a review of the savings proposals and assessed the progress of the savings being delivered for the start of 2016/17. The expectation is that all savings will be delivered within the proposed timescales, except for the implementation of the Leisure Trust proposals. As such, it is expected that this will create a one off pressure of £1m in 2016/17, until future proposals for Leisure are developed and implemented.

4.3 In December 2014, Cabinet approved ACS/SAV/12a to deliver a saving of £0.280m to remove the generalist advice and enhanced welfare rights advice to residents in the borough by ceasing the commissioned service as the contract expires on 31<sup>st</sup> March 2015. This saving was subsequently deferred to 2016/17. Following a further review of the support received, it is considered that a level of service will still be required during 2016/17. Therefore, provision of £0.230m has been identified through rolling forward uncommitted funding from the 2015/16 budget along with making available Council accommodation from which the service can be operated. The future requirements of this service will be reconsidered through the Council's Ambition 2020 programme and assessed during the 2017/18 budget setting process.

##### **London Living Wage**

4.4 The Council currently pays a fair living wage of £9.20 per hour which was agreed as part of the Pay Policy statement in February 2015. The Council is currently considering adopting the London Living wage of £9.40 per hour for its employees and employees engaged through an agency. The impact of paying all staff the London Living wage will create an additional cost pressure of c£0.15m per annum.

##### **Oracle hosting costs**

4.5 In August 2014, the Council implemented One Oracle working alongside five other councils. The Council currently has a contract for Cap Gemini to host the system which is due to expire next year. Due to the level of changes the Council will be going through, it has been proposed to extend the contract with Cap Gemini for another two years during this period of transition and this is considered elsewhere on the agenda. The costs of extending the contract will be an additional £0.320m over the next two years. The MTFS will address the difference between the budget available and the increase in cost.

##### **ELWA Levy**

4.6 The Council has recently received notification from LB Redbridge as the lead authority that the ELWA levy will be increased by £0.626m. This is £0.450m above what has been assumed in the MTFS from previous notifications.

### ICT hosted office solution

- 4.7 The Council will be moving towards a hosted office solution which will be cheaper to maintain in the long term and promote smarter working to enable office accommodation savings. This will also enable the Council to reduce the number of servers from c800 to c300 and move towards cloud based storage. In the short term, there will be additional licensing costs of £0.38m per annum.

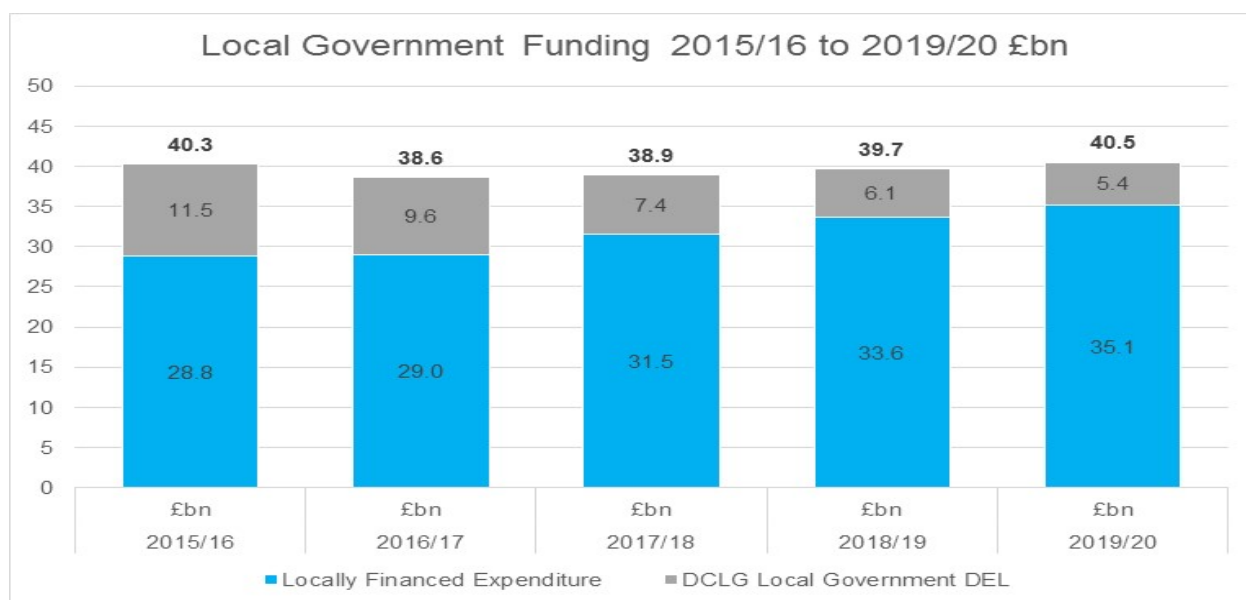
### Demographic growth

- 4.8 The borough's population growth is projected to increase by 14% by 2020. This growth is four times faster than the national average. The MTFs therefore increases the amount required to fund demographic pressures between 2017/18 to 2020/21.

## 5 Autumn Spending Review

### Cuts to Local Government Funding

- 5.1 The headlines are that Local Government's cash budgets will broadly be the same in 2020 as it is in 2015. However, the following graph captures the shift of this expenditure from nationally funded grants, to locally financed expenditure. Over the next five years, national grant funding will be reduced by 56% in real terms.



- 5.2 The Chancellor also announced that Local Government will move towards a 100% business rates retention system and that Revenue Support Grant will be cut completely by 2020. It was also announced that as councils will retain 100% of the business rates, there will be additional responsibilities that transfer with this. The additional responsibilities mentioned were the funding of Public Health and the funding of the Housing Benefits administration for pensioners.
- 5.3 As the Council moves towards 100% business rates retention, consideration must be given to the loss of income from releasing commercial land and industrial estates for residential development. At this stage it is too early to accurately estimate the loss of business rates income but, as an indication, the total rateable value of the Thames Road development is £4.8m and generate business rates of £1.8m. In addition, the rateable value of River Road is £11.7m, and generates business rates of £5.2m. Although the intention is that a number of businesses will be relocating

within the new industrial spaces being developed in the borough, the MTFs makes a prudent assumption that there will be some loss of business rates. As a result, £0.5m has been incorporated into the MTFs as a prudent assumption to offset against the future loss of business rates income.

### **Social care precept**

- 5.4 In recognition of the demand pressures experienced by social care departments nationally, the government has announced that councils will be able increase Council Tax by 2% per annum, as a social care precept to help those pressures. For Barking and Dagenham, the social care precept of 2% will generate c£0.9m of additional income. Provisionally, this money will be ring-fenced towards the adult social care budget. The 2% precept will be recommended in addition to the 1.99% Council Tax increase. The increase of 2% for the social care precept, and the 1.99% increase to the Council Tax charge will be recommended for Cabinet in February for approval, as part of the statutory budget setting report.

### **Education services grant (ESG)**

- 5.5 The headline announcement is that there will be cuts of £600m to the Education Services grant by 2020, and a number of statutory functions being transferred away from Local Education Authorities. Barking and Dagenham's ESG allocation is £3.3m, and the MTFs assumes that £1m of funding will remain by 2020.

### **National minimum wage**

- 5.6 The government announced that from April 2016, the national minimum wage will be increased to £7.20 per hour, with the expectation that the National Living Wage will reach 60% of median earnings by 2020. This will increase the National Living wage to c£9 per hour over the next five years. Although the Council currently pays a fair living wage in London, the impact of this proposal will create additional cost pressures in the contract prices paid. Further analysis is required to fully assess the implications of this announcement. The MTFs will set aside £0.12m of funding to be held corporately in 2016/17 whilst the implications are being calculated.

### **Apprenticeship levy**

- 5.7 The Autumn SR also announced plans to charge employers with a pay bill over £3m an "apprenticeship levy" of 0.5% of the total pay bill. All employers will receive a rebate of £15,000 which means that only 2% of the organisations will be liable for the levy. The impact of the levy for Barking and Dagenham is estimated to be c£0.675m on the general fund. The levy will be effective from April 2017.

### **Sale of capital assets to fund transformation projects**

- 5.8 The Autumn Spending review announced the ability for councils to sell assets to fund transformation projects. This not extended to the sale of council housing stock.

## **6 Local Government Finance Settlement**

- 6.1 On 17 December 2015, the Department for Communities and Local Government announced a four year settlement. Although the cuts are still very significant over the next four years, it will enable councils to plan with greater certainty the challenges it faces over the medium term.

### **Revenue Support Grant (RSG)**

- 6.2 The reduction in the RSG was £2m less than originally estimated in the July 2015 MTF. This is as a result of a change in the methodology for distributing RSG to reflect the Council's relative ability to raise Council Tax and NNDR.
- 6.3 For 2016/17, the MTF previously estimated a reduction of £11m of RSG and the actual reduction as per the Local Government Settlement is c£8.7m. Over a five year period, the July MTF assumed cuts to RSG of £36.8m, compared to actual cuts of £28.5m as per the Settlement.
- 6.4 The Council has been lobbying central government about the inequities of the current funding formula and it can be viewed that that lobbying has influenced the proposed methodology. That said, the effects of grant "damping" reduced our RSG allocation by £7.9m in 2013/14 and the cumulative loss of grant is estimated to be £50m by 2020. This is also compounded with the RSG not recognising the increases in the borough's population. By 2020, the Council will have lost out on c£20m of grant due to the funding regime being fixed.

### **Care Act 2014**

- 6.5 The RSG for 2016/17 rolls in £1m of funding in relation to Care Act 2014, which was previously paid as a separate ring-fenced grant. To recognise the pressures experienced by Adult Social Care in implementing the Care Act, this funding has been transferred to the Adult Social Care budget in full. In order to fund the transfer of the £1m, the funding set aside for demographic pressures of £0.5m has been used to top up the existing provision held for implementing the Care Act.

### **New homes bonus**

- 6.6 Following announcements in the Autumn Spending review about cuts to New Homes Bonus of £800m to partially fund the increased £1.5bn budget requirements of the Better Care Fund, the Council took a prudent approach with the reductions in the new homes bonus. For 2016/17, the July MTF assumed that New Homes Bonus would still be subject to a top slice of £1m, with no further increases. The Settlement confirmed that new homes bonus would be c£6m, which was £3m better than previously assumed. The Settlement also confirmed that the new homes bonus would remain at £6m for 2017/18 but will then reduce to £3.8m in 2018/19 as funding is transferred to offset the costs of the Better Care Fund.
- 6.7 In 2015/16, all Councils across London had their New Homes Bonuses (NHB) top-sliced by £70m for the London Enterprise Panel (LEP). A government condition around the top slice is that funding each borough contributes to the NHB top slice should be returned to this community via the LEP NHB program, to help deliver the Growth Deal for London. The Council's NHB top slice was c£1m which reduced the Council's overall funding. The top sliced funding was returned to the Council for the delivery of specific projects as agreed by the Council and the LEP. The Government has yet to announce whether the top-slice will continue to apply in 2016/17. If the top-slice was to apply, this would reduce the Council's overall funding position by c£1m.
- 6.8 Although the LEP top-slice was returned to the Council in 2015/16, there is a possibility that the Council may not receive any returned funding in 2016/17. However, even if the funding is returned, the expectation will be to deliver specifically agreed projects and will reduce the overall un-ringfenced grant funding for the Council. Should this occur, the Council may require a one-off call from

reserves in 2016/17 in order to set a legal balanced budget. Further information will be presented to Cabinet as it becomes available.

#### **Education services grant**

- 6.9 The July MTFS assumed a £0.6m cut to the Education Services grant in 2016/17, reducing the allocation from £3.3m to £2.7m. Although the Autumn Spending Review announced that the grant would be cut by £600m by 2020, the Council's allocation for 2016/17 has instead increased by £0.1m.

#### **Better Care Fund**

- 6.10 By 2019/20, the Council will receive up to £8.2m of grant towards the Better Care Fund though further details of the Fund are yet to be announced. Due to the current restrictions of the Better Care Fund, from the Council's medium term financial planning perspective, this additional funding has not been taken into account of the Council's overall financial position to reduce the budget gap.

#### **Housing Benefit Administration grant**

- 6.11 Confirmation has now been received that the HB administration grant will be £0.1m less than it was in 2015/16. The reduction in funding has been adjusted in the MTFS.
- 6.12 Overall, the Settlement was better than previously estimated, reducing the Council's budget gap from c£72m as reported in July 2015 to c£63m. Although the funding announcements allow the Council to move forward with relative certainty, the level of financial pressures and additional burdens arising from legislation will further inform the MTFS.

### **7 Council Tax base 2016/17 and Council Tax income**

- 7.1 The MTFS currently assumes that Council Tax will increase by 1.99% which is up to the referendum threshold. The MTFS also assumed a modest increase of 500 new homes being built per year, over the next five years.
- 7.2 Following the Summer Spending Review announcements around potential changes to Tax Credits, the Council's MTFS took a prudent approach in estimating increases to the Council Tax base. The proposed changes to Tax Credits would have adversely affected the income received for a large proportion of our residents. Decreases in the income residents received would have increased the number of those eligible for the Council Tax support scheme. In turn, this would decrease the number of properties the Council is able to charge full Council Tax for. As the Tax Credit changes were not implemented, the Council Tax base rise is higher than previously forecasted.
- 7.3 The Council Tax base report features elsewhere on this agenda shows, as a result of the Tax Credits not being implemented, a significant increase of £2.6m over and above what was assumed in the MTFS. The other factors influencing this are the number of properties increasing by over 900, a further 952 reduction in residents receiving the single person discount and also a number of people who no longer receive Council Tax support.

## 8 2016/17 budget position

8.1 The position presented to Cabinet in July 2015 reported a budget gap of £5.7m for 2016/17. Following the Settlement and having incorporated all of the pressures outlined above, the Council is now in a position to report a balanced budget for 2016/17.

8.2 The table below captures the changes the 2016/17 position, as presented to Assembly in February 2015, the position presented to Cabinet in July 2015 and the position following the provisional Local Government Finance settlement in December 2015. It also captures the additional pressures and changes in funding outlined in sections 3 to 7 of this report.

