London Borough of Barking & Dagenham
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Notice of Meeting of the

ASSEMBLY

to be held on Wednesday, 22 February 2017 commencing at 7:00 pm in the Council Chamber, Town Hall, Barking

To all Members of the Council of the London Borough of Barking and Dagenham

Date of publication: 14 February 2017

Chris Naylor
Chief Executive

Councillors and senior officers are also invited to attend a presentation by Meena Kishinani, Programme Director, and David Murray, Director of Community Solutions, on the Community Solutions project, which will take place in the Council Chamber from 6.00 pm until 6.45 pm

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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. Members are reminded that the provisions of paragraph 9.3 of Part 5, Chapter 1 of the Constitution in relation to Council Tax arrears applies to agenda item 6 "Budget Framework 2017/18 and Medium Term Financial Strategy 2017/18 - 2020/21".

3. **Minutes - To confirm as correct the minutes of the meeting held on 25 January 2017 (Pages 3 - 13)**

4. **Leader's Statement**

   The Leader will present his statement.

5. **Appointments**

   The Labour Group Secretary will announce any nominations to fill vacant positions on Council committees or other bodies.

6. **Budget Framework 2017/18 and Medium Term Financial Strategy 2017/18 - 2020/21 (Pages 15 - 73)**

7. **Treasury Management Strategy Statement 2017/18 (Pages 75 - 113)**

8. **2017/18 Local Implementation Plan Funding Submission (Pages 115 - 129)**

9. **Pay Policy Statement 2017/18 (Pages 131 - 141)**

10. **Motions**

11. **Questions With Notice**

12. **Any other public items which the Chair decides are urgent**

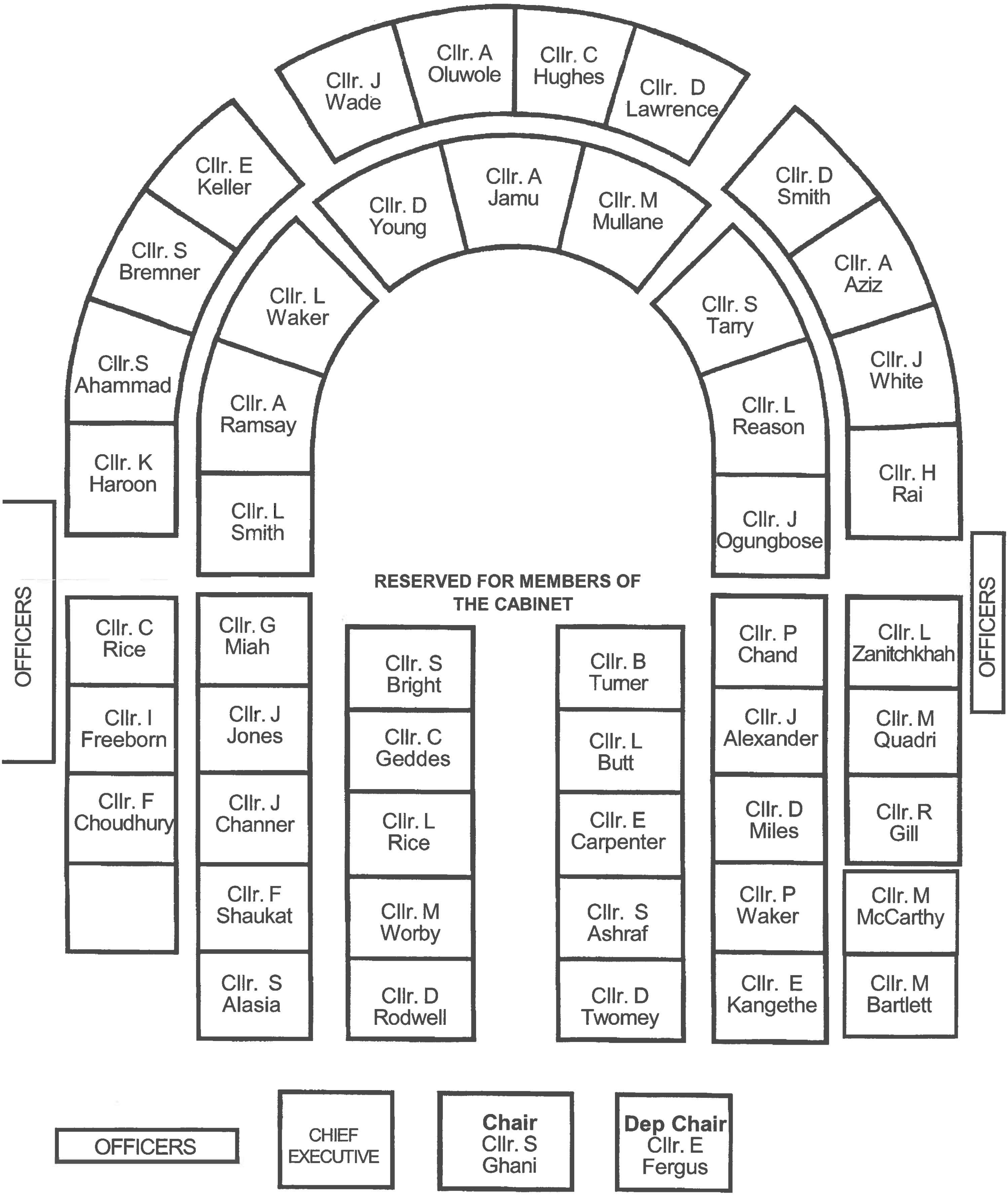
13. **To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

Private Business

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

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

BARKING TOWN HALL
COUNCIL CHAMBER



SEATING PLAN FOR THE ASSEMBLY

July 2016

London Borough of
Barking & Dagenham
lbbd.gov.uk

Our Vision for Barking and Dagenham

One borough; one community; London's growth opportunity

Our Priorities

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

Well run organisation

- A digital Council, with appropriate services delivered online
- Promote equalities in the workforce and community
- Implement a smarter working programme, making best use of accommodation and IT
- Allow Members and staff to work flexibly to support the community
- Continue to manage finances efficiently, looking for ways to make savings and generate income
- Be innovative in service delivery

MINUTES OF ASSEMBLY

Wednesday, 25 January 2017
(7:02 - 9:27 pm)