Pressures/Income	Assembly Feb 2015 2016/17 £'000	Cabinet July 2015 2016/17 £'000	Settlement Dec 2015 2016/17 £'000
<b>Prior year (surplus)/deficit</b>	<b>(565)</b>	<b>(565)</b>	<b>(565)</b>
Investment in capital programme	500	500	1,000
Staff pay award & capacity building	1,000	2,000	2,000
Pension fund deficit	650	650	650
ELWA levy adjustment	265	265	626
Implications of the Care Act 2014	2,500	670	1,044
Increase in employers' NI contribution	2,000	2,000	2,000
Children's demand led increase		1,000	1,000
Adults precept 2% CTax increase			890
Increased demographic pressure		500	0
Delayed implementation of Leisure Trust			1,000
Oracle hosting, LLW, ICT hosting			690
NMW – Corporate contracts			120
<b>Total additional costs</b>	<b>6,915</b>	<b>7,585</b>	<b>11,020</b>
Changes in funding	9,300	11,584	8,412
Collection fund surplus prior year	1,718		
1.99% increase in Council Tax	(800)	(890)	(890)
2% increase Adult Social care precept			(890)
Reversal of Council Tax surplus		1,404	1,404
Increase in Council Tax base	(640)	(552)	(3,234)
Income from Business Rates pooling	(400)		300
Transfer of industrial sites for residential use			500
New homes bonus	(521)		(3,237)
<b>Total change in income</b>	<b>8,657</b>	<b>11,546</b>	<b>2,365</b>
Gross budget gap	15,572	19,131	13,385
Savings agreed December 2014	(12,855)	(12,855)	(12,855)
<b>Budget gap after savings</b>	<b>2,152</b>	<b>5,711</b>	<b>(35)</b>

## **9 The Council's Medium Term Financial Strategy to 2020/21**

- 9.1 Although the 4 year Settlement will allow the Council to plan the level of funding reductions with greater certainty, there are still a number of unknowns which will affect the MTFS going forward.
- 9.2 The MTFS currently captures all the legislative changes and new burdens known to the Council, and the best estimates of what the demand pressures are, over time, these figures will be refined as more information becomes available.
- 9.3 Although the Settlement was better than originally estimated by c£10m, the Council still faces a significant challenge ahead and will be required to save £63m by 2020/21. The revised MTFS is attached as Appendix 1 of this report.
- 9.4 Since 2010, the Council has saved over £100m to date and, as such, it can no longer sustain another iterative budget process. In July 2015, Cabinet approved the Ambition 2020 programme and funding for the Growth Commission.
- 9.5 The Ambition 2020 programme will move the Council away from the traditional silos it currently operates within and provide a fundamental re-think of how the Council operates going forward. The Ambition 2020 programme will be putting forward proposals for Members to consider so a balanced budget can be agreed for 2017/18 through to 2020/21.
- 9.6 The implementation of the Ambition 2020 programme will require large scale investment. Cabinet has in total approved £2.1m of funding from reserves for the development of full business cases between by March 2016. As the Council moves to the implementation phase of those business plans, a significant amount of external capacity and expertise will be required to deliver the actions required.
- 9.7 Following the completion and collation of those business cases, a report will be presented to Cabinet in April, outlining the level of investment required to fully deliver and implement the proposals in the Ambition 2020 programme. The report will also set out how the programme will support the delivery of the £63m budget gap.
- 9.8 In order to prevent delays in mobilising the Ambition 2020, Members are requested to approve an interim draw down from reserves of £2m for 2016/17 to fund the initial stages of the programme.
- 9.9 At this stage, it is anticipated there will an element of capital investment required to deliver the Ambition 2020 programme. As the proposals are being fully developed, Members are asked to authorise further capital borrowing of £5m to support the investment required for 2016/17. The revenue costs of this borrowing is £0.5m which will added to the MTFS.
- 9.10 In the report on Ambition 2020 to Members in April, the financial implications of the programme will be much more detailed and profiled over the life of the MTFS. This report, looking at the budget for 2016/17 and the following years would not, however, be complete without including an initial provision for anticipated spend next year.



## 10 The Council's 5 year budget strategy

10.1 The current MTFS incorporates the revenue cost of borrowing for the next 5 years. For 2016/17, the MTFS sets aside £0.5m of borrowing costs, which geared up allows for an investment of £5m capital expenditure. In addition to this, there is a further provision of £0.5m for capital investment needed from the Ambition 2020 projects. From 2017/18 to 2019/20, the MTFS sets aside £0.9m per annum, which allows for £10m of investment in the Council's capital programme.

10.2 Members are requested to approve the capital bids for 2016/17 to 2019/20 as set out in Appendix 2. A high-level summary of each bid is set out below:

### Adult & Community Services

10.3 **Total of all bids over five years: £1.626m; plus £2.2m of additional schemes that will self-fund the borrowing costs.**

10.4 **ACS01: 50m Demountable Swimming Pool (£1.700m)** – to provide an additional demountable 50m swimming pool, with an approximate 15 year life, at the Becontree Heath Leisure Centre site on land already owned by the Council and set aside for leisure use. This project will self-fund the borrowing costs from the additional revenue that will be generated, and will be in addition to the £5m of borrowing that is being made available corporately. The Service anticipates the pool will generate income of between £9.9m - £12.1m in total over its 15 year life, which equates to average annual income of between £0.663m – £1.013m (ranging from low-end to high-end forecasts). This will pay for the running costs of the pool as well as the cost of borrowing (interest and repayment of capital), which will be £0.157m per year. These income forecasts are based on the pool opening in time for the start of the 2016/17 academic year.

10.5 **ACS02: 3G Football Pitches in Parsloes Park (£0.50m)** – to provide two full sized artificial turf pitches inside the park. As above, this project will self-fund the borrowing costs, and will be in addition to the £5m of borrowing that is being made available corporately. The pitches will generate additional income of £0.050m per year from 2017/18 onwards, and this will be used to fund the cost of borrowing, which will be £0.042m per year (interest and repayment).

10.6 **ACS03: BLC Replacement Flooring (£0.205m)** – will replace the yellow vinyl flooring located throughout most of the Barking Learning Centre in both the staff and public areas, as it has become worn/dirty and slightly water damaged, leading to health and safety concerns.

10.7 **ACS04: Dagenham Library Foyer (£0.057m)** – to construct an external foyer to the front of Dagenham library, which will reduce and eliminate the current issues caused by the wind and cold temperatures penetrating the reception area and ground floor due to the design of the current main entrance.

10.8 **ACS05: Eastbury Manor House - Access and Egress Improvements (£0.086m)** – this will improve the driveway surface, refurbish the gates and create a new bin storage area with fencing to match existing fencing; and improve the back entrance

to the house with an accessible path and reinstatement of existing path including the refurbishment of railings.

- 10.9 **ACS06: Barking Learning centre One Stop Shop Space (£0.046m)** – will create two individual units measuring 1,200 square meters in size that can be used for the purpose of leasing to other organisations.
- 10.10 **ACS07: Access Improvements Eastbury Manor House (£0.035m)** – this scheme will install a fully enclosed lift to replace the current unreliable platform lift, and replace the hydraulic mechanism to the York stone ramp leading to the main entrance. This will be necessary in order to address accessibility issues.
- 10.11 **ACS08: Barking Learning centre Void Areas (£0.140m)** – this project involves filling in the three void areas within the building. This will create additional rooms on the first floor that could potentially be used as both teaching and meeting space but would also be available for public hire, therein generating revenue streams.
- 10.12 **ACS09: Social Care IT System – Replacement of Northgate SWIFT (£0.977m).** SWIFT is the core database for storing all children and adult social care records, and currently has a number of issues in terms of fitness for purpose, particularly in light of the challenges faced by both children’s and adults social care. This scheme will replace and upgrade the system.
- 10.13 **ACS10: Improvement Works at Abbey Green and Abbey Ruins (£0.035m)** – this is to enable a stage one Heritage Lottery Fund (HLF) heritage grant project funding bid to be developed and to provide the necessary match funding for the bid itself. If successful this would release an initial grant of £386,702 from the HLF. A stage two bid could also further be developed, with the potential to develop a £2.5m scheme in total that would transform Abbey green and Ruins as spaces for recreation, and address the longstanding problems that have put the site on the Heritage at Risk Register.

### **Children’s Services**

**Total of bids over five years: £0.25m**

- 10.14 **CHS01: Extension of Abbey children’s centre nursery (£0.205m)** – this proposal is to extend Abbey children’s centre nursery by 40 full-time equivalent places, in order to help meet the demand for child care places in the borough.

### **Environmental Services**

**Total of bids over five years: £5.825m**

- 10.15 **ES01: Consolidation & Expansion of CPZ (£0.630m)** – this scheme will expand and consolidate CPZ parking zones, to create comprehensive clearly defined geographical areas. This is necessary to achieve a currently proposed annual revenue saving of £0.125m.
- 10.16 **ES02: Frizlands Phase 2 Asbestos Replacement (£0.150m)** – this will be a continuation of the Roof Replacement Scheme to remove the Asbestos Roof at

Frizlands Depot. Phase 1 is currently in progress via funding agreed as part of the 2015/16 bidding round.

- 10.17 **ES03: HIP 2016/17 Footways & Carriageways (£0.700m)** – this scheme will carry out urgent resurfacing works to the boroughs non-principal road network.
- 10.18 **ES04: Expired Lighting Column Replacement (£2.500m)** – this scheme will replace the life-expired street lighting columns. It will not replace the actual lighting – which is being carried out as part of another scheme – though it is necessary to run this scheme in parallel with the lighting replacement scheme, and to achieve the savings proposed therein, as it is not feasible to put new lighting onto life-expired columns.
- 10.19 **ES05: Bridges & Structures (£0.650m)** – this will carry out the necessary remedial works to the boroughs bridges and structures, as determined through a recent survey inspection by external consultants.
- 10.20 **ES06: Park Infrastructure (£0.052m)** – this will replace the old fence on the boundary of Barking Park that separates the park from the adjacent rear gardens on Park Avenue, with a new steel palisade fence. Patching repairs have previously been necessary on the fence for health and safety reasons; but now it needs to be fully replaced.
- 10.21 **ES07: Fixed Play Equipment (£0.030m)** – this scheme will make safe and improve existing parks play equipment. Many items of play equipment have become unsafe, particularly due to ground erosion, and this scheme is necessary to prevent having to remove/dispose of some items.
- 10.22 **ES08: Lakes (£0.200m)** – this will fund survey and research work which will then inform a programme of investment aimed at improving the condition and quality of the boroughs lakes in order to address flood risks and also maximise the contribution lakes make to the local community and economy.
- 10.23 **ES09: Parks Building Demolition Works (£0.020m)** – this scheme relates to the demolition of the old sports pavilion located in Barking Park. The building is slowly deteriorating and it is attracting vandalism and anti social behaviour, and ultimately the associated repairs and maintenance will exceed the one-off demolition costs.
- 10.24 **ES11: Abbey Green Historic Wall (£0.021m)** – this scheme will restore the Abbey Green historic wall, which is currently falling down; this will involve taking down large sections of the wall and rebuilding them.
- 10.25 **ES12: Old Dagenham Park BMX Track (£0.165m)** – this will restore and bring back into use the BMX track inside Old Dagenham Park. The track is currently closed and out of use following the identification of asbestos fibres within the soil that forms the track.
- 10.26 **ES13: Facilities Management Backlog Capital Improvements (£0.448m)** – this scheme will address the backlog of capital improvements that are necessary to maintain/restore the boroughs public building stock. It will involve a range of disciplines in order to comply with health and safety standards and legislation.

10.27 **ES14: Parking ICT system (£0.280m)** – this project involves migrating to a new parking ICT system in order to reduce annual software licensing costs.

### **General Fund Housing Services**

**Total of bids over five years: £0.219m**

10.28 **HGF01: Critical Needs Homelessness Assessment and Support Centre (£0.219m)** – this proposal is to remodel Boundary Road hostel, and to convert two of the existing rooms into training rooms and treatment/consultation facilities, specifically to address anti social behaviour.

### **Chief Executive Department**

**Total of all bids over five years: £2.310m; plus an additional £3.180m for a scheme that will self-fund the borrowing costs.**

10.29 **CEX01: ICT End User Computer / Hosted Office (2.310m)** – this proposes a move to Office 365 (new desktops and laptops throughout the Council) utilising the Microsoft platform. It enables the Council to simplify its infrastructure services by removing the need for Citrix; and the use of consumption based cloud services will remove the need for expensive cyclical hardware and software upgrades.

## **11 Financial Implications**

11.1 Financial implications feature throughout this report.

## **12 Legal Implications**

Implications provided by: Paul Feild Senior Corporate Governance Solicitor

12.1 Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This report contributes to that requirement. Specific legal advice may be required on the detailed implementation of any agreed savings options.

12.2 Where budgetary requirements proposals identify the need for the reduction of, or closure or discontinuance of a service or services, appropriate consultation will need to be carried out. The savings proposals that affect staff will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet. If at any point a resort to constricting expenditure is required, it is essential that due regard is given to statutory duties and responsibilities. In particular the Council must have regard to:

- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must either be fulfilled or varied with agreement of current providers;

- any legitimate expectations that persons already receiving a service (that is earmarked for reduction) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
- any rights which statute may have conferred on individuals that as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs following a statement of special educational needs;
- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;
- the response to any consultation undertaken.