PRESENT

Cllr Syed Ghani (Chair)
Cllr Edna Fergus (Deputy Chair)

Cllr Syed Ahammad	Cllr Jeanne Alexander	Cllr Abdul Aziz
Cllr Melanie Bartlett	Cllr Simon Bremner	Cllr Sade Bright
Cllr Laila M. Butt	Cllr Evelyn Carpenter	Cllr Peter Chand
Cllr Faruk Choudhury	Cllr Irma Freeborn	Cllr Cameron Geddes
Cllr Rocky Gill	Cllr Kashif Haroon	Cllr Chris Hughes
Cllr Amardeep Singh Jamu	Cllr Jane Jones	Cllr Elizabeth Kangethe
Cllr Eileen Keller	Cllr Danielle Lawrence	Cllr Mick McCarthy
Cllr Giasuddin Miah	Cllr Dave Miles	Cllr Margaret Mullane
Cllr Moin Quadri	Cllr Tony Ramsay	Cllr Linda Reason
Cllr Chris Rice	Cllr Lynda Rice	Cllr Darren Rodwell
Cllr Faraaz Shaukat	Cllr Danielle Smith	Cllr Sam Tarry
Cllr Dominic Twomey	Cllr Jeff Wade	Cllr Lee Waker
Cllr Phil Waker	Cllr John White	Cllr Maureen Worby

APOLOGIES FOR ABSENCE

Cllr Sanchia Alasia	Cllr Saima Ashraf	Cllr Josephine Channer
Cllr James Ogungbose	Cllr Hardial Singh Rai	Cllr Bill Turner
Cllr Dan Young		

44. Declaration of Members' Interests

There were no declarations of interest.

45. Minutes (30 November 2016)

The minutes of the Assembly held on 30 November 2016 were confirmed as correct.

46. Minutes of Sub-Committees

The Assembly received and noted the minutes of the:

- JNC Salaries and Conditions Panel held on 30 November 2016;
- JNC Appointments Panel held on 13 December 2016; and
- JNC Appointments Panel held on 9 January 2017.

47. Leader's Statement

At the request of the Leader, the Chair asked the Assembly to stand for a minute’s silence for the two victims of the fire which took hold of a maisonette in the Borough that morning and for Duran Kageearma who was tragically murdered in Dagenham on 12 November 2016.

The Assembly stood for a minute's silence.

The Leader then presented a verbal statement updating the Assembly on a range of matters since the last meeting, including:

- The first-ever freight train to travel from China to the UK entirely by rail. The train had left the city of Yiwa on an 18-day journey and covered 7,500 miles and seven countries before arriving at Barking's East London Terminal this week. The Leader and the Mayor greeted the train upon arrival and presented gifts to the Chinese Ambassador;

- The new Vicarage Field development in Barking Town Centre which would deliver around 900 new homes and a state of the art shopping centre. The development would also include a 150-bed hotel, affordable space for start-up businesses, a cinema, gym, music venue, 3-form entry primary school and new healthcare facilities. The development was expected to bring more than 1,000 jobs to the Borough; and

- The Councils ability to deliver on its ambitions against significant challenges, which had resulted in Barking and Dagenham being known as the Borough of Aspiration.

48. Appointments

There were no appointments.

49. Barking and Dagenham (BAD) Youth Forum and Young Mayor Annual Report 2016

The Assembly received the BAD Youth Forum's 15th Annual report, introduced by Erik Stein, Group Manager for Youth Services who was accompanied by representatives of the Youth Forum.

The Forum was made up of 60 young people who were elected from schools and youth groups in the Borough in January 2016. Amongst the initiatives undertaken during the year was the creation of sub-groups, which considered the following:

Mental Health and Voluntary Work Sub-Group: The Sub-Group focused addressing the stigma around mental health issues and how to get young people talking about the subject. The Sub-Group developed a questionnaire for young people on a range of mental health and, arising from the results, made an infomercial to raise awareness, break the stigma and get young people to talk about mental health. The infomercial was then shown to the Assembly.

Young Mayor's Sub-Group: The Sub-Group focused on the activities of the Young Mayor for 2016. Various events were attended by the Young Mayor during the year and fundraising activities included a stall at the summer festival, attendance at the Youth Parade, non school uniform day, a bucket shake at ASDA and a Halloween Movie night. In total, £1363.17 was raised by the Sub-Group for the Young Mayors chosen charity, Richard House's Children's Hospice.

Young Inspectors Sub-Group: The Sub-Group looked at sexual health and undertook inspections to pharmacies within the Borough which had signed up to the "Come Correct" scheme. The Young Inspectors undertook 125 visits to 29 pharmacies looking at the environment, whether a demonstration was received on how to use condoms, information about STI's and guidelines for those who were under 16. Feedback from each of the visits was given to the pharmacies and follow up inspections were undertaken.

Following the presentation, a number of Councillors paid tribute to the hard work of the Forum during the year, particularly in relation to addressing the stigma around mental health. The mental health infomercial made by Youth Forum members was found to be very powerful and the Assembly asked that the video be placed on the Councils website and other of social media platforms. In response to questions, the Forum advised that the infomercial was filmed and edited by members of the Youth Forum.

50. Licensing Act 2003 - Statement of Licensing Policy 2017-2022

The Cabinet Member for Enforcement and Community Safety introduced a report on the draft Statement of Licensing Policy for 2017 – 2022 which set out the principles by which the Council would discharge its responsibilities, as a licensing authority, in relation to the sale of alcohol, regulated entertainment and late night refreshment.

In particular, the Cabinet Member referred to the two new key provisions within the policy, the first relating to sound limiting devices, when required, and the second relating to restrictions on licensed premises that were within 400 metres of schools and colleges.

The Assembly welcomed the new provisions and sought clarification of the representation received during the consultation process from the Musicians' Union in relation to sound limiters, which an officer provided to the Assembly.

The Assembly **resolved** to adopt the London Borough of Barking and Dagenham Statement of Licensing Policy 2017-2022 in respect of the Licensing Act 2003, as attached at Appendix A to the report.

51. Council Tax Support Scheme 2017/18

The Cabinet Member for Finance, Growth and Investment presented a report on the proposal to retain the existing Council Tax Support Scheme and £50,000 discretionary hardship fund, in order to continue to support low income households in exceptional financial difficulties.