**Public Background Papers Used in the Preparation of the Report:**

Council Tax Base Report

**List of appendices:**

Appendix 1 - Revised MTFS following December 2015 settlement

Appendix 2 – Capital bids for 2016/17 to 2020/21

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## Appendix 1 -Medium Term Financial Strategy 2016/17 - 2020/21

	2016/17 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Prior Year (Surplus) / Deficit</b>	<b>(565)</b>	<b>(565)</b>	<b>(35)</b>	<b>19,765</b>	<b>35,609</b>	<b>49,585</b>
<b>Budget Increases</b>						
Investment in the capital programme	500	1,000	1,400	900	900	900
Staff pay award & capacity building	2,000	2,000	1,000	1,000	1,000	1,000
Apprenticeship levy			675			
Levy increases	265	626	320	440	350	350
London Living wage increase		150				
Non Staff Inflation	-	-	2,100	2,100	2,100	2,100
Delayed delivery of Leisure Trust saving		1,000	(1,000)			
Increased contribution to Pension Fund deficit	650	650	325	325	325	325
Implications of the Care Act 2014	670	1,044	219	45	377	
Increase in employers' NI contributions	2,000	2,000	-	-	-	-
Delaying of Interest Costs	-	-	3,000	-	-	-
Increase demand for Children's Social Care	1,000	1,000	1,200	1,300	1,200	1,100
Increase demand for Adults' Social Care/NWM	-	-	400	500	700	800
Adult social care precept		890	919	949	980	1,012
Potential impact of new legislation	-	-	2,000	2,000	2,000	2,000
Potential impact of demographic pressures	500	-	981	1,225	1,133	1,760
Oracle hosting costs + ICT hosting		540				
National minimum wage corporate contracts		120				
<b>Total Additional Costs</b>	<b>7,585</b>	<b>11,020</b>	<b>13,539</b>	<b>10,784</b>	<b>11,066</b>	<b>11,347</b>
<b>Changes in Income &amp; Funding</b>						
Government Grants	10,962	8,452	7,230	4,410	4,380	4,002
Reduction in HB admin grant		100				
Education Services Grant	622	(140)	1,440	1,000	1,000	270
New Homes Bonus	-	(3,237)	-	2,137	100	428
Council Tax Increase at 1.99%	(890)	(890)	(919)	(949)	(980)	(1,012)
Council Tax Increase at 2% - Adult Social Care		(890)	(919)	(949)	(980)	(1,012)
Council Tax base increase (future years estimated at 1.25%)	(552)	(3,234)	(570)	(589)	(608)	(628)
Council Tax Surplus	1,404	1,404	-	-	-	-
Transfer for industrial sits for residential use		500				
Loss of income from NNDR rates pool		300				
<b>Total Changes in Income</b>	<b>11,546</b>	<b>2,365</b>	<b>6,261</b>	<b>5,059</b>	<b>2,911</b>	<b>2,047</b>
<b>Savings approved by Cabinet Dec 14</b>	<b>(12,855)</b>	<b>(12,855)</b>				
<b>In Year Budget Gap</b>	<b>6,276</b>	<b>530</b>	<b>19,800</b>	<b>15,844</b>	<b>13,976</b>	<b>13,395</b>
<b>Cumulative Budget Gap</b>	<b>5,711</b>	<b>(35)</b>	<b>19,765</b>	<b>35,609</b>	<b>49,585</b>	<b>62,980</b>

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**Appendix 2: New Capital Proposals**

REF	Service	Project	CAPITAL BUDGET					
			TOTAL £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Adult &amp; Community Services</b>								
ACS 03	Libraries	BLC – Replacement Flooring	250	125	125			
ACS 04	Libraries	Dagenham Library Foyer	57	0	57			
ACS 05	Heritage	Eastbury Manor House - Access and egress improvements	86	0	86			
ACS 06	Libraries	BLC OSS Space	46	46				
ACS 07	Heritage	Access Improvements, Eastbury Manor House	35	0	35			
ACS 08	Libraries	BLC void areas	140	0	140			
ACS09	Elevate ICT - Children's and Adults Services	Swift	977	500	477			
<b>Total - Adult &amp; Community Services</b>			<b>1,591</b>	<b>671</b>	<b>920</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Children's Services</b>								
CHS01	Early Years and Childcare Service	Extension of Abbey children's centre nursery	250	125	125			
<b>Total - Children's Services</b>			<b>250</b>	<b>125</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Environmental Services</b>								
ES01	Parking Enforcement	Consolidation & Expansion of CPZ	630	330	300	0	0	0
ES02	Fleet & Depots	Frizlands Phase 2 Asbestos Replacement	150	150	0	0	0	0
ES03	Highways	HIP 2016-17 Footways & Carriageways	700	700	tbc	tbc	tbc	tbc
ES04	Street Lighting	Expired Lighting Column Replacement	2,500	500	1,000	1,000	0	0
ES05	Highways	Bridges & Structures	650	250	400	0	0	0
ES06	Strategic Parks	Park Infrastructure	52	0	52	0	0	0
ES07	Strategic Parks	Fixed Play Equipment	30	30	0	0	0	0
ES08	Strategic Parks	Lakes	200		80	40	40	40
ES09	Strategic Parks	Parks Building Demolition Works	20	20	0	0	0	0
ES12	Strategic Parks	BAD BMX	165	165	0	0	0	0
ES13	Facilities Management	Capital Improvements	448	148	300	0	0	0
ES14	Parking Enforcement	Parking ICT System	280	280			0	0
<b>Total - Environmental Services</b>			<b>5,825</b>	<b>2,573</b>	<b>2,132</b>	<b>1,040</b>	<b>40</b>	<b>40</b>

**Appendix 2: New Capital Proposals**

**Housing General Fund**

HGF01	Housing Advice Service	Critical Needs Homelessness Assessment and Support Centre	275	275				
<b>Total - Housing General Fund</b>			<b>275</b>	<b>275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Chief Executive Department**

CEX01	Elevate	ICT End User Computing	2,310	1,356	172	172	438	172
<b>Total - Chief Executive Department</b>			<b>2,310</b>	<b>1,356</b>	<b>172</b>	<b>172</b>	<b>438</b>	<b>172</b>

**Total Bids**

<b>10,251</b>	<b>5,000</b>	<b>3,349</b>	<b>1,212</b>	<b>478</b>	<b>212</b>
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Budget Available

<b>45,000</b>	<b>5,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
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Budget Remaining / (Exceeded)

<b>34,749</b>	<b>0</b>	<b>6,651</b>	<b>8,788</b>	<b>9,522</b>	<b>9,788</b>
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**Bids that will be self-fund the borrowing costs (in addition to the corporate borrowing limits above)**

ACS 01	Culture and Sport	50m Demountable Swimming Pool	1,700	1,700				
ACS 02	Culture and Sport	3G football pitches in Parsloes Park	500	500				
<b>Total</b>			<b>2,200</b>	<b>2,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Bids funded from alternative sources**

ES11	Strategic Parks	Abbey Green Historic Wall Repairs	25	25	0	0	0	0
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**Bids on hold**

ES10	Strategic Parks	Abbey Green Restoration	500	100	400	0	0	0
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## CABINET

19 January 2016

<b>Title:</b> Housing Revenue Account Estimates and Review of Rents and Other Charges 2016/17	
<b>Report of the Cabinet Members for Housing and Finance</b>	
Open Report	<b>For Decision:</b> Yes
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
<b>Report Author:</b> Thomas Hart, Group Manager Carl Tomlinson, Group Finance Manager	<b>Contact Details:</b> Tel: 0208 227 5726 E-mail: Thomas.Hart@lbbd.gov.uk
<b>Accountable Divisional Director:</b> Hakeem Osinaike, Divisional Director of Housing Management	
<b>Accountable Directors:</b> Claire Symonds, Strategic Director Customer, Commercial & Service Delivery	
<p><b>Summary:</b></p> <p>The Council has a statutory responsibility to manage the HRA as a ring fenced landlord account providing housing services to the Council's tenants and leaseholders. The report makes recommendations on the setting of rents, tenants' service charges and other charges for 2016/17, to set a balanced revenue budget and maintain prudent reserves.</p> <p>The government announced in the Summer budget that funding for Council housing in the form of tenants' rents is to be reduced by 1% from April 2016 and for the next four years. The impact of this rent reduction upon Barking and Dagenham is more acute than for other Boroughs as a consequence of decisions taken in previous years to adopt comparatively low rent levels which were well below "formula rent" or the agreed standard rent for the social housing sector.</p> <p>Over the next four years the Council will lose £33.6 million compared to what it had expected to receive, and a loss of £3m in 2016/17. This means that the Council has to find other ways to fund the services that tenants and residents receive and this report sets out how we propose to do this.</p> <p>As part of the 2015/16 rent report, as agreed by Cabinet in February 2015, a five-year rent policy was introduced enabling convergence with formula rent by 2019/20 and for service charges to recover the full cost of providing the service over the same period. However, in July 2015, as part of the Summer Budget, the Government announced that social rents would reduce by 1% year on year from April 2016 for four years. In addition to this, it was announced that from April 2017 households in London earning over £40,000 per annum and living in social housing would have to pay market rent and that high value council voids will need to be sold to fund the extension of the Right to Buy to Registered Social Landlords.</p> <p>The introduction of these central government policy changes means that the rent policy, as agreed by Cabinet in February 2015, can no longer go forward. The impact on income is</p>	

significant - the 1% rent reduction results in a loss of income of £33.6m over four years with a £3m loss in 2016/17. To ensure that the HRA remains affordable and sustainable, a fundamental review of the business plan is required.

As a result, the approach for 2016/17 is to identify measures to manage the shortfall in income with a full business plan review to take place over the course of 2016/17 to inform the position for 2017/18.

The 1% reduction to rents in 2016/17 equates to an average reduction of 96p per week. Continuation of the service charge policy to recover the full cost of service provision equates to an average increase of £2.84 per week. The net impact is an increase of £1.88 per week.

The Business Plan continues to focus on an investment programme, which ensures our homes are brought up to a decent standard by 2018/19 and maintaining standards over the long term through ongoing investment, as well as the provision of new build property to replace homes sold through Right to Buy.

### **Recommendation(s)**

The Cabinet is recommended to agree:

- (i) The Housing Revenue Account estimates for 2016/17 as detailed in Appendix 6 to the report;
- (ii) An overall average Council dwelling rent reduction of 1.0%, equivalent to £0.96 per week, to apply to all council stock including affordable rent properties;
- (iii) To increase tenant service charges by an average of £2.84 per week;
- (iv) To review service charges in respect of properties benefiting from amenity green space;
- (v) To maintain communal heating and hot water charges at the current rate (in line with static energy prices) and to introduce a new tariff based on actual costs incurred during the course of 2016/17;
- (vi) To increase garage rents by £3 per week (£12 to £15 per week) for garages which have been refurbished to an appropriate standard and to apply the new charge following refurbishment works throughout the year;
- (vii) To review estate located parking spaces/bays as part of council parking review;
- (viii) To extend the Safer Neighbourhood charge (50p per week) to all Council tenants benefiting from the service; and
- (ix) That the above changes take effect from 4 April 2016.

### **Reason(s)**

The Council must prepare proposals each year relating to income from rent and other charges, and expenditure in relation to management and maintenance of its housing stock. A decision is required with regard to rents and service charges in order that statutory notice can be given to tenants prior to the April 2016 implementation.

## **1. Introduction and Background**

- 1.1 The Council has a statutory responsibility through the Local Government and Housing Act 1989 to manage the HRA as a ring-fenced landlord account providing housing services to the Council's tenants and leaseholders. This report makes recommendations on the setting of rents and other charges for 2016/17 in accordance with the Council's statutory responsibility.
- 1.2 The Local Government and Housing Act 1989 Section 74 Part VI specifies the major items that must be included in the HRA. Section 66(4) of the Act specifies that the HRA must be produced in accordance with approved Accounting Code of Practice
- 1.3 The Localism Act 2011 introduced self financing arrangements for council housing. All locally generated income from council housing is ring fenced to fund the provision of council housing within the borough. The HRA operates effectively as a standalone business within the Council. The HRA Business Plan must secure the financial viability of the HRA over the whole business plan period. This requires robust financial management to ensure that a balanced HRA budget can be set each year and to ensure that prudent HRA working balances are maintained as a contingency against unforeseen circumstances and to support the delivery of quality services to residents in line with stakeholders' expectations and appropriate capital investment.
- 1.4 The Council is required by law to avoid budgeting for a deficit on the HRA (Local Government & Housing Act 1989, section 76). This means that the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of reserves: a minimum of 5% of turnover is good practice and this provides a contingency against unforeseen events and known risks. The external auditor will review the level of reserves in forming a view on the overall standard of financial management in the Council.

## **2. Rent and Budget Setting Approach**

- 2.1 In February 2015, Cabinet agreed a five year rent policy, which set the HRA on a path to achieving three major things: continued investment to ensure all our homes achieve decent homes standard by 2018/19, enable convergence with formula rent by 2019/20 and for service charges to recover the full cost of providing the service over the same period. However, in July 2015, as part of the Summer Budget, the Government announced that social rents would reduce by 1% year on year from April 2016 for 4 years. This forms part of the Welfare Reform and Work Bill 2015/16 which is currently progressing through Parliament.
- 2.2 The Housing and Planning Bill 2015/16 is also progressing through Parliament and includes provisions in respect of compulsory 'pay to stay' and the forced sale of high value voids, both of which are expected to apply from April 2017. The 'pay to stay' scheme will require households in London earning over £40k pa and living in social housing to pay close to market rent. Local Authorities will be expected to repay the additional rental income to the Exchequer. The sale of high value Council voids is to fund the extension of Right to Buy to Registered Social Landlords with upfront payment from Local Authorities based on estimated sales.

- 2.3 The introduction of these policy changes means that the policy agreed by Cabinet in February 2015, is no longer sustainable. The impact of these policies on HRA income is significant - the 1% rent reduction results in a loss of income of £33.6m over 4 years with a £3m loss in 2016/17 alone. This equates to a loss of income in the region of £450m over the 30 year business plan. In addition to this, it is expected that stock numbers will reduce through the sale of voids and increased Right to Buy with increasing pressure on rent collection and potentially higher arrears. To get the HRA back on course, a fundamental review of the Business Plan is required in order to ensure it remains affordable and sustainable.
- 2.4 Housing recently embarked on a transformation programme, which will deliver changes and efficiencies in the business. However, the benefits to be derived from this programme will not be realised immediately. As a result, this report is recommending measures to manage the shortfall in income in 2016/17, with a full business plan review to take place over the course of the financial year. This review, along with outputs from Ambition 2020 and the Housing Transformation Programme, will identify further savings to be made from 2017/18. The main measures to mitigate the shortfall include accelerating the policy of full cost recovery for service charges, generating additional income from the use of decanted properties for temporary accommodation and reviewing the level of bad debt provision.
- 2.5 The proposed HRA budget for 2016/17 is set out below:

<b>HOUSING REVENUE ACCOUNT - SUMMARY FORMAT</b>				
	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>Change £000</b>	<b>% Change</b>
<b>INCOME</b>				
Rents of dwelling	(90,512)	(90,538)	(26)	0.03%
Non Dwelling rents	(737)	(807)	(70)	9.50%
Charges for services and facilities	(16,921)	(19,285)	(2,364)	13.97%
Interest and investment income	(336)	(336)	0	0.00%
	<b>(108,506)</b>	<b>(110,966)</b>	<b>(2,460)</b>	<b>2.27%</b>
<b>EXPENDITURE</b>				
Repairs and maintenance	17,205	17,093	(112)	-0.65%
Supervision and management	39,752	43,257	3,505	8.82%
Rent, rates, taxes and other charges	700	700	0	0.00%
Provision for bad debts	2,659	2,772	113	4.26%
Interest charges payable	10,059	10,059	0	0.00%
<b>TOTAL EXPENDITURE</b>	<b>70,375</b>	<b>73,881</b>	<b>3,506</b>	<b>4.98%</b>
<b>Pension Contribution</b>	<b>1,000</b>	<b>0</b>	<b>(1,000)</b>	<b>-100.00%</b>
<b>Revenue Investment in capital</b>	<b>37,131</b>	<b>37,085</b>	<b>(46)</b>	<b>0.12%</b>

2.6 The Business Plan considers income and expenditure over a 30 year period including capital investment. The extract below summarises the 10 year position.