The Cabinet Member advised that officers would be looking into how many residents used the discretionary hardship fund and may amend the fund accordingly.

In response to a question, the Assembly was advised that the collection rate for

Council Tax 2016/2017 would only be known at the end of the financial year.

The Assembly **resolved** that the Council Tax Support Scheme implemented for 2016/17 be retained for 2017/18.

52. Options for the Appointment of an External Auditor

The Cabinet Member for Finance, Growth and Investment introduced a report on the appointment of an external auditor, following the closure of the Audit Commission and the end of the transitional arrangements after the 2017/18 audits.

The Cabinet Member explained that when the current transitional arrangements would end on 31 March 2018 and the Council would become responsible for the appointment of the external auditor.

There were three options open o the Council which detailed in the report, together with the advantages/benefits and disadvantages/risks of each:

- Option 1 – To make a stand-alone appointment;
- Option 2 - Set up a Joint Auditor Panel/local joint procurement arrangements; or
- Option 3 – Opt into a National Procurement Scheme: the “Appointing Person” arrangement offered by Public Sector Audit Appointments Ltd

The Assembly noted that the Public Accounts and Audit Select Committee had initially considered the report and asked the Assembly to consider option 2.

The Assembly **resolved** endorse Option 3 as set out within the report and that the external auditor for the Council and for the Pension Fund, from 2018/19, be appointed by the Public Sector Audit Appointments Ltd.

53. Appointment of Statutory Chief Financial Officer

The Chief Executive introduced a report on the appointment of a statutory Chief Financial Officer following recent changes to the senior management structure which included the deletion of the posts of Strategic Director of Finance and Investment (the former Chief Financial Officer) and the Strategic Director for Customer, Commercial and Service Delivery and the creation of the new post of Chief Operating Officer from 1 January 2017.

The Assembly **resolved** to:

(i) Ratify the appointment of Claire Symonds as Chief Operating Officer with effect from 1 January 2017; and
(ii) Appoint Claire Symonds as the Council’s statutory Chief Financial Officer.

54. Motions

Moved by Councillor Mullane and seconded by Councillor Carpenter:

“Barking and Dagenham Council is against the re-introduction of Grammar Schools as there is no evidence that they increase social mobility. Indeed, the contrary is true. These schools have only ever serviced the needs of the few and this Council is determined to give all children the opportunity to achieve academically.

Bringing back Grammar Schools would introduce divisive selection in our Borough. What is required is an inclusive, strategically planned education system that enables every child to thrive, learn and prosper and allows local industry and businesses to benefit from the achievements of Barking and Dagenham's young people.

Barking and Dagenham Council needs to be able to continue to play a full part on providing good schools where and when they are required in our Borough. Changing the status of schools and introducing selection will be a waste of time and resources of the Council, preventing them from producing good outcomes for all and helping local schools to recruit and retain the best teachers.

This Council will write to the Secretary of State for Education and the Prime Minister urging them not to allow the introduction of such schools in Barking and Dagenham."

Members of the Assembly spoke in support of the motion and expressed their concerns in relation to the proposed reintroduction of Grammar Schools. The reintroduction of Grammar Schools was not welcomed in the Borough, particularly as the Assembly felt that schools within the Borough were currently inclusive of all students and the proposal would be divisive in the community.

The motion was **carried** and resolved accordingly.

55. Questions With Notice

Question 1

From Councillor McCarthy

"There has been an increase in incidences of fly-tipping at Eastbrookend Cemetery car park. The cemetery is one the most special places along with our other two cemeteries within the Borough. Can the Council install a camera to deter and be used as a tool to prosecute these criminals who have no respect for our dead? If there are similar instances at our other two cemeteries I would like to see them get the same enforcement aids."

Response

The Cabinet Member for Environment and Street Scene advised that the Enforcement Service had a small number of cameras that could be deployed in areas where there was persistent fly-tipping. Officers would be carrying out a survey of Eastbrookend Cemetery during the week to identify the viability of installing a camera in the area and advise Councillor McCarthy accordingly.

Question 2

From Councillor McCarthy

"We have had a tragic death on Dagenham Road since the last Assembly. Will the relevant Cabinet Member work with local councillors and residents to make improvements to road safety on Dagenham Road to encompass speed cameras, new road surface and traffic calming measures and whatever suggestions come forward from a review of the area?"

Response

The Cabinet Member for Enforcement and Community Safety advised that the tragic accident remained under Police investigation. Council representatives had met with Metropolitan Police Traffic Management Officers on 16 January 2017 to discuss the circumstances behind the fatality and were waiting the Police report which would support a review of highway's issues in the area.

Supplementary Question

Councillor McCarthy requested that Ward Councilors be included in future discussions on the matter and be updated on progress.

The Cabinet Member advised that Councillors should contact her regarding the issue.

Question 3

From Councillor Mullane

"Can the Cabinet Member for crime confirm she is doing everything within her power to ensure the Police service is at full capacity in regard to posts being filled and confirm the current position?"

Response

The Cabinet Member for Enforcement and Community Safety advised that the Metropolitan Police applied a formula for allocating resources to Boroughs. The Council had long argued that the formula, over 10 years old, no longer adequately reflected the needs of the Borough. The Cabinet Member advised that ahead of a full review by the Police, it had been accepted that the Borough needed five neighbourhood officers and the posts were recently appointed to. Furthermore, the number of Schools and Youth Engagement Officers had been doubled.

Supplementary Question

Councillor Mullane advised that she had been made aware that the statistics of Police Officers for the Borough included those who were sick and/or on secondment and asked the Cabinet Member to take this up with relevant officers at the Metropolitan Police.

The Cabinet Member confirmed she would discuss the issue with relevant officers.

Question 4

From Councillor Mullane

"Can the Cabinet Member responsible for crime explain whether the Council is encouraging the Police to take pro-active steps towards crime rather than the current re-active response and if, year on year this is an increase or decrease?"

Response

The Cabinet Member for Enforcement and Community Safety confirmed the Police were proactive within the Borough and took the opportunity to detail operations on anti-social behaviour, wanted violent suspects and, knife and gun crime which had recently taken place in the Borough.