£m	10 yr	2016/17	2017/18	2018/19	2019-2026
Rent	1118.21	110.97	108.47	105.97	325.40
Management & Maintenance	(632.58)	(63.82)	(59.90)	(58.86)	450.00)
Interest Payable	(100.59)	(10.06)	(10.06)	(10.06)	(70.41)
<b>Revenue investment</b>	<b>385.03</b>	<b>37.09</b>	<b>38.51</b>	<b>37.05</b>	<b>(272.39)</b>
Receipts, Grant and new borrowing	238.88	32.21	22.96	22.96	160.74
<b>Total capital resources</b>	<b>623.91</b>	<b>69.30</b>	<b>61.47</b>	<b>60.01</b>	<b>433.13</b>
Investment in existing stock	335.19	39.75	41.00	41.38	213.06
New Builds	198.60	33.22	10.73	15.75	138.90
Housing Transformation	1.75	1.75	0.00	0.00	0.00
Estate renewal	56.67	4.34	4.34	6.00	42.00
<b>Total capital spend</b>	<b>592.22</b>	<b>79.06</b>	<b>56.07</b>	<b>63.13</b>	<b>393.96</b>
Capital Reserve b/f		20.86	11.10	16.50	13.38
Movement on Reserve		(9.76)	5.40	(3.12)	39.17
<b>Capital Reserve c/f</b>		<b>11.10</b>	<b>16.50</b>	<b>13.38</b>	<b>52.56</b>

### 3. Housing Offer and HRA Strategy

- 3.1 The London Borough of Barking and Dagenham is committed to improving the range, quality and choice of its homes as well as improving the quality of information and services to its tenants and leaseholders.
- 3.2 The Barking and Dagenham Housing Offer supports this commitment. The Offer sets out what standards tenants and leaseholders can expect from the council on key issues affecting their home and the area around it.
- 3.3 The Offer is configured around 3 elements:
- Inside the Home
  - The Block, Estate or Street
  - The Neighbourhood
- 3.4 The Offer encompasses such things as improvements to the home, health and safety checks, block cleaning, tackling ASB

- 3.5 Since May 2012 The Council has had a metropolitan neighbourhood police team. Team consisting of 2 Sergeants and 20 Police Constables jointly funded (50/50) from the Housing Revenue Account and the Metropolitan Police, to deliver proactive policing in partnership with the local authority with a particular emphasis on anti social behaviour (ASB) and ASB related crime on Council estates. They are not subject to normal police withdrawals, except in extreme emergency cases. In addition the Police deliver a dedicated Sergeant and Inspector responsible for the team and also have developed a thriving Police Cadet Corps from youngsters identified as potential beneficiaries on the estates.
- 3.5.1 The team is primarily tasked by officers in Housing, based on information gathered from tenants' and members' complaints and issues raised. In addition, there is a borough tasking structure in place to augment the work of the team. This is done through fortnightly Tactical Tasking Coordination Group (TTCG) and also the Daily Police Management Meeting where community safety is represented and officers take housing concerns, so that tasking of this team and other Safer Neighbourhood Teams is prioritised.
- 3.5.2 Through the work of this team, we have seen significant arrests and activity from the Police over the last three years in those areas. As part of the contract the Police make an overnight and weekly return which is submitted to all members on a weekly basis. The neighbourhood police team have regularly patrolled housing estates in all wards in the borough, having an immediate and sustained impact on the perceived and actual safety of communities and the residents within these communities.
- 3.5.3 With the introduction of the weekly charge the above can be extended to the whole borough and not just Housing Estates. There is sound justification for this and includes the following, being the achievements of the team in 2014/15:
- 478 Intelligence Reports (gathered from Housing Officers and tenants)
  - 485 Crime Reports
  - 574 Stop and Search and Account
  - 460 Arrests

The Metropolitan Police recently carried out a survey of reports of Anti Social Behaviour and Barking and Dagenham had the greatest reduction in reports of ASB compared to any other borough in London. This is also reflected in the figures reported in the Corporate Delivery Plan which shows a 30% reduction in reports of ASB across Barking and Dagenham compared to last year.

Although it is impossible to put a financial figure on the work of the Estates Team and their effect on the residents of Barking and Dagenham, we can report with confidence that we get exceptional value for money from the service provided and the main reasons being:

- Never before have we been able to respond immediately to reports of ASB by sending a dedicated police team;
- Greater security and reassurance;
- High visibility assurance to residents;
- Increased community engagement from dedicated police team;
- Sharing of intelligence to improve the safety and security for residents;
- Injunctions and Behaviour Orders served promptly and enforced immediately



where necessary;

- Increased detection and prosecution for cannabis factories and drug dealing.

The proposal therefore is to charge each tenant/leaseholder a fee of 50p per week to enable the above to continue and to extend the patrols borough-wide.

3.6 Alongside the Offer, the Councils Housing Strategy aims to deliver the following objectives:

- Build new homes in a range of tenures to give choice and create thriving communities
- Good quality well maintained homes that people are proud to live in
- Improved Health and wellbeing
- Prevent/tackle homelessness and provide best available options
- Engaging and empowering residents to have a say in how their homes and estates are managed

3.7 The council intends to bring all our homes up to a decent standard by 2018/19, to maintain our homes at a decent standard and to maintain a programme of new development to meet housing need and demand and replace homes that are sold through Right to Buy.

3.8 It is important that we achieve best value for money in all our spending. We recognise that VFM is not achieved simply by providing low cost outputs but by delivering decent neighbourhoods for our residents in the long term.

3.9 Achieving this requires not just effective cost management but also taking a long term approach in our asset management strategy which understands the value of our assets and the relationship between our homes and the services we provide.

3.10 Our goal is to reduce our responsive repairs workload as the quality of our homes improves. This approach incorporates major investment in stock and an active new build programme with regular cyclical maintenance.

3.11 There is long term value for money for our tenants if we improve the energy efficiency of homes. This would be through their own domestic bills and any additional revenue generated from renewable sources.

### **Asset Management**

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

### **Investment in existing stock**

3.13 Our programme sets out to bring our homes up to a decent standard by 2018/19. This programme is currently working across all wards in the borough, taking a 'worst first' approach. Comprehensive surveying has taken place to establish the works required to each property and investment need. This year 2803 properties

have been made decent. The proposed business plan enables funding to deliver a decent standard by 2018/19 and ongoing investment to maintain our homes at this standard over the long term. Officers are preparing a model of stock condition for each Ward and it is intended that this will provide the evidence base for the five year housing investment programme. This will include garages, energy considerations, roads and the communal areas of estates and blocks.

### **Estate Renewal**

- 3.14 In 2011, we established a programme of estate renewal which tackled our most challenging stock, where repair to the homes would have been unviable and where there were wider social and economic benefits to demolishing. A further report was approved by cabinet in 2012 to further extend this programme of work in Gascoigne ward. Vacation and clearing of the original sites is well underway and some sites have since been redeveloped and let, such as Goresbrook village. Redevelopment works have begun on Gascoigne East and The Leys and a delivery arrangement has been agreed for Althorne Way. Cabinet have separately agreed to a variety of delivery arrangements for the remaining sites which will enable quality new council rented homes and new tenures such as shared ownership

### **New Build**

- 3.15 The programme aims to provide quality new build properties at affordable rent levels and opportunities for shared ownership. The objectives of this programme are to increase the overall supply of affordable homes in the borough, to improve the quality of homes in the borough, replace homes sold through Right to Buy and to address the housing demand and need within the borough. Therefore, across the programme we will consider the most appropriate size and tenure for new homes. This year a total of 199 homes for Council rent have been delivered

## **4. Housing Transformation Programme**

- 4.1 The programme has been established to transform the capability, performance and cost base of the Housing Service. It is a programme of change that will complement the income generation and regeneration strategies that will be delivered as part of the Council's Growth Commission and Ambition 2020. A significant amount of work has been undertaken to identify the budgetary, organisational, staff, process and technology issues that currently constrain the Housing Service and the programme has been built to address these.
- 4.2 This programme is intended to generate annual savings in the order of £5.9m, following one-off investment over the next two financial years of £6m (£3.5m capital and revenue and a £2.5m provision for redundancy over the life of the programme) and in addition to these financial savings the programme will deliver:
- Operational changes to functions to reduce cost in providing the service and Improve customer service, processes and productivity
  - Determine the shape of the Service and opportunities for commercialization
  - Introduce better ways of working for staff and ensure performance is measured and transparent and Improve the use of resources
  - Improve data quality held in respect of customers, tenants, assets and stock which will enable development of a long term strategy and use of Housing assets.

#### 4.3 Tables showing investment and savings.

One off investment:

(£m)	Revenue	Capital	Total
Programme Resources	1.539	-	1.539
ICT	0.280	1.750	2.030
<b>Total</b>	<b>1.819</b>	<b>1.750</b>	<b>3.569</b>
Redundancy Provision	2.500	-	2.500
<b>Total</b>	<b>4.319</b>	<b>1.750</b>	<b>6.069</b>

Net Saving:

(£m)	2016/17	2017/18	2018/19	2019/20	2020/21
In year	2.148	2.253	1.484	0.030	-
Cumulative	2.148	4.401	5.885	5.915	5.915

### 5. Consultation

There has been extensive consultation with residents of the borough throughout October and November regarding the changes being introduced nationally and options in respect of recovering the full cost of service charges. The consultation was launched at the tenant conference in October with an in-depth presentation to over 100 tenants. This was followed up with further presentations to the two housing forums, attended by tenants, leaseholders and other residents. Face to face consultation was supplemented by an article in the Council's e-news letter, which is sent to 50,000 residents, and a link to the online consultation. The online consultation was open for two weeks to all residents. The majority of views from the feedback received, support the proposals in this report.

### 6. Financial Implications

Completed by: Carl Tomlinson, Group Finance Manager

The analysis below refers to the summary format in paragraph 2.5

#### 6.1 Tenant Dwelling Rents

- 6.1.1 The report proposes to reduce social rents by 1% in line with Government policy. This applies to all council stock, including affordable rent properties, and equates to an average reduction of £0.96. The impact of the existing business plan is a loss of income of £33.6m over 4 years with a £3m loss in 2016/17. This equates to a loss of income in the region of £450m over the 30 year business plan.
- 6.1.2 There are a number of properties within the HRA that have been decanted as part of the ongoing estate renewal programme which are being used within the temporary accommodation portfolio. The rent levels have been set at a higher amount than the current average levels in order to cover the additional costs related to this type of placement. The rental income budget previously provided for 194 units, however, as the number of units being used has increased the budget has

been increased by £1m to reflect the use of 290 units. As the estate renewal and new build programme progress, the number of decant units available for temporary accommodation will reduce. As a result this income is not sustainable over the long term but provides a short term benefit to the HRA.

6.1.3 The number of Right to Buy sales has increased in recent years with 220 in 2014/15 and a similar level expected in 2015/16 and 2016/17. With the introduction of 'pay to stay' in April 2017 it is likely that Right to Buy sales will increase further. The combination of this and the required sale of high value void properties is expected to further reduce stock levels.

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

<b>Rental Income</b>	<b>£'000</b>
2015/16 budget	<b>(90,512)</b>
Rent decrease	905
Decant income	<b>(1,000)</b>
Right to Buy Sales	537
New Build	<b>(468)</b>
<b>2016/17 Budget</b>	<b>(90,538)</b>

## **6.2 Non Dwelling Rents**

6.2.1 It is proposed to increase Garage rents by £3 per week for those units that have been refurbished to a decent let-able standard. This will bring the charge to £15 per week with the increase only applying following completion of the work. Otherwise charges will remain at £12 per week. As a result, the income budget has been increased by £70k.

6.2.2 Arrangements for parking spaces will be reviewed as part of the councils wider Parking Strategy.

## **6.3 Charges for services and facilities**

6.3.1 Authorities are expected to set a reasonable charge for the provision of additional services which reflects the cost of providing the service. As part of the policy agreed by Cabinet in February 2015 it was agreed that service charges would recover the full cost of providing the service by 2019/20.

6.3.2 As part of this year's consultation it was proposed to accelerate the policy of full cost recovery. This position was broadly supported with an acceleration of between 1 and 2 years. This is reflected in the revised charges as well as a clearer breakdown of the charges.

6.3.3 Specific charges are set out in Appendix 5, however, service charge proposals equate to an average increase of £2.84 per week. It should be noted that the impact on individuals will vary dependant on the services received. The Safer Neighbourhood charge is being introduced in 2016/17 to part fund the service.

6.3.4 A review of the Amenity green charge is planned for 2016/17. This review will identify all of the parcels of land that are maintained by the Housing service and which tenants should pay for the service. Currently, only tenants in estates

contribute to this charge. The review will consider if this should be extended to Council rented street properties and freehold properties that benefit from the service. Any changes made to charges could be introduced in year.

- 6.3.5 Leasehold charges are based on actual costs incurred for the above services as directed by the Tenant and Leasehold Act 1985 and in accordance with the terms of the lease.
- 6.3.6 The council collects water and sewerage charges to tenants on behalf of the Essex and Suffolk Water Board in return for a commission. The council negotiated commission of 13% with a 2% void figure under a 3-year agreement ending in 2016/17. Charges for 2016/17 have not yet been announced, however, the budget has been increased in line with current activity. A corresponding increase has been applied under Supervision and Management in respect of the payment to Essex and Suffolk Water Board.
- 6.3.7 The income budget has been increased to reflect the income expected from the provision of housing management and maintenance services provided to Barking and Dagenham Reside by the council.
- 6.3.8 LBBD currently has a number of buildings which receive heating and hot water via a communal boiler or district heating system. Due to a recent change in legislation, providers of heating and hot water need to charge residents on a monthly basis for their actual consumption rather than an apportioned share of the total heating cost. LBBD currently provide this service to Reside tenants in Abbey Road and a tariff has been set and agreed. A tariff consisting of a standing charge and energy use needs to be developed and agreed for Council Tenants, this will be implemented in year.