Supplementary Question

Councillor Mullane advised that the statistics on "Stop and Search" within the Borough were based on the last census and therefore not accurate and asked for the Cabinet Member to raise this with relevant officers.

The Cabinet Member confirmed she would discuss the issue with relevant officers.

Question 5

From Councillor Chand

"Given the recent media coverage surrounding the crises in social care and the NHS, can the relevant Cabinet Member please report on how services in Barking and Dagenham are coping during these difficult times?"

Response

The Cabinet Member for Social Care and Health Integration advised that despite comments from the Prime Minister, there was a need to address the crisis in the NHS. Due to problems within the NHS, additional pressured was placed on local authorities, in particular social care. This winter almost 25,000 people a month had attended local A&E department's, only 85% were seen within four hours which was not good enough.

Supplementary Question

With reference to the very high number of people attending local A&E services each month, Councillor Chand questioned the impact on services once King George Hospital A&E closed.

The Cabinet Member advised that as certain conditions had to be met at Queens Hospital before the closure could proceed she could not envisage the closure taking place next year, or even the following year.

Question 6

From Councillor Miah

"Will the Cabinet Member for Enforcement and Community Safety provide a progress update on the Council's landlord licensing scheme?"

Response

The Cabinet Member for Enforcement and Community Safety advised that the Council had received 12,000 licence applications since the scheme was launched in September 2014. 10,500 of the properties had been inspected by the council and 85% met the standard either at the time of the inspection or following minor improvements as recommended by the Council. The Cabinet Member detailed enforcement action undertaken following the introduction of the scheme and inspections, which included the successful prosecution of 25 landlords.

Supplementary Question

Councillor Miah asked what would happen when the current scheme finished.

The Cabinet Member advised that the Council was currently working on a new scheme which would seek to further improve conditions and property management services.

Question 7

From Councillor Choudhury

"Can the Cabinet Member for Finance, Growth and Investment provide a response to the Government's latest Local Government Finance Settlement and tell us what impact this will have on local residents?"

Response

The Cabinet Member for Finance, Growth and Investment commented that the Government's cuts were a disgrace, with the Revenue Support Grant due to decline by £27.7m bringing more misery on residents in the Borough. Councils were having to increase Council Tax to fill the gaps brought about by the Government and the looming crisis in social care. The Cabinet Member referred in particular to Surrey County Councils proposed referendum on a 15% Council Tax rise. Furthermore, the Cabinet Member confirmed that changes to the New Homes Bonus Scheme, meant that the Council would be losing out on a further £1.1m of funding.

Question 8

From Councillor Haroon

“Following the recent re-design of sexual health services in the Borough, can the Cabinet Member for Social Care and Health Integration outline how the re-designed service will improve outcomes for residents?”

Response

The Cabinet Member for Social Care and Health Integration advised that following the review, the service was relocated to the Barking Hospital site and increased from 20 hours a week to 40 hours a week. By consolidating services, a wider range of sexual health services were available to residents under one roof.

Question 9

From Councillor Hughes

“Will the relevant Cabinet Member update the Assembly on what progress is being made to establish a film studio complex at Dagenham East?”

Response

The Cabinet Member for Economic and Social Development advised that the Council and the Greater London Authority were jointly funding a feasibility study and business case for the film studio. Consultants had been appointed following a tender process and would be looking at the demand and potential mix of facilities at the site as well as the wider social and economic benefits of a film studio.

The Cabinet Member advised that a report would be presented to Cabinet in April/May 2017.

Question 10

From Councillor Freeborn

“Can the Cabinet Member for Equalities and Cohesion tell the Assembly how the Council plans to mark Women’s Empowerment Month this March?”

Response

The Cabinet Member for Equalities and Cohesion advised that Women’s Empowerment Month would be marked with a programme of events and activities throughout March. The programme would include a Women’s Conference on 8 March 2017, events to help female entrepreneurs with business planning and public speaking, seminars on political issues and end with the Women’s Empowerment Awards on 30 March 2017. All events would be detailed on the Councils website.

Question 11

From Councillor Fergus

“A number of incidents involving sexual harassment of women in Barking Town Centre have been reported recently. Can the relevant Cabinet Member outline what the Council is doing to prevent any further incidents?”

Response

The Cabinet Member for Enforcement and Community Safety advised that women had reported feeling unsafe due to groups of men drinking in the area and the Police had launched a dedicated campaign Operation Avarice, in Barking Town Centre, in November 2016 until which had been successful. Furthermore, the Council was planning to use additional funding from the Mayor’s Office for Policing and Crime to improve arrangements for the reporting of all hate crime incidents in the Boroughincluding the sexual harassment of women.

Question 12

From Councillor Ahammad

“Can the Cabinet Member for Educational Attainment and School Improvement explain what impact the Government’s new national funding formula for schools will have on schools in our borough?”

Response

The Cabinet Member for Educational Attainment and School Improvement explained that the current school funding formula had been tweaked by Government and Councils were already seeing money from London redistributed to other parts of the country. According to the figures published by the Department for Education, Barking and Dagenham schools should expect an overall reduction of £0.245m or 0.1%.

The new National Funding Formula, which was still at the consultation stage would make the redistribution more apparent, however the Council were working with the Schools Forum to develop a response outlining the Councils concerns,

Supplementary Question

Councillor Ahammad asked when the consultation would be ending and how parents were advised of the consultation.

The Cabinet Member advised that the consultation would be ending in March 2017. All school governing bodies could respond and parents could respond individually. A link to the consultation would be made available on the Councils website.

Question 13

From Councillor Shaukat

“Will the Leader update the Assembly on the Council’s plans to become London’s green energy capital?”

Response

The Leader advised that work was progressing to implement the two largest heat network areas. The first was at the Gascoigne East Regeneration area which would provide heat for 1,000 household and the second at Becontree Heath, which was subject to a £3.5m grant application to the Department of Enterprise and Industrial Strategy. Furthermore, low energy street lighting had been identified to develop new ways of delivering energy efficiency and low carbon investment in private and publicly controlled communities in the Borough.

Question 14

From Councillor Gill

“Can the relevant Cabinet Member please explain what actions are being taken to alleviate the projected overspend of £5m in 2016/17 with overspending in many areas within the Council including Children's Care and Support, Leisure, Environmental Services, Council Tax and Homelessness?”

Response

The Cabinet Member for Finance, Growth and Investment advised that that the issues the Council faced were well known, following a recent report to the Public Accounts and Audit Select Committee on children’s care and homelessness and regular budget monitoring reports to the Cabinet. The Cabinet Member reassured the Assembly that every possible action was being taken to reduce areas of overspend and to achieve a balanced budget in future years.

Supplementary Question

Councillor Gill raised concerns that the overspend in Environmental Services was masked by an underspend elsewhere and felt this should be regarded as high risk.

The Cabinet Member advised there had been issues with the Environmental Services budgets for a number of years and steps were being taken to permanently address the issues.

ASSEMBLY

22 February 2017

Title: Budget Framework 2017/18 and Medium Term Financial Strategy 2017/18 - 2020/21	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
Report Author: Claire Symonds, Chief Operating Officer	**Contact Details:** Tel: 020 227 5513 E-mail: claire.symonds@lbbd.gov.uk
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	

Summary:

This report sets out the:

- Medium Term Financial Strategy (MTFS) for 2017/18 to 2020/21;
- Proposed General Fund budget for 2017/18;
- Proposed level of Council Tax for 2017/18;
- Funding reductions to 2020/21;
- Financial outlook for 2018/19 onwards;
- Draft capital investment programme 2017/18 to 2020/21;
- Strategy for the Flexible use of Capital Receipts.

The General Fund net budget for 2017/18 is £144.686m and the proposed net budget for 2018/19 is £145.141m. The budget for 2017/18 incorporates changes in government grants, decisions previously approved by Members in the Medium Term Financial Strategy, savings approved by the Cabinet in July and November 2016 and other financial adjustments.

The Council proposes to increase Council Tax by 1.99% (£21.46) Local Authority Precept Increase and 3% (£32.34) Increase for the Adult Social Care Precept. This 3% precept will be ring-fenced for this purpose. These increases which in total equate to £53.80 raise the level of Council Tax from £1,078.03 to £1,131.83 for a band D property.

The Greater London Authority is proposing to increase their Council Tax by 1.5% (£4.02) for a Band D property, changing the charge from £276.00 in 2016/17 to £280.02 in 2017/18. The combined amount payable will therefore be £1,411.85 for 2017/18, compared to £1,354.03 in 2016/17. This is a total change of £57.82 for a Band D Council Tax bill for 2017/18.

The proposed draft four-year Capital Programme is £373.877m for 2017/18 to 2020/21, including £254.054m for HRA schemes. Details of the schemes included in the draft capital programme are at Appendix E.

This report was considered and endorsed by the Cabinet at its meeting on 13 February 2017.
Recommendation(s) The Assembly is recommended to: (i) Approve a base revenue budget for 2017/18 of £144.686m, as detailed in Appendix A to the report; (ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2017/18 to 2020/21 allowing for other known pressures and risks at this time, as detailed in Appendix B to the report, including the additional cost of borrowing to accommodate the capital costs associated with the implementation of the MTFS; (iii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to finalise any contribution required to or from reserves in respect of the 2017/18 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2017; (iv) Approve the Statutory Budget Determination for 2017/18 as set out at Appendix C to the report, which reflects an increase of 1.99% on the amount of Council Tax levied by the Council, a further 3% increase in relation to the Social Care Precept and the final Council Tax proposed by the Greater London Assembly (1.5% increase), as detailed in Appendix D to the report; (v) Approve the Council's draft Capital Programme for 2017/18 to 2020/21 totalling £373.877m, as detailed in Appendix E to the report; (vi) Approve the Strategy for the Flexible Use of Capital Receipts at Appendix H to the report and, in doing so, note that the projected savings targets are subject to final business cases and confirmation at future meetings; and (vii) Approve the indicative 2017/18 allocation to Early Years providers (3-4 year olds) of £15.441m and the centrally retained funding, which shall be limited to £1.081 million in 2017/18 and reduce further to an estimated £0.772 million in 2018-19.
Reason(s) The setting of a robust and balanced budget for 2017/18 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community; London's growth opportunity and delivery of the priorities within available resources.

1. Introduction and Background

1.1 The purpose of this report is to seek agreement to the revenue budget for 2017/18 of £144.686m (£150.314m in 2016/17).

1.2 The report also sets out the Medium Term Financial Strategy (MTFS) for 2017/18 to

2020/21 and the Council Tax level for 2017/18 together with an update on our proposals to balance the books through to the end of the decade.

1.3 The Council faces an unprecedented financial challenge: Government cuts the likes of which have not been seen since the Second World War and year on year increases in demand for services as the Borough's population grows and as it gets simultaneously older and frailer and, also, younger. Gone are the days when the budget process could be an annual affair confined to the winter months of the year. Today it is a year-round process of near constant test, challenge and refinement as funding assumptions ebb and flow and as long-term savings proposals mature, adapt to reflect changing contexts and deliver. In this context, it is also about the judicious use of carefully managed reserves and balances to help smooth the short-term impact of changes to funding and the delivery of long-term savings so that services are protected.

1.4 Barking and Dagenham is London's Growth Opportunity. The Borough's Independent Growth Commission1 reported in 2016 that:

"A variety of factors come together to create a propitious moment for Barking and Dagenham. The London economy remains strong. Growth, and the pressures it creates, allied to strong London institutions in the Greater London Assembly and Transport for London, have put any area with significant growth potential into the spotlight as areas of major strategic importance for development.

Barking and Dagenham is the next obvious growth point and the Borough has land on a scale few other places in the south-east do".

1.5 As London's economic growth continues to move East, we have a unique opportunity to make our Borough a stronger, more prosperous place to live, where no one is left behind.

1.6 Alongside these social and community benefits there are also significant opportunities for the Council to gain fiscally by taking an active stake in the physical regeneration of the borough (including residential and commercial development) now and in the future. While government cuts continue to constrain our revenue budgets, our balance sheet can be used more innovatively to invest in change and to grow our base of income generating assets. Developing medium to long-term investment strategies, appraising investment options and executing deals while managing risk will demand new skills and capabilities that we are investing in and delivering. But the prizes can be real and significant and are, indeed, reflected strongly in our plans for the coming years. There is also, in this context, an imperative to exploit new freedoms and flexibilities, including for example the government's recent Flexible Use of Capital Receipts dispensation, a strategy for which is included for agreement within this report.