#### **6.4 Interest and investment income**

- 6.4.1 The HRA treasury management function will form a key component of the business plan and HRA budgets. The two main aspects of this will be to ensure interest payments servicing the final debt allocation are minimised whilst cash flow management allows housing stock investment to progress as required. The budgeted figure for investment returns is expected to be consistent with 2015/16.

#### **6.5 Repairs & Maintenance**

- 6.5.1 The HRA provides a repairs and maintenance service to tenants as part of its duty as a social landlord. The revenue budget is to reduce by £112k from £17.2m to £17.1m in 2016/17 primarily due to outcomes deliverable through the Housing Transformation Programme. Other adjustments within this area are due to realigning the allocation of recharges and income received from Barking and Dagenham Reside.
- 6.5.2 As part of the TUPE transfer of staff, a one-off pension contribution of £6m was required to equalise transferred staff within the Councils pension fund. It was agreed to fund this over a 3 year period with a £3m contribution in 2013/14, £2m in 2014/15 and £1m in 2015/16. A budget of £1m was established to fund this, therefore, a budget saving of £1m is realised in 2016/17 as the contribution is now fully paid off.

## **6.6 Supervision & Management**

- 6.6.1 The budget consists of both direct expenditure and recharged spend from services provided by departments outside of the HRA. In 2016/17, the budget will increase by £3.5m from £39.8m to £43.3m.
- 6.6.2 The increase is primarily due to the establishment of a redundancy reserve of £2.5m. The HRA holds a transformation budget of £1m. This will be increased by £270k for 2016/17 and contribute towards funding the transformation programme. The remainder of the increase relates to additional water charges expected, offset by a corresponding increase in income, and £300K in respect of an additional contractual HRA procurement support fee within the Elevate contract..
- 6.6.3 Recharges to the HRA are for services provided to HRA tenants and leaseholders by internal council services. These range from central service functions (such as Payroll, Finance and IT), to front line delivery services such as refuse collection, grounds maintenance and building cleaning. The level of recharge is expected to remain consistent with 2015/16.

## **6.7 Rents rates & other charges**

- 6.7.1 This includes the budget for council tax on empty properties, property insurance and rent of office premises. The budgeted figure is expected to be consistent with 2015/16.

## **6.8 Provision for bad debt**

- 6.8.1 Significant changes to welfare benefits, including Housing Benefit, are being implemented on a phased basis across the country. The introduction of the benefit cap and occupancy criteria, continue to impact many Council tenants. The introduction of Universal Credit, including direct payments of benefits to claimants, is expected to have an even greater impact on income levels.
- 6.8.2 In response to the introduction of the national Welfare Reform changes and the significant risk posed to the Council's ability to collect income, the HRA holds an annual budget of 2.5% of income raised to offset against non-collection and debt write-off risk.
- 6.8.3 The changing circumstances of tenants and revised Government timescales will be monitored to ensure a prudent provision is made within the Business Plan to manage the changing magnitude of the risk.
- 6.8.4 The impact of these changes will significantly increase the risk of reduced income collection rates. Accordingly, this risk is subject to ongoing scrutiny to ensure tenants are aware of the changes, the impact on them and available support.
- 6.8.5 The Business Plan assumed an increase in bad debt provision for 2016/17 on the basis of an increasing rent base and welfare reform changes. On the basis of the now reducing rent base and current arrears position it is proposed to continue to apply 2.5%.

## **6.9 Interest charges payable**

- 6.9.1 The borrowing costs attached to the debt settlement in March 2012 represent a significant cost to the HRA, although the Public Works and Loans Board (PWLB) provided preferential rates for settlement debt. The self-financing settlement required the authority to undertake additional borrowing of £267m within a debt cap of £277k. However, the Council was successful in applying for an increase to the debt cap of £3.2m in 2015/16 and a further £10.75m in 2016/17 increasing the overall cap to £291m. The additional borrowing was agreed specifically to fund additional new build.
- 6.9.2 The HRA includes a budget of £10m to fund the ongoing borrowing costs of HRA debt. Current policy is to maintain debt and not reduce the level of borrowing, however, any decision to actively reduce the level of borrowing would place additional pressure on the HRA as repayment is not currently budgeted for. Further borrowing of £9.9m is available which will bring borrowing up to the revised debt cap.

## **6.10 Housing Investment Programme**

- 6.10.1 The investment programme is funded primarily through revenue contributions to capital, supported by grant funding and right to buy receipts where available. As a result, it is essential that investment decisions are considered when setting future rent levels.
- 6.10.2 The HRA business plan is under significant pressure following recent Government announcements requiring a full review in 2016/17 in order to remain affordable and sustainable. As part of this, investment priorities will also need to be considered. Current assumptions include the following themes:
- a) Estate renewal (£56.7m over the next 10 years)
  - b) New build Council homes (198.6m over the next 10 years);
  - c) Investment in existing stock (£335.2m over the next 10 years)
  - d) Housing Transformation (£1.8m in 2016/17)

## **7. Legal Implications**

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

- 7.1 The Local Government and Housing Act 1989 places on the Council as a Housing Authority a duty to manage a ring fenced HRA. In addition there is a requirement that the HRA maintains prudent revenue balances.
- 7.2 On 3 January 2014, the Government announced proposed legislative changes with an increase on the maximum caps with an aim for this to be in place by May 2014 subject to parliamentary process. Under s24 of the Housing Act 1985, the Council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The Council is obliged from time to time to review rents charges and make such changes as circumstances may require but should do so in a balanced way. The Council must comply with s103(4) Housing Act 1985 and the Council's standard tenancy agreement in terms of notice periods for the rent variation.

## 8. Other Implications

- 8.1 **Risk Management** – the introduction of measures through the Welfare Reform and Work Bill 2015/16 and Housing and Planning Bill 2015/16 provide a significant risk to the affordability and sustainability of the HRA. As both Bills are still progressing through Parliament there is additional uncertainty around actual impact. In addition to this, the ongoing risk in respect of the Welfare Reforms continues with anticipated risk to the Council's ability to collect all of its income. Over the course of 2016/17 the HRA Business Plan will be reviewed and updated in recognition of national policy changes, *Ambition 2020* and the Housing Transformation Programme.

The report makes recommendations on the setting of rents and other charges for 2016/17 in accordance with the Council's statutory responsibility. The risk of not approving the recommendations would mean that the Council would not meet its statutory responsibility and not have sufficient resources available to deliver proposed capital investment, build new Council homes and carry out refurbishments and improvements to the existing housing stock.

- 8.2 **Staffing Issues** - There are no direct staffing implications as a result of this report. The HRA continues to strive for improved value for money and appropriate HR policies and procedures around implementing change will be followed. The Council remains committed to minimising redundancies where possible.

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

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

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

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

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



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

### **Public Background Papers Used in the Preparation of the Report:**

- Housing Revenue Account Manual
- Welfare Reform and Work Bill 2015/16
- Housing and Planning Bill 2015/16

### **List of appendices:**

1	HRA Working Balances
2	Rental Income Analysis
3	Average Rent Analysis
4	Rental Income Debtor Account
5	Budget Assumptions
6	HRA Estimate 2016/17
7	HRA Capital Programme

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<b>HRA WORKING BALANCE 2016-17</b>	
	<b>£000</b>
Working Balance 1st April 2015	8,736
Projected Surplus /(Deficit) 2015/16	0
Working Balance 1st April 2016	8,736
Projected Surplus /(Deficit) 2016/17	0
Working Balance 31st March 2017	<u>8,736</u>

<b>RENTAL INCOME ANALYSIS</b>				
	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>Change £000</b>	<b>% Change</b>
Rents of dwelling	(90,512)	(90,538)	(26)	0.03%
Tenants Service Charges (excl. Communal heating & water)	(5,179)	(6,312)	(1,133)	21.88%
<b>TOTAL INCOME</b>	<b>(95,691)</b>	<b>(96,850)</b>	<b>(1,159)</b>	<b>1.21%</b>

### AVERAGE RENT ANALYSIS

	2015-16 per week £.pp	2016-17 per week £.pp	Change per week £.pp
Average Rent	95.81	94.85	(0.96)
Tenants Service Charges * (excl. heating and water)	35.06	37.90	2.84
Average Rent	130.87	132.75	1.88

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

<b>RENTAL INCOME DEBTOR ACCOUNT</b>			
	<b>Current Debtors £000</b>	<b>Former Tenant Debtors £000</b>	<b>Total Debtors £000</b>
<b>Debtor Balance - 1st April 2015</b>	3,608	1,302	4,908
Projected Change in 2015/16	108	65	173
<b>Debtor Balance - 31st March 2016</b>	<b>3,714</b>	<b>1,357</b>	<b>5,081</b>
Projected Increase in 2016/17	111	65	180
<b>Debtor Balance - 31st March 2017</b>	<b>3,828</b>	<b>1,435</b>	<b>5,261</b>
Annual Increase in Arrears	3%	5%	3.54%
Proportion of Annual Rent & Service Charges Debit	3.45%	1.29%	4.74%

**BUDGET ASSUMPTIONS****Rent**

Average Rent Decrease	1.0%
Average Rent Decrease Houses	1.0%
Average Rent Decrease Flats	1.0%
Voids (Percentage of Gross Rent)	1.5%

**Stock Assumptions**

Right to Buy Sales 2016/17	220
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<b><u>Tenants Service Charges</u></b>	<b>2015-16 Charge £ p.w</b>	<b>2016-17 Charge £ p.w</b>	<b>Change £ p.w</b>
Amenity Green / Grounds Maint	2.37	2.93	0.56
Estate Lighting	1.87	1.87	0.00
Caretaking	6.87	7.65	0.78
Cleaning	2.68	3.68	1.00
Safer Neighbourhood	0.00	0.50	0.50
SAMS	6.17	6.17	0.00
Concierge	15.10	15.10	0.00
	<b>35.06</b>	<b>37.90</b>	<b>2.84</b>

**Energy**

CPI Sept 2015	0%
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**Interest**

Debt Interest	3.52%
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<b>HOUSING REVENUE ACCOUNT - SUMMARY FORMAT</b>				
	<b>2015-16</b>	<b>2016-17</b>	<b>Change</b>	<b>%</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Change</b>
<b>INCOME</b>				
Rents of dwelling	(90,512)	(90,538)	(26)	0.03%
Non Dwelling rents	(737)	(807)	(70)	9.50%
Charges for services and facilities	(16,921)	(19,285)	(2,364)	13.97%
Interest and investment income	(336)	(336)	0	0.00%
	<b>(108,506)</b>	<b>(110,966)</b>	<b>(2,460)</b>	<b>2.27%</b>
<b>EXPENDITURE</b>				
Repairs and maintenance	17,205	17,093	(112)	-0.65%
Supervision and management	39,752	43,257	3,505	8.82%
Rent, rates, taxes and other charges	700	700	0	0.00%
Provision for bad debts	2,659	2,772	113	4.26%
Interest charges payable	10,059	10,059	0	0.00%
<b>TOTAL EXPENDITURE</b>	<b>70,375</b>	<b>73,881</b>	<b>3,506</b>	<b>4.98%</b>
<b>Pension Contribution</b>	<b>1,000</b>	<b>0</b>	<b>(1,000)</b>	<b>-100.00%</b>
<b>Revenue Investment in capital</b>	<b>37,131</b>	<b>37,085</b>	<b>(46)</b>	<b>-0.12%</b>



## HRA Capital Programme

Scheme Name	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
	£000	£000	£000	£000	£000
<b>Investment In Stock</b>					
Aids And Adaptations	860	800	800	0	0
Asbestos Removal	650	650	725	0	0
Central Heating	1,600	1,600	1,000	0	0
Decent Homes Central	8,000	5,500	8,000	0	0
Decent Homes (Blocks)	76	0	0	0	0
Decent Homes (Sheltered)	33	0	1,500	0	0
Decent Homes Support - Liaison Team / Surveys	328	328	328	0	0
Conversions	300	300	300	0	0
Fire Safety Improvements	15	3,000	0	0	0
Energy Efficiency	500	500	500	0	0
Voids	3,000	2,500	475	0	0
Roof Replacements	0	0	2,000	0	0
Window Replacements	0	0	2,000	0	0
Estate Roads & Environment	800	800	400	0	0
Garages	300	300	50	0	0
Communal Repairs & Upgrades	1,500	1,500	1,800	0	0
External Fabric - Blocks Phase 1	5,973	6,000	4,000	0	0
Decent Homes North	7,000	7,500	8,000	0	0
Decent Homes South	6,590	7,500	8,000	0	0
Fire Safety Works	1,227	2,225	1,500	0	0
Street Purchases	1,000	0	0	0	0
To be allocated	0	0	0	33,060	30,000
<b>Total</b>	<b>39,753</b>	<b>41,003</b>	<b>41,378</b>	<b>33,060</b>	<b>30,000</b>

<b>Scheme Name</b>					
<b>Scheme Name</b>	<b>2016/17 Budget</b>	<b>2017/18 Budget</b>	<b>2018/19 Budget</b>	<b>2019/20 Budget</b>	<b>2020/21 Budget</b>
<b><u>Estate Renewal</u></b>					
Estate Renewal	4,335	4,335	6,000	6,000	6,000
<b>Total</b>	<b>4,335</b>	<b>4,335</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
<b><u>New Build schemes</u></b>					
Leys Phase 1	4,166	232	0	0	0
Leys Phase 2	12,400	500	0	0	0
Marks Gate	339	0	0	0	0
Bungalows	112	0	0	0	0
Ilchester Road	2,988	0	0	0	0
North St	3,055	0	0	0	0
Burford Close	1,100	0	0	0	0
To Be Allocated	9,061	10,000	15,750	18,900	20,000
<b>Total</b>	<b>33,221</b>	<b>10,732</b>	<b>15,750</b>	<b>18,900</b>	<b>20,000</b>
<b><u>Housing Transformation</u></b>					
Housing Transformation Programme	1,750	0	0	0	0
<b>Total</b>	<b>1,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>HRA Total</b>	<b>79,059</b>	<b>56,070</b>	<b>63,128</b>	<b>57,960</b>	<b>56,000</b>

**CABINET****19 January 2016**

<b>Title:</b> Calculation and Setting of the Council Tax Base for 2016/17	
Report of the Cabinet Member for Finance	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
<b>Report Author:</b> Kathy Freeman, Divisional Director - Finance	<b>Contact Details:</b> Tel: 0208 337 2497 E-mail: Kathy.freeman@lbbd.gov.uk
<b>Accountable Director:</b> Jonathan Bunt, Strategic Director of Finance and Investment	
<b>Summary</b>	
<p>The Council has a duty to set a Tax Base for Council Tax purposes by 31 January each year under Section 67 of the Local Government Finance Act 1992.</p> <p>This report seeks approval of the Authority's Council Tax Base for 2016-17.</p>	
<b>Recommendation(s)</b>	
<p>The Cabinet is recommended to agree that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Barking and Dagenham Council as its Tax Base for the year 2016/17 shall be 45,981.86 Band 'D' properties;</p>	
<b>Reason(s)</b>	
<p>To meet the Council's statutory duties under the Local Government Finance Act 1992.</p>	

**1. Introduction and Background**

- 1.1 The Tax Base must be conveyed to the major precepting Authorities by 31 January prior to the start of the financial year.
- 1.2 The Tax Base must be calculated in accordance with regulations made by the Secretary of State under Section 33(5) of the Local Government Finance Act 1992 and The Local Authorities (Calculation of Tax Base) (England) Regulations 2012.
- 1.3 The regulations set a prescribed period for the calculation of the tax, which is between the 1 December and 31 January in the financial year preceding that for which the calculation of the council tax base is made. The data used in the calculation must be that held by the Council as at 30 November.

## 2. Proposal and Issues

- 2.1 The valuation of properties for Council Tax purposes is carried out by the Valuation Office Agency.
- 2.2 For Council Tax purposes each property is placed in a band based on its open market value as at 1 April 1991. The bands are as follows:

Range of Values Band	Valuation
Values not exceeding £40,000	<b>A</b>
Values exceeding £40,000 but not exceeding £52,000	<b>B</b>
Values exceeding £52,000 but not exceeding £68,000	<b>C</b>
Values exceeding £68,000 but not exceeding £88,000	<b>D</b>
Values exceeding £88,000 but not exceeding £120,000	<b>E</b>
Values exceeding £120,000 but not exceeding £160,000	<b>F</b>
Values exceeding £160,000 but not exceeding £320,000	<b>G</b>
Values exceeding £320,000	<b>H</b>

- 2.3 The Tax Base is calculated in terms of the equivalent number of Band 'D' properties after discounts and exemptions have been taken into account. There are statutory ratios which determine the proportion of the band D charge that will be charged for a property in each band. The ratios are as follows:

A = 6/9ths	E = 11/9ths
B = 7/9ths	F = 13/9ths
C = 8/9ths	G = 15/9ths
D = 1	H = 18/9ths

- 2.4 The standard Council Tax is set in relation to Band 'D' properties, this will mean that somebody living in a Band 'A' property pays 2/3rds of the standard amount whilst somebody in a Band 'H' property pays twice the standard amount.
- 2.5 The full Council Tax charge is based on the assumption that the property is occupied by two or more adults. However, some properties are exempt from any charge, and others qualify for a discount. In determining the Tax Base the relevant discounts and exemptions are taken into account:
- 2.6 The following table shows the number of chargeable properties at 30 November after all discounts and exemptions have been applied.

2015/16			2016/17	
Last Year Totals	Band 'D' Equivalents	Band	Total	Band 'D' Equivalent
0.72	0.40	A*	1.19	0.66
3,261.37	2,174.25	A	3,639.78	2,426.52
6,354.99	4,942.77	B	7,171.27	5,577.65
30,988.30	27,545.16	C	33,431.76	29,717.12
7,100.52	7,100.52	D	7,507.86	7,507.86
1,366.02	1,669.58	E	1,416.12	1,730.81
289.14	417.65	F	291.25	420.69
36.68	61.13	G	40.82	68.03
4.00	8.00	H	4.00	8.00
<b>49,401.74</b>	<b>43,919.46</b>		<b>53,504.05</b>	<b>47,457.34</b>

\*Disabled person's reductions

- 2.7 When determining the tax base for the purpose of setting the Council Tax an allowance has been made for non collection. The losses on collection allowance for 2016/17 has been assessed as 6.5%. A further adjustment has been made for arrears collection to reflect the recovery of debt in future years.
- 2.8 The adjustment, expressed as band D equivalents, is shown below.

Band D equivalent at 30 November 2015	47,457.34
In year losses in collection allowance of at 6.5%	(3,084.73)
Estimated arrears collection	1,371.96
<b>Council Tax Base for 2016/17</b>	<b>45,744.57</b>

- 2.9 A fully detailed calculation of the tax base is contained in Appendix 1

### 3. Consultation

- 3.1 The calculation of the council tax base follows a prescribed process and, as such, does not require consultation.

### 4. Financial Implications

- 4.1 The Council Tax Base has increased by 3,119.93 band D equivalent properties from 2015/16 (42,624.64). At the current Council Tax charge of £1,036.67 this

would generate an additional £3.234m of income for the Council compared to the previous year.

- 4.2 The current Medium Term Financial Strategy assumes an increase in the Council Tax base of 1.25%. The increase actual on the Council Tax base is 7.3%, which generates an additional £2.682m over and above the current MTFs assumptions.
- 4.3 The Council Tax collection rate is a significant factor in determining the level of income and will affect the actual amount of Council Tax collected in 2016/17. For every 1% change in the collection rate, income would increase or decrease by £0.474m for the Council.

## **5. Legal Implications**

Implications completed by: Paul Feild, Senior Corporate Governance Solicitor

- 5.1 As observed above there is a legal requirement that the Council as a billing authority must set its Council Tax base before 31 January 2016 for the following financial year starting 1 April 2016. Section 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, imposes a duty on the Council as a billing authority, to calculate its Council Tax by applying a formula which is set out in the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012. The formula involves a figure for the Council Tax Base for the year, which must itself be calculated. The basis of liability for Council Tax is the valuation band to which a dwelling has been assigned. Valuation bands range from A to H, and the relative liabilities of each band are expressed in terms of proportions of Band D.
- 5.2 The calculation to establish the relevant basic amount of council tax by is done by dividing the council tax requirement for the financial year by the billing authority's council tax base. In brief, the council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority's estimated collection rate for the year. The estimated collection rate is the percentage of council tax payable which the authority actually expects to be paid i.e. the difference between what it ought to be paid in council tax and certain fund transfers and what it is likely to be paid.
- 5.3 The Council is under an obligation to notify major precepting authorities of the calculation.
- 5.4 For this Council the setting of the Council Tax Base is a Cabinet function. This is because Section 67 Local Government Finance Act 1992 as amended by section 84 of the Local Government Act 2003, (and more recently the Localism Act 2011), enabled the Assembly to delegate the power to set the tax base to the Cabinet. This is reflected in the Constitution at Part 2 Chapter 6 Responsibility for functions at paragraph 2.1(ii).

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

**List of appendices:**

- **Appendix 1** – Calculation of the 2016/17 Council Tax Base.

**Appendix 1 - Calculation of the 2016/17 Council Tax Base**

		<b>Band A*</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>	<b>Totals</b>
1	Total number of dwellings on the valuation list	-	6,696.00	11,364.00	44,576.00	9,285.00	1,686.00	330.00	44.00	17.00	73,998.00
2	Number of dwellings on the valuation list exempt	-	456.00	301.00	580.00	108.00	24.00	6.00	-	-	1,475.00
3	Number of demolished	-	-	-	-	-	-	-	-	-	-
4	Number of chargable properties	-	6,240.00	11,063.00	43,996.00	9,177.00	1,662.00	324.00	44.00	17.00	72,523.00
5	Disabled reductions	-	2.00	25.00	146.00	81.00	20.00	4.00	3.00	12.00	293.00
6	Disabled relief	2.00	25.00	146.00	81.00	20.00	4.00	3.00	12.00	-	293.00
7	Adjusted number of dwellings	2.00	6,263.00	11,184.00	43,931.00	9,116.00	1,646.00	323.00	53.00	5.00	72,523.00
8	Single adult discount	1.00	3,713.00	5,355.00	13,072.00	1,961.00	294.00	32.00	4.00	-	24,432.00
<b>8a</b>	<b>Grant percentage (0.75)</b>	<b>0.75</b>	<b>2,784.75</b>	<b>4,016.25</b>	<b>9,804.00</b>	<b>1,470.75</b>	<b>220.50</b>	<b>24.00</b>	<b>3.00</b>	<b>-</b>	<b>18,324.00</b>
9	25% discount all but one resident disregarded	-	37.00	149.00	569.00	104.00	20.00	2.00	-	-	881.00
<b>9a</b>	<b>Grant percentage (0.75)</b>	<b>-</b>	<b>27.75</b>	<b>111.75</b>	<b>426.75</b>	<b>78.00</b>	<b>15.00</b>	<b>1.50</b>	<b>-</b>	<b>-</b>	<b>660.75</b>
10	50% all residents disregarded	-	3.00	2.00	17.00	4.00	1.00	2.00	20.00	2.00	51.00
<b>10a</b>	<b>Grant percentage (0.50)</b>	<b>-</b>	<b>1.50</b>	<b>1.00</b>	<b>8.50</b>	<b>2.00</b>	<b>0.50</b>	<b>1.00</b>	<b>10.00</b>	<b>1.00</b>	<b>25.50</b>
11	Second homes	-	19.00	20.00	56.00	13.00	6.00	-	-	-	114.00
11a	Second homes 0% discount	-	19.00	20.00	55.00	13.00	6.00	-	-	-	113.00
11b	Second homes 50% discount	-	-	-	1.00	-	-	-	-	-	1.00
<b>11a</b>	<b>Grant percentage (0.50)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.50</b>
12	Empty 0% discount	-	40.00	68.00	118.00	33.00	10.00	-	-	-	269.00
13	Empty receiving a discount	-	-	-	-	-	-	-	-	-	-
14	Empty homes premium	-	13.00	22.00	22.00	8.00	1.00	-	-	-	66.00
15	Total empty properties	-	53.00	90.00	140.00	41.00	11.00	-	-	-	335.00
16	Empty more than 6 months	-	33.00	46.00	74.00	34.00	11.00	-	-	-	198.00
16a	Number properties empty due to flood	-	-	-	-	-	-	-	-	-	-
16b	Empty longer than 6 months (prev class a)	-	-	-	4.00	2.00	-	-	-	-	6.00
17	Dwellings liable to 100% council tax	1.00	2,457.00	5,588.00	30,132.00	7,006.00	1,320.00	287.00	29.00	3.00	46,823.00
18	Discount for RSG	1.00	3,806.00	5,596.00	13,799.00	2,110.00	326.00	36.00	24.00	2.00	25,700.00

**Appendix 1 - Calculation of the 2016/17 Council Tax Base**

		<b>Band A*</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>	<b>Totals</b>
19	Total equivalent number of dwellings after discounts	1.75	5,271.00	9,717.00	40,371.75	8,556.75	1,556.00	313.50	42.00	4.00	65,833.75
20	Ratio to band D	0.56	0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00	
22	Total band D equivalents	0.97	3,514.00	7,557.67	35,886.00	8,556.75	1,901.78	452.83	70.00	8.00	57,948.00
23	Total equivalent number of dwellings after discounts	1.75	5,271.00	9,717.00	40,371.75	8,556.75	1,556.00	313.50	42.00	4.00	65,833.75
24	Reduction in taxbase due to CTS	0.56	1,631.22	2,545.73	6,939.99	1,048.89	139.88	22.25	1.18	-	12,329.70
25	Total equivalent dwellings after discounts, exemptions, disable and ctax support	1.19	3,639.78	7,171.27	33,431.76	7,507.86	1,416.12	291.25	40.82	4.00	53,504.05
26	Ratio to band D	0.56	0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00	
27	<b>Total band D equivalents @ 4/12/15</b>	<b>0.66</b>	<b>2,426.52</b>	<b>5,577.65</b>	<b>29,717.12</b>	<b>7,507.86</b>	<b>1,730.81</b>	<b>420.69</b>	<b>68.03</b>	<b>8.00</b>	<b>47,457.34</b>
28	Projected changes in discounts and growth										-
29	<b>Total before losses in collection</b>										<b>47,457.34</b>
30	In year losses on collection allowance at 6%										(3,084.73)
31	Estimated arrears collection										1,371.96
32	<b>Council Tax Base for 2015/16</b>										<b>45,744.57</b>



## CABINET

19 January 2016

<b>Title:</b> Procurement of Mechanised Street Sweeping Equipment	
<b>Report of the Cabinet Member for Environment</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
<b>Report Author:</b> Beau Stanford-Francis, Service Manager Contracts and Compliance, Assets & Transport	<b>Contact Details:</b> Tel: 020 8227 5629 E-mail: <a href="mailto:beau.stanford-francis@lbbd.gov.uk">beau.stanford-francis@lbbd.gov.uk</a>
<b>Accountable Director:</b> Claire Symonds, Strategic Director, Customer, Commercial and Service Delivery.	
<p><b>Summary</b></p> <p>The Council delivers a comprehensive Street Cleansing Service. In order to provide adequate coverage across the borough with finite resources, mechanised street sweeping vehicles are used to support traditional litter pickers and van based crews. In order to ensure that the Street Cleansing Fleet is utilised as much as possible these vehicles are double shifted operating for in excess of 14 hours per day. Cabinet agreed savings proposal ES015 'Redesign of Street Cleansing Operations' which approved a shift towards the greater mechanisation of the cleansing service. The replacement of the current life expired fleet will ensure that cleansing standards are maintained and that savings targets are delivered.</p> <p>The current Street Cleansing fleet has reached the end of its operational life. The vehicles have been supporting operations for four years. Taking into account double shifting the vehicles have undertaken a significant amount of work. Failure to replace the fleet will lead to excessive downtime which will jeopardise service delivery; furthermore failure to replace these vehicles will lead to excessive maintenance costs which will shortly prove to be uneconomical. This report recommends the replacement of the current Street Cleansing mechanised compact sweepers on a finance lease basis using an existing EU compliant framework to deliver best value.</p>	
<p><b>Recommendation(s)</b></p> <p>Cabinet is recommended to:</p> <ul style="list-style-type: none"> <li>(i) Agree that the Council proceeds with the procurement of a contract for the Procurement of 10 Street Sweeping Vehicles Delivered through an EU compliant framework contract in accordance with the strategy as set out in this report.</li> <li>(ii) Indicate whether Cabinet wishes to be further informed or consulted on the progress of the procurement and /or the award of the contract.</li> <li>(iii) Delegate authority to the Strategic Director Customer, Commercial and Service</li> </ul>	

Delivery, in consultation with the Cabinet Member for Environment, the Strategic Director of Finance and Investment and the Head of Legal and Democratic Services, to award the contract to the successful bidder in accordance with the strategy set out in this report.