1.7 To achieve our ambitions, we are changing the way the Council is run. Less traditional, more efficient and focused on maximising impact and value for money. Delivering this change will require us to reach out to our residents to establish a new agreement with the local community about what the Council is for, what they

[1] No One Left Behind, In pursuit of growth for the benefit of everyone: Report of the Barking and Dagenham Independent Growth Commission

can expect from us and the responsibilities they have for themselves and their neighbours. We are increasing the opportunities for residents to have their say – in the last year many thousands have contributed their ideas, hopes and fears about the future of the borough as we develop our collective manifesto for the future; we have funded plans, leveraging significant external grants, to do more work in partnership with community and voluntary organisations to provide services and promote cohesion and community development; and we are changing our services and our approach to support residents to help them become more resilient and less reliant upon our on-going support.

1.8 This is nothing new. When the Becontree estate in Dagenham was first built nearly 100 years ago, residents had to be in work to get a council house and there was a clear understanding between the Council and the community about what they could expect from each other.

1.9 Meanwhile a small, but significant number of our key frontline services our performing below the level we expect and our residents rightly demand. This is particularly the case for customer services; the reliability of our refuse and street cleansing services and some aspects of our housing management operations. Many years of under-investment and a failure to reform and modernise management and operational practices are being reversed and we now have funded plans in place to drive improvement during 2017/18 and beyond. For too long performance in our schools has lagged behind that of schools elsewhere in London even though steady improvement had moved us to performance at national average levels. However, recent results have demonstrated that position is changing with 90% of schools now being rated by OFSTED as good or outstanding (December 2016) and the gap continuing to close with average London results at Key Stage 2 and GCSE. Our funded plans continue to focus on working in partnership with schools to both sustain and accelerate progress so that young people will be well placed to benefit from the increasing prosperity of the borough.

1.10 Today the Council faces huge financial challenges, but we have a once in a generation opportunity to remake the borough according to the same principles and in the image of our founders. As well as fulfilling our statutory objectives to set a balanced budget and agree a rate of Council Tax for the coming year, this report sets out how our ambition is reflected in and supported by our medium term financial plan. It is about how our plans become reality.

2. Our approach has been informed by our context

2.1 People, money and politics

2.1.1 Since the spring of 2014, the Council has recognised that new, bold and ambitious plans will be required if the borough and its people are to meet and overcome the significant challenges that they face. The approach reflects the concluding advice of an external peer review of the Council's effectiveness carried out by the Local Government Association in the summer of 2014:

"*Only by genuinely revising what it does and how it operates can the Council seek to address the financial, social economic challenges being faced*".

2.1.2 The challenges we face are demographic, fiscal and political:

Demographic - Over the last 15 years Barking and Dagenham has become one of the fastest changing communities in Britain. This is in contrast to the post-war years when the borough was predominantly made up of traditional white working-class East End families with a close knit sense of community

The population of Barking and Dagenham rose from 164,000 in 2001 to 186,000 in 2011, and an estimated 198,000 in 2014. Population growth is set to continue. National statistics forecast a population of 220,000 by 2020, and up to 275,000 by 2037.

The population is much more diverse than 15 years ago, since 2001 the proportion of the population from minority ethnic backgrounds has increased from 15% to 50%. That proportion is projected to increase to 62% over the next 25 years.

Like other London boroughs, there is also rapid movement of people: between 2012 and 2014 approximately 50,000 new residents came to the borough, and roughly the same number left, meaning that the ‘turnover’ was almost a quarter of the total population.

The age profile of the population is also changing. Between the last two national censuses, the 0 – 4 year-old age group grew significantly. More recent data shows that the rate of increase in the very young has slowed, with the largest increases now in primary school ages. At the same time, the borough has the fourth highest proportion of people aged 10 to 19 in the country and has seen an increase in the 20 to 29 age group of just under a quarter.

Fiscal - These demographic changes have increased demand for services, adding to the huge financial challenge. Demand for services will continue to increase as the population changes and increases – but the reductions in funding imposed by central government will make it impossible to meet those demands. Without a change in approach, we would not be able to meet the most basic needs of our residents.

By 2020, the cuts in funding mean that the Council will have roughly half the amount of money that we had to spend in 2010. At the same time, the pressures caused by the growing population and more complex needs mean that we will need an additional £50 million to meet rising demands. Overall this plan estimates that, if we did nothing, we would suffer a shortfall in our budget of £71 million by 2020/21.

The financial outlook is worsening not improving. The Chancellor’s Autumn Statement published in November 2016 estimated that the economy was expected to grow more slowly than previously forecast as set out in table 1 below.

Table 1: Change in GDB forecasts between SR15 and SR16

	GDP 2014	**GDP 2015**	**GDP 2016**	**GDP 2017**	**GDP 2018**	**GDP 2019**
Autumn SR 16	2.90%	2.20%	2.40%	1.40%	1.70%	2.10%
Autumn SR 15	2.90%	2.40%	2.40%	2.50%	2.40%	2.30%

Political - The Government is also implementing reforms to national policy and legislation that will have a major impact on council services, residents and local businesses. They include:

- Reform of the housing and planning systems.
- Welfare reform, including a reduction in the cap in household benefits, and a freeze on working age benefits.
- Reform of adult social care, and health and social care integration.
- Promoting ‘devolution deals’ at regional or sub-regional levels.
- Changes to government funding for schools and continued government support for academies, free schools and grammar schools.

Those changes will have a major impact on many of the traditional approaches of the Council and the services people are accustomed to receiving.

2.1.3 The combined impacts of austerity, population change and government policy mean that we can no longer afford to meet the needs of our residents by spending more money on the kinds of services we have provided in the past. Instead the task is to re-focus what we do so that we identify the root cause of need and tackle it, so that people have a better chance of living more independently. Our job is to build resilience so that people are better able to help themselves.

2.1.4 We also need to change because what we have done in the past is not good enough to meet what our residents need and expect.