### **Reason(s)**

To support the corporate objectives 'Encourage Civic Pride' and 'Growing the Borough specifically; Enhance the boroughs image to attract investment and business growth.

To support the delivery of the Medium Term Financial Strategy through the continued implementation of savings proposal ES015

## **1. Introduction and Background**

- 1.1 The Council currently operates a mechanised street sweeping fleet consisting of a variety of mechanised sweeping vehicles, including HGV mounted sweepers, compact sweepers and precinct sweepers. In order to reduce overhead costs these vehicles are double shifted to ensure maximum utilisation. The vehicles are operated across the borough clearing detritus and litter in vehicle accessible locations. The current fleet of compact sweepers have reached the end of their operational life having completed 4 years of service. In order to avoid disproportionate maintenance cost and service interruption caused by vehicle downtime these vehicles now need to be replaced.
- 1.2 In December 2014, savings proposal ES015 'Redesign of Street Cleansing Operations' was approved (Minute 71 of Cabinet meeting on 16 December 2014 refers). The proposal introduced a shift towards the greater mechanisation of the cleansing service. The replacement of the current life expired fleet will ensure that cleansing standards are maintained and that savings continue to be delivered.

## **2. Proposed Procurement Strategy**

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

- 2.1.1 The procurement of 10 mechanised street sweeping vehicles.

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

- 2.2.1 Market testing has determined that the procurement of a new fleet of 10 street sweeping vehicles will cost an estimated £555,000. The proposal is that the vehicles will be purchased on a lease basis over a period of 4 years.

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

- 2.3.1 The procurement of the street cleansing fleet will be delivered via the use of a pre-existing EU compliant framework contract. The vehicles will be purchased on a lease basis. Based on the current fleet it is envisaged that the vehicles if double shifted will have a 4 year working life, this is in line with the utilization of the current mechanised sweeper fleet.

2.3.2 The chosen contract is the ESPO Specialist Vehicles Framework 218. The YPO framework contract was considered however these were deemed unsuitable due to the specialist nature of the vehicles required.

**2.4 Is the contract subject to the (EU) Public Contracts Regulations 2015? If Yes, and contract is for services, is it subject to the light touch regime?**

2.4.1 The procurement of mechanised street sweepers is within the in scope of the EU Public Contracts Regulations 2015 and is not subject to the light touch regime.

**2.5 Recommended procurement procedure and reasons for the recommendation.**

2.5.1 Mechanised street sweeping vehicles are widely used across the public and private sector. The borough has extensive experience of procuring, operating and maintaining mechanised street sweepers. Due to the extremely standardised nature of the product there are a range of framework contracts available. The 'ESPO Framework' has been identified as a good fit for the Council's requirements based on goods required and contract terms. Use of an existing framework contract will allow the authority to reach a wide supply of manufacturers from across the market whilst avoiding the costs associated with undertaking a bespoke EU Compliant contract.

2.5.2 Proposed Procurement Timeline

Action	Duration	Start Date	End Date
Procurement Board Approval	1 day	07/12/2015	07/12/2015
Cabinet Approval	1 day	19/01/2016	19/01/2016
Finalise Specification	10 days	20/01/2016	03/02/2016
Confirm specification against Framework	3 days	04/02/2016	08/02/2016
Issue Framework Competition	10 days	09/02/2016	23/02/2016
Award contract via framework	7 days	24/02/2016	07/03/2016
Fulfilment estimate	3 months	07/06/2016	31/08/2016

**2.6 The contract delivery methodology and documentation to be adopted.**

2.6.1 The terms and conditions will be those of the ESPO Specialist Vehicles Framework 218. Delivery will be within the agreed timeframe and specification to be determined by the Authority.

**2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract.**

2.7.1 The delivery of this procurement exercise will enable the continued delivery of savings proposal ES015 Redesign of Street Cleaning Operations with a savings target of £243,000.

## **2.8 Criteria against which the tenderers are to be selected and contract is to be awarded**

2.8.1 The ESPO framework provides the authority with the option to customise the specification in line with requirements of the authority. Criteria will include but not be limited to the following:

- Manufacturer's Warranty period.
- Projected Whole Life Maintenance Cost.
- Fuel Consumption & Carbon Emissions.
- Payload.
- Vehicle Performance following in-house trial.
- Vehicle Safety Features (Operator and Third Party)

2.8.2 Contracts will be evaluated on a 50% Price 50% Quality basis. This is specified within the ESPO Framework.

## **2.9 How the procurement will address and implement the Council's Social Value policies.**

2.9.1 In line with the 'Public Services Social Value Act', public bodies are required to consider the way in which the services that they commission and procure might improve the economic, social and environmental wellbeing of the area.

2.9.2 Suppliers appointed to the contract within their tender return bidders will be required to:

- Demonstrate the environmental credentials of the vehicle including; compliance with London Low Emission Zone, Euro Engine Emission Compliance and fuel efficiency.
- Demonstrate the Safety Credentials of the vehicle including; compliance with London Safer Lorry Scheme, compliance with construction and use standards/legislation and demonstration of any additional safety features for the public and drivers.

## **3. Options Appraisal**

### **3.1 Financial Options Appraisal**

3.1.1 In order to determine best value both lease and outright capital purchase options have been considered. At present the sweeper fleet is funded via the Street Cleansing revenue account. Once procured the existing fleet will be decommissioned and the new fleet will be funded using the existing revenue provision. If the option to purchase outright was taken capital would be used to fund the purchases with an annual capital repayment funded from the revenue account.

MAKE/MODEL	Whole Life Cost (Per Vehicle)	Whole Life Cost (10 Vehicle's)
Lease Price <i>Estimate based on Market Testing</i>	£55,488.00	£554,880.00
Outright Purchase Cost <i>Estimate based on Market Testing Inclusive based on 10% capital borrowing cost.</i>	£55,456.80	£554,568.00

3.1.2 **The recommended option:** Finance Lease. The vehicles will be purchased on a 4 year finance lease basis. The vehicles will be procured via an existing framework contract with a set price for the duration of the lease agreement. This approach will remove any risk related to depreciation on residual values that would be associated with outright purchase. Fixed price lease payments for the duration of the contract will remove any risk of price inflation during the period of the contract. Vehicles will be specified with warranties of at least 3 years reducing

3.1.3 Outright Capital Purchase: In this option the vehicles would be purchased using capital funding with annual repayment during using the existing Street Cleansing Revenue budget. This option has not been chosen due to the risk associated with variable vehicle residual values, in a lease contract this risk would be eliminated. Taking into account the 10% capital borrowing cost the difference in whole life cost between lease and is minimal, amounting to £32,000 per vehicle.

The advantage of outright purchase is that depending on the condition of the vehicle after 4 years that its working life could be continued, however taking the current fleet as a bench mark and the fact that they are double shifted this is unlikely in the majority of cases and could not be guaranteed with any level of certainty. Double shifting will mean that our vehicles are undertaking 8 years of work over a four year period. The impact that this will have on any resale of the vehicle means that residual values will vary creating significant risk.

### 3.2 Mechanised Sweeper Procurement Route Options Appraisal

3.2.1 Do nothing. Not an option, the current sweeper fleet has reached the end of its working life. The current vehicles have been operational for 4 years and have been double shifted over that period. The current fleet is subject to extensive downtime and are becoming uneconomical to maintain.

3.2.2 Specify, Advertise and Let a Bespoke LBB Contract. This is a viable option. The authority has extensive experience of vehicle procurement activities. However putting in place a bespoke EU Compliant contract will incur significant officer time which would be avoided by using an existing framework contract.

3.2.3 **The recommended option:** Engage a sweeper supplier via the ESPO Specialist Vehicles Framework 218(Lease Vehicles) .The framework makes use of a mini competition within the framework to ensure best value. By using a framework contract the Council will be able to take advantage of a reduced procurement timeline that this route to market offers.

The framework allows the authority the opportunity to complete a specification that meets the authorities' requirements. The ESPO framework is a high profile national

framework with a large number of suppliers. All suppliers on the framework will be notified of the invitation to tender, this should ensure that a number of competitive bids from nationally recognised suppliers are received.

#### **4. Waiver**

4.1 No waiver is requested at this point or is envisaged as part of this process.

#### **5 Equalities and other Customer Impact**

5.1 The procurement of mechanized street sweeping vehicles will have no impact on Equalities groups. The contract is for the re-procurement of existing fleet inventory. Savings Proposal ES015 Redesign of Street Cleansing Operations was subject to a full Equalities Impact Assessment.

#### **6. Other Considerations and Implications**

6.1 **Risk and Risk Management** - Risks and subsequent mitigation strategies identified during the completion of this proposal are as follows:

- Ensuring Value for Money. The framework contract is a national framework with a number of market leaders signed up to the contract. Use of a competitive high profile framework will ensure that value for money is achieved.
- Poor Quality Products: The supplier will be contracted to deliver a product in line with the Authorities specification. The specification will include the requirement to meet construction and use regulations and provide adequate manufacturer warranty. Failure to deliver a product that meets the required standard will be dealt with the mechanisms contained within the contract.
- Fit for purpose vehicle specification. The framework identified allows for the authority to put in place a bespoke specification. The service (cleansing) and fleet management will work together to put in place a robust specification. The tender process will include the requirement for the supplier to supply vehicles for hands on testing. Feedback from the testing process will form a core element of the quality evaluation criteria.

6.2 **Health Issues** - The new fleet will be compliant with emissions and vehicle safety regulations.

6.3 **Property / Asset Issues** - As water carrying vehicles the sweeper fleet is required to be parked under cover. The existing provision with Frizland's Depot Wash Bay for undercover vehicle storage will be used for the new fleet.

#### **7. Consultation**

7.1 The proposals in this report were endorsed by the Procurement Board on 7 December 2015 and all relevant consultation with Portfolio Holders and officers has taken place

## 8. Corporate Procurement

Implications completed by: Francis Parker, Senior Category Manager

- 8.1 The evidence provided in this paper shows that a lease is likely to yield similar value for money as a purchase.
- 8.2 The ESPO framework gives access to 13 specialist vehicle suppliers offering lease, hire and purchase options. Using the framework will offer good competition, should achieve value for money and be a low cost and compliant route to market.
- 8.3 Risks associated with these vehicles is mitigated by requiring a warranty to cover the lease period, this would reduce the likelihood of additional costs.

## 9. Financial Implications

Implications completed by: Carl Tomlinson, Group Manager, Finance

- 9.1 The service currently has a fleet of 8 sweepers at an annual cost, excluding maintenance, of £176,000. The proposal is to replace these with 10 sweepers at an annual lease cost of £138,720
- 9.2 The lease cost of the sweepers is estimated at £138,720 per annum, £554,880 over the four year life. In addition, the estimated annual cost of maintenance by the in-house workshop is £80,631.

	Lease		Service		Total Cost	
	Per annum	Over 4 years	Per annum	Over 4 years	Per annum	Over 4 years
Per sweeper	13,872	55,488	8,063	32,252	21,935	87,740
10 Sweepers	138,720	554,880	80,631	322,523	219,351	877,403

- 9.3 The annual cost of the new fleet (£219,351) will be funded from the service's existing allocated budget fleet.

## 10. Legal Implications

Implications completed by: Bimpe Onafuwa, Contracts and Procurement Solicitor

- 10.1 This report is seeking approval to procure mechanised street vehicles by way of a call-off from a framework set up by the Eastern Shires Purchasing Organisation (ESPO) for the provision of Specialist Vehicles.
- 10.2 The Public Contracts Regulations 2015 permits contracting authorities to call-off valid frameworks in order to procure goods, services or works, as required. Such frameworks would have been set up in accordance with the provisions of the Regulations.
- 10.3 Nonetheless, when calling off the framework, the procurement exercise for this contract has to be in compliance with the principles of the Regulations. This procurement process therefore has to be transparent, non-discriminatory and fair.

Clause 2.5.2 of this report indicates that there will be a call for competition amongst suppliers on the ESPO framework and also outlines the timetable for procurement of the vehicles, while clause 2.8.2 explains the evaluation criteria. This shows evidence of a fair tender exercise.

- 10.4 So long as the strategy in this report is adhered to, and the procurement exercise is conducted transparently and fairly, due compliance with the procurement principles can be met. In deciding whether to approve the Recommendations of this report, Cabinet should consider if this contract represents good value for money.

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

**List of appendices:** None



## CABINET

19 January 2016

<b>Title:</b> Oracle R12 - Proposal to Extend Contract for Hosting and Support	
<b>Report of the Cabinet Member for Finance and Central Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
<b>Report Author:</b> Martin Rayson, Divisional Director – HR & OD	<b>Contact Details:</b> Tel: 020 8227 3113 Email: <a href="mailto:martin.rayson@lbbd.gov.uk">martin.rayson@lbbd.gov.uk</a>
<b>Accountable Divisional Director:</b> Martin Rayson, Divisional Director for Human Resources and Organisational Development	
<b>Accountable Director:</b> Claire Symonds, Strategic Director for Customer, Commercial and Service Delivery	
<p><b>Summary:</b></p> <p>In 2012, the Council entered into a contract with Capgemini for the implementation, hosting and provision of support for an updated version of the Oracle enterprise resource planning (ERP) system. The system supports financial management, procurement, payments, payroll and people management in the Council. Although contracted individually to Capgemini, this was a joint implementation with five other councils of one common version of the Oracle software, as part of the One Oracle partnership.</p> <p>The system was implemented in August 2014 and the four year contract (for implementation, hosting and Level 3 system support) expires in July 2016. The partnership must make a joint decision about re-contracting. The option of undertaking a full re-procurement exercise was considered, alongside extending the current contractual arrangement.</p> <p>The proposal from the One Oracle Partnership Joint Management Board, representing the six Councils (including LBBd) is to extend the contract with Capgemini for hosting and Level 3 support for a two year period from 19<sup>th</sup> July 2016.</p> <p>This recommendation has been made following the assessment of the overall value for money of this option, taking into account the increase in cost, but also the need for a stable platform to enable a new partner to join and the risks associated with moving away from this system given the performance issues suffered by the councils following 'go live'.</p> <p>It also takes into account the uncertainty over the future size and shape of the One Oracle partnership in light of the funding pressures each council faces and the subsequent individual decisions they will take regarding their IT strategies.</p> <p>The cost to LBBd across the two years of the contract will be £1,027,935. This compares to the full cost of the existing contract through to July 2016 of £1,064,651. This latter</p>	

figure though does include initial implementation costs of £331,800.