2.1.5 In the most recently completed residents survey 70% of our residents said that they were satisfied with the area, compared to 86% for London residents generally. Only 53% said that the Council listens to, or acts on, the concerns of local residents. Lack of confidence in council services undermines the trust of local people.

2.1.6 This lack of confidence stems from too many of our core front line services are not operating as effectively as we would like and more importantly how the public expect services to be delivered. Over the years, we have we have concentrated on delivering savings through reducing the front line rather than developing effective modernised services. As a consequence, the many years of underinvestment and a failure to modernise management and operational arrangements means that the Council now needs to catch up with the expectations of our residents and the performance of our peers and neighbours who have made the necessary changes and improvements in the past. This is particularly the case for: customer services; the reliability of refuse and street cleansing services and some aspects of our housing management services.

2.1.7 In addition, our residents are at the bottom of too many London league tables. People in our borough die earlier, have poorer health, and lower levels of education and skills than in most other London boroughs. Too many are insufficiently skilled, too many are in low paid work and too many struggle to find suitable accommodation to live in.

2.1.8 On many measures of health and well-being, our residents have significantly worse health outcomes than national averages – including lower life expectancy, and higher rates of obesity, diabetes, and smoking prevalence. These factors drive the level of demand on local health services and for social care support as residents struggle as result of having fewer years of healthy life expectancy compared to London and national averages. These factors, together with the higher cost of care in London, have seen steadily increasing pressure on the social care budget in part mitigated by the adult social care precept.

2.2 **The prize of economic growth**

2.2.1 The unprecedented challenge caused by the financial pressures, social and demographic change, and the policy priorities of the current government are not unique to our borough. But unlike most other areas, we have a once in a generation opportunity to secure the benefits of huge economic growth for our residents, so that no-one is left behind.

2.2.2 No other part of Greater London has the potential to play the role that Barking and Dagenham does in the expansion of London's economy. But we recognise that the borough is not yet ready for the scale of change this will mean. There is much work to do to prepare for this future if growth is going to be inclusive and sustainable, making the borough a better place for all our residents.

2.2.3 Over the next 20 years, we have the potential for up to 50,000 new homes and over 10,000 new jobs in the borough. We can stand by and watch things happen, seeing inequalities increase and the weakest driven out of the borough or we can shape the future so that the whole community benefits and prospers.

2.3 **A new approach**

2.3.1 In summer 2015, the leadership of the Council launched two major pieces of work:

- A panel of independent experts – the Growth Commission - to review the Council's ambition to be London's growth opportunity, and to recommend how to maximise the contribution of the Borough and our people to the London economy. Their report was published in February.

- A new 'Ambition 2020' programme was initiated within the Council to re-examine every aspect of what the council does and how we are organised. The outcomes of this programme were reported to Cabinet in April 2016

2.3.2 Following extensive public consultation in the spring of 2016, Cabinet agreed the outputs and recommendations of both reports at its meeting in July of that year. Those recommendations are being implemented and the investment costs and financial benefits consequent of those decisions are reflected in the medium term financial plan and budget set out in this report.

2.4 **Transforming our borough and transforming how our council works – we all have a part to play**

2.4.1 Our Council is changing to combine the enduring core values of the public sector, with the community involvement and flexibility of the voluntary sector, and the commercial-mindedness of the private sector. We are investing in our organisation so that it can work in a very different way. The aim is to excel at five things:

- **Providing consistently outstanding customer service** – We need to improve how customers get access to information and services and find innovative ways to enhance the customer experience and build trust whilst reducing demand and therefore cost.

- **Shaping a place that people choose to live in** – That means creating and maintaining areas that are attractive and affordable. That includes excellent schools, a safe and clean environment, culture and leisure facilities, and heritage.

- **Being commercially minded and financially self-sufficient** – Making our Council commercially astute, with the capability to innovate and to maximise income, and a constant drive to improve our efficiency and productivity.

- **Building public engagement, greater responsibility and civic pride** – This includes a focus on clean streets and enforcement, holding private sector landlords to account for the condition of property they own, and running a wide and varied Council events programme promoting a sense of community and attracting people to the borough.

- **Reducing service demand** – A coordinated approach to reducing demand through early and effective intervention including key services such as social care, housing and integrated health.

2.4.2 To this end we are implementing a new operating model for the Council, moving away from an organisation which is designed around professional service silos, to one that is designed around what we need to achieve for our residents.

2.4.3 Traditionally, local authorities reduce spending by department. We managed to do that between 2010 and 2014. But we cannot continue to do this. Other local authorities have outsourced or privatised services and dramatically reduced the size of their workforce. We have no desire to take those paths.

2.4.4 The new arrangements we are implementing no longer have separate functional departments or directorates. Our organisation is being shaped around the needs of our people, the place and our goals.

2.4.5 The delivery of services will be undertaken by a range of ‘Service Delivery Blocks’. Some of them we propose should be in-house, and some should be at arm’s length, so that they are able to generate the income to become self-funding and to re-invest. These Service Delivery Blocks are currently being implemented with the intention that the majority are in place and operational by the autumn of 2017. It's the implementation of these new services, the changing nature of how they will operate and their potential to generate more income that drives much of our ability to respond to the Councils fiscal challenge.

2.4.6 Strategic Directors and their commissioning teams with the support of the Council’s Chief Operating Officer will hold these service blocks to account for the delivery of financial and service objectives.

In-house service delivery blocks, currently being implemented:

Arms-length service delivery blocks currently being implemented:

2.4.7 Table 2 sets out the savings and additional income caused by the implementation of these changes. Cabinet in November 2016 received an update on the scale and pace of these financial benefits as further work on the finalisation of business cases and new service designs were completed. The position as of November 2016 is unchanged and accordingly the savings set out in table 2 are reflected in the Medium Term Financial Plan (Appendix B). Section 4 of this report sets out more detail about the nature of these savings, the costs of implementation and how these costs are allowed for in the medium term financial and budget for 2017/18.