To implement this joint decision, each Council needs to take individual decisions through their own governance process. If agreed, each Council will contract separately with Capgemini as this is considered to be the most appropriate arrangement in order to protect each Council's own financial interests.

Going forward it is imperative that this Council, alongside the other partner Councils, begin the process of developing a strategy for the partnership and their use of the ERP system, so that decisions are made well in advance of the expiry of the contract extension in July 2018.

### **Recommendation(s)**

The Cabinet is recommended to:

- (i) Approve the extension of the contract for hosting and support for the One Oracle system, at a total cost to the Council of £1,027,935, to Capgemini on a two year basis from 19 July 2016; and
- (ii) Delegate authority to the Strategic Director for Customer, Commercial and Service Delivery, in consultation with the Cabinet Member for Finance and Central Services, the Strategic Director for Finance and Investment and the Head of Legal and Democratic Services, to enter into the contract extension with Capgemini.

### **Reason(s)**

The existing contract expires in July 2016 and the Oracle system will not be available to the Council and schools unless alternative contractual arrangements are put in place. The recommendation represents the best way forward in the circumstances.

## **1. Introduction and Background**

- 1.1 During 2012, the boroughs of Brent, Croydon, Barking & Dagenham, Havering, Lambeth and Lewisham procured jointly a solution to provide an enterprise resource planning (ERP) solution based on Oracle technology (R12).
- 1.2 This solution was made up of three elements; the software itself, the external hosting and on-going support for the solution and the implementation of the solution. These contracts were provided by Oracle in the first case and Capgemini in the latter cases. The elements with Capgemini were procured as framework agreements, with call off contracts taken by each of the boroughs.
- 1.3 The external hosting and support call-off contracts are due to expire in July 2016 and replacement is required to enable the on-going provision of the system.
- 1.4 The One Oracle R12 system is managed by a Joint Partnership Board, representing the six partner Boroughs. Decisions need to be made jointly by the Partnership Board and the recommendation of the Board is to extend the contract with Capgemini, for the reasons set out in this report. Each partner Council contracts

individually with Capgemini and must make a decision on how to proceed by the end of January, in line with their own governance arrangements.

## **2. Proposed Procurement Strategy**

2.1 The original Capgemini contracts for provision of One Oracle external hosting and Service support allow for contract extension and the recommendation of this paper is to enter a two year extension for Lot 2 and Lot 3 as described in 2.2 below.

### **2.2 Outline specification of the works, goods or services being procured.**

The original contract was for three Lots. Lot 1 was for implementation. The other two Lots covered the following:

Lot 2 – system hosting and support (infrastructure and infrastructure management) - the system will be 'hosted' or run at a single location – and the services accessed from a secure 'government trusted' data centre and accessed via 'cloud' or secure internet based connections. The computer servers and databases will be based at the provider's premises, and the resources to manage the servers and network systems will be managed by the provider.

Lot 3 – Oracle licensing and application support. The Oracle application system requires Oracle licences and also Oracle support of the application and standard interfaces. This will include providing support for complex Oracle issues.

The contract extension proposed covers Lots 2 and 3.

Application support covers Level 3 support only. Level 1 and 2 support is provided through the Joint Application Support Team, for which there is an additional annual cost.

### **2.3 Estimated Contract Value, including the value of any uplift or extension period.**

The cost to LBBD across the two years of the contract will be £1,027,935.

### **2.4 Duration of the contract, including any options for extension.**

Two years. This is a proposed extension of an original four year contract. No further extension will be allowed for.

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

No. The original contract for Oracle implementation, hosting and support contained the following clause 25.1

"This agreement shall commence on the Commencement Date and shall (subject to earlier termination pursuant to clauses 24 and 25) terminate on the Termination date, unless the Council elects to extend the term of this agreement by a further period."

We are therefore proposing to exercise our right to extend the contract for a period of two years.

## **2.6 Recommended procurement procedure and reasons for the recommendation**

Contract extension as per the terms of the original contract – see paragraph 2.5 above.

The options considered and the rationale for proposing a contract extension are set out in Section 3.

## **2.7 The contract delivery methodology and documentation to be adopted.**

Not applicable.

## **2.8 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract**

Capgemini have made a number of proposals to the Partnership in order to control contract costs. The proposal for the contract extension varies the current provision in three key ways:

- The use of utility models of hosting to control demand for custom solutions
- Changes in the service levels to reflect historic performance
- The use of a new sub-contractor (Kainos) to manage the infrastructure

The offer by Capgemini is to provide these services for £6,844,340 over the two year period with an average charge of £40,740 month per council in the One Oracle Partnership.

The offer by Capgemini is made up of three elements: (i) costs of infrastructure as a service, (ii) costs of management of the infrastructure, which is termed “hosting”, and (iii) costs of application support.

The cost of application support is £3,953,936, equating to an average of £23,535 per council per month.

The costs of hosting (infrastructure and infrastructure management) total £2,890,404, equating to £17,204 per council per month.

The cost to LBBD of the three elements combined for the two years of the contract is as follows:

Year 1 - £522,639

Year 2 - £505,296

The principle of the partnership is that all partners pay the same price (although LB Lewisham pays less, as they only use the financial modules in Oracle). However in the original contracts, this was not the case and the difference in pricing for LBBD over the two years reflects some smoothing of the increase for those councils previously paying less for hosting and support.

The total cost to LBBB for the two years is £1,027,935. This compares to the £1,064,651 paid to date for implementation, infrastructure management and application support (Level 3). In pure financial terms it is difficult to present this as a good deal, but the broader risk issues make this the best option in the circumstances.

The budget available in 2015/16 to meet these costs is £360k, meaning that there will be a pressure on the budget in 2016/17.

## **2.9 Criteria against which the tenderers are to be selected and contract is to be awarded**

The rationale for choosing to extend the contract, rather than re-procure is set out in Section 3.

## **2.10 How the procurement will address and implement the Council's Social Value policies.**

There is no impact on the Council's social value policies.

## **3. Options Appraisal**

3.1 The contract expires in July 2016 and a new contract must be in place at that point to ensure continuity of service of a system upon which each Council relies. The Joint Management Board has therefore considered two options:

- 1). Re-procuring the contracts for hosting and systems support on the open market;
- 2). Extending the existing contract with Capgemini for a further two years.

3.2 Option 2 has been proposed as a way forward by the One Oracle Partnership Joint Management Board.

3.3 A test for value for money was determined in accordance with the objectives of the Joint Management Board. This test was to:

- Assess the market rates of the service where appropriate;
- Assess the costs of provision to the provider and allow for reasonable profit margin;
- Assess whether the proposed service levels would give rise to a practical level of performance.

3.4 This test has been performed against the following solution characteristics:

- The solution will operate at the current level of security. Whilst Capgemini has offered a reduction in cost for a reduction in the level of security, the Partnership has rejected this.
- The non-production elements of the solution will be required on a 'during work hours' basis, rather than a 24/7 basis, although these will remain available on demand. This is achievable due to the use of infrastructure as a service to provide the base technology.

- 3.5 In order to assess the value for money of this proposal, a benchmarking exercise has been performed on the different elements of the contract.
- 3.6 The benchmarking, which indicates that costs are towards the upper end of reasonable, and the service levels, which are towards the lower end of acceptable, combine to suggest that the overall value of the offer is towards the lower end of the reasonable range when looked at solely on a commercial basis.
- 3.7 This assessment also however needs to consider the ability of the approach to mitigate technical risks and to minimise internal costs.
- 3.8 The approach as set out mitigates the technical risks associated with the infrastructure of the solution and increased demands placed on the solution during the on-boarding of Newham Council.
- 3.9 There is a small risk related to the transfer of the infrastructure management to a new supplier. The commercial consequences of this are however borne by Capgemini.
- 3.10 It should additionally be noted that the simple, fixed price structure of the commercial arrangement passes all risks in terms of increased cost to meet demands on the supplier, which has clear value as the requirements caused by the Newham on-boarding are, to a greater or lesser extent, unknowable.
- 3.11 The approach also fully mitigates any internal costs associated with transfer. In particular, the costs for testing and ensuring seamless data migration have been eliminated in full.
- 3.12 The assessment is therefore that this proposition does provide reasonable value for money when looked at in terms of commercial acceptability and business risk handling. In the Financial Implications section, it is made clear that on pure financial grounds the proposition does not represent value for money. However it is now no longer possible, in the timescales available, to pursue Option 1 and re-procure through competition.

#### **4. Waiver**

Not applicable.

#### **5 Future Strategy**

- 5.1 The One Oracle partnership has not delivered the benefits set out in the original business case. Running costs have been higher than expected, only LB Newham have joined the partnership (and this has not resulted in a lower annual cost) and the partners have yet to develop any shared services on the back of the platform, beyond a shared Application Support Team (for Level 1 and 2 enquiries).
- 5.2 The partners have already started discussions about the future of the partnership in light of its failure to deliver all of the expected benefits and the future shape of each of the participating Councils. The possibility of creating smaller clusters, as a means to ensure a commonality of processes and thereby drive shared services, has been

discussed. This Council, independently and with the partnership, is evaluating the potential of a cloud-based version of Oracle, which may offer better value and would enable further services to be offered, thereby offering some future-proofing, given the current uncertainty around the shape of the Council in 2020 and beyond.

- 5.3 We are currently developing a decision path through to June 2018, when the contract extension with Capgemini will end and an alternative solution will need to be in place.

## **6. Equalities and other Customer Impact**

Not applicable.

## **7. Other Considerations and Implications**

- 7.1 **Risk and Risk Management** - There is substantial technical risk in transferring technical platforms with a resultant loss of performance of the solution and the councils' ability to conduct business. This risk is compounded by the intended on-boarding of Newham during the same period, which would increase demands on the platform and support service.

There is also considerable uncertainty about the future size and shape of the Council in light of the squeeze on resources and the growth in demand for some services. The Council has initiated the Ambition 2020 Programme, to consider the potential impact of the future operating environment. It is not clear at this stage what kind of organisation any future ERP system may need to support and there is therefore a risk in committing to a four year contract and a new provider.

Given the above, decisions were taken to avoid these risks as far as possible. As such, the procurement strategy has been to negotiate a further two year contract, subject to satisfaction with regard to reasonable value for money, with Capgemini with a view to testing the market in 2017 for a transition, either in part or in full during 2018.

This decision was taken following a soft market test exercise and consequent assessment of options by the Joint Management Board, established by the boroughs to manage the solution.

## **8. Consultation**

- 8.1 Consultation has taken place with the portfolio holder and the Corporate Management Team. The Procurement Board has considered the issue in detail and agreed with the Partnership Board that the proposal set out in this paper represents the best option for the Council, although all are concerned about the increased in costs, when the original business case projected a saving for the Council.

## **9. Corporate Procurement**

Implications completed by: Euan Beales, Head of Procurement and Accounts Payable

- 9.1 By Minute 68 (22 November 2011, the Cabinet approved the re-procurement of the Council's finance and accounting system through a collaborative procurement with five other London Boroughs. The main purpose was to gain economies of scale and service efficiencies.
- 9.2 The contract was drafted and entered into by the London Borough of Lambeth and holds a provision to extend the hosting service and the Licensing and Application Support Lots by further time periods.
- 9.3 The Council's Contract rules require all spends over £500,000.00 to be presented to Cabinet for formal ratification.
- 9.4 Based on the information provided, the extension would be compliant with EU Procurement Rules and a full re-procurement would not be possible due to long lead in time and data migration and is the appropriate route for the provision of this service.

## **10. Financial Implications**

Implications completed by: Kathy Freeman, Divisional Director of Finance

- 10.1 The current cost of hosting the contract is £0.750m across two years ending July 2016. When the contract was initially set up, it was the understanding of the Council that the hosting charges would decrease as further boroughs on-boarded onto the One Oracle system.
- 10.2 Only LB Newham have joined the One Oracle system since implementation, however this has not equated to a decrease in the cost of the hosting.
- 10.3 The current proposal is to enter into a contract with Capgemini to host One Oracle for a further two years beginning August 2016, at a cost of £1.027m. This is an increase in cost of £0.277m. The current annual budget available for hosting is £0.40m per annum and the current financial year Oracle Hosting cost is £0.38m, with £0.020m budget available for ad hoc changes and modifications. The new hosting arrangements will create a budget pressure of c£0.10m in 2016/17 and an additional budget pressure of c£0.030m in 2017/18 which will need to be addressed. These pressures will be incorporated as part of the Council's budget setting process and will be funded through the Medium Term Financial strategy.

## **11. Legal Implications**

Implications completed by: Daniel Toohey, Principal Corporate and Commercial Solicitor

- 11.1 This report is seeking approval to extend the Oracle R12 contract for the provision of hosting and support services, with Capgemini. The contract was procured via a framework set up by Lambeth Council, and which was accessed by six other



boroughs including LBBD. This report states that the resultant call-off contract commenced in July 2012 and is due to expire in July 2016.

- 11.2 The Oracle contract was procured under the Public Contracts Regulations (PCR) 2006. Generally under the PCR 2006, and as interpreted by the then Government Guidance on Framework Agreements, framework agreements were generally limited to a four year period from their commencement. However, although framework agreements are generally limited to four years, and albeit not specifically set out in the PCR 2006, research suggests that call-off contracts may extend beyond this four year limit, within reasonable parameters. It should also be noted that under the new PCR 2015 Guidance (replacing the previous PCR 2006), the regulations have now clarified that call-off contracts may extend beyond that four year period.
- 11.3 Contract notice 267911-2011, published by Lambeth Council on 25 August 2011, contains a provision which states that “the duration of an individual call-off under the framework agreement will not necessarily be limited to four years but will be governed by the terms of the call-off contract concerned”. The hosting and support services agreement entered into between LBBD and Capgemini also provides that the Council could elect to extend the contract.
- 11.4 Legal Services will be on hand to assist in the preparation of a Deed of Variation in order to extend this Contract and to answer any queries that may arise throughout the process.

#### **Background Papers Used in the Preparation of the Report:**

Report to Cabinet 22 November 2011 entitled “Shared Procurement of Oracle R12 Upgrade” <http://moderngov.barking-dagenham.gov.uk/documents/s53761/Oracle%20R12%20report.pdf>

**List of appendices:** None

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