Table 2: Savings from transforming how the council works

Pressure £'m	2017/18	2018/19	2019/20	2020/21	Total
Expected savings July 2016	9,282	13,239	7,844	15,155	**45,520**
Expected savings November 2016	9,275	11,344	12,784	14,538	**47,941**
Differences in savings expected	**7**	**1,895**	**(4,940)**	**617**	**(2,421)**

2.5 Protecting services and our workforce

2.5.1 Even in this time of austerity the Council has been mindful of the impact of cuts and has tried to protect those services that are important to our residents. Our new approach has delivered, amongst other things:

- Maintenance of both high quality main libraries and branch libraries fit for 21st Century

- Protection and enhancement of a vibrant programme of community arts and events supporting community cohesion and fun

- Retention of an extensive network of children's centres and quality childcare options for under 5's

- Good track record of having school places available for every child

- Low levels of delayed hospital discharge attributable to social care delays

- Strong support for business start ups

- Proposals for 23 bikes, 55 PDAs and 40 portable CCTV cameras to support our enforcement work.

- Maintenance of an Active Age programme offering low cost leisure and other activities for over 60's

- Continued with weekly waste collection

- CCTV network that supports crime enforcement work in borough

- No reduction to our high quality modern leisure centres and sports facilities

- A borough wide landlord licencing scheme that supports our drive to ensure all private tenants a have a safe place to live

- A substantial Vicarage Fields deal agreed to deliver homes and revitalise the shopping centre

- Proposals for London's first Youth Zone agreed and set to benefit more than 1,500 youngsters when it opens in 2018

- Dog fouling reduced by 50 per cent in the first three months of our pilot scheme

- Proposals to lease a new fleet of refuse dustcarts to work alongside recently purchased street cleaning equipment

- A programme of enhancements to schools including large expansion projects concluded this year for Gascoigne Primary and Dagenham Park schools, whilst the new Riverside secondary school has recently opened.

2.5.2 The Council also recognises that staff are its biggest assets. Our approach has ensured that we can continue to invest in them and the organisation to improve services and their ability to do a great job. Examples of this are:

- Maintained terms and conditions of employment including paying at least London Living Wage, and continuing to offer career average pension scheme and paid sick leave, season ticket loans, employee benefit package and flexible working arrangements

- Manageable Caseloads for social workers

- Good support and development programmes to ensure staff have skills and knowledge needed to do a good job

- Improving the IT systems that staff use to enable them to make better use of their skills (e.g. Microsoft 365 roll out, purchase of new social care and housing systems)

- A smarter working programme that has provided all staff with access to industry standard office software as well as allowing the release of Dagenham Civic Centre to accommodate one of the best modern University's in the Country.

- Upgrading office accommodation to provide a modern office environment that supports flexible and agile working

3. Medium Term Financial Plan

3.1 The proposed budget for 2017/18 was initially approved by Assembly in February 2016 and was updated in July, and again in November 2016 taking into account the full extent of the savings set out in paragraph 2.4.7 above.

3.2 The first increase to the Council Tax in seven years was approved for the 2015/16 budget. With hindsight, it is acknowledged that this freeze has contributed to the challenges we face now. Had Council tax risen by 1.99% per year since 2008/2009 the Council base budget would be circa £15m higher. The increase of 1.99% was then repeated in 2016/17 and is recommended again for 2017/18. The Chief Financial Officer has advised that Council Tax levels should increase to ensure that the Council's overall tax base is not eroded and therefore proposes an increase of 1.99%.

3.3 Government has recognised that nationally there is significant pressure to fund the care need by the country's older population but has not chosen to fund this directly but instead, DCLG have allowed councils nationally to introduce a 3% precept on their Council Tax to offset against the cost of Adult Social Care. In Barking and Dagenham, the budget reductions of recent years together with demand pressures arising from the impact of a population that suffers significantly poorer health as described above and rising provider costs mean that the budget does not meet demand. It is forecast that without drawing on earmarked reserves there would be an overspend of some £1.4m in 2016/17 as has been the case for a number of years, even though a number of schemes and service improvements to reduce demand have been implemented. Whilst we are not experiencing the same growth in the older population as the rest of the country, it is predicted that this will change from 2022 when our older population will grow significantly. It is therefore important to use the next few years to reshape services to meet these demands.

3.4 In 2016/2017, the Council used the 2% Adult Social Care precept to meet the rising cost of care, as providers were faced with the cost of the increase in National Living Wage and pensions auto enrolment. The rates we pay for care were increased after prices being held for a number of years. Despite this, service providers continue to report that some services are not viable and are seeking to further increase their prices.

3.5 It is proposed that the Council increases Council Tax by a further 3% which will be ring-fenced to mitigate the pressures experienced by Adult Social Care.

3.6 If the 3% precept is levied in 2017/18 then it will provide the opportunity to start to bring the current spend (allowing for known cost pressures and planned transformation activity) in line with the budget available and reduce the draw on earmarked reserves in 2017/18 with a view to having a balanced budget by April 2019. Alongside this funding, we are expecting the Improved Better Care Fund to provide additional funding. However, these monies will be subject to agreement with local NHS bodies and "sign off" by Central Government against conditions which will be revealed in national guidance that is not yet published.

3.7 Following adjustments to items set out in the MTFS and the pre-agreed savings, proposed Directorate budgets are provided in Appendix A and the Statutory Budget Determination for 2017/18 is set out in Appendix C of this report.

3.8 Cabinet approved proposals aimed at achieving a balanced budget for 2017/18 in November 2016. The budget gap was £16.525m, taking into account approved savings of £9.275m (Cabinet, 19 July 2016 (Minute 22), updated 15 November 2016 (Minute 61)) which left a revised budget gap of £7.250m. Cabinet supported the proposal to fully balance off the budget for 2017/18 by using one-off reserves as shown in the table below.

Table 3: Budget as at November 2016

Pressure £'m	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**Total £'000**
Revised gap after agreed savings	7,250	5,231	1,109	1,514	**15,104**
Budget gap c/f 17/18		7,250			
Use of collection fund surplus	3,150				
Cashable savings VR	1,800				
Cashable in year 16/17 savings	0				
Drawdown from reserves	2,300				
Revised cumulative gap after adjustment	0	12,481	13,590	15,104	**15,104**

3.9 Following the November Cabinet there have been a number of changes that have been made to the MTFS arising from the Chancellor's Autumn Statement and the December provisional financial settlement. These changes included:

- The settlement allows for Local Authorities with Adult Social Care responsibilities to charge a 3% precept on Council Tax to fund Adult Social Care for the next 2 years. The monies raised are ringfenced to spend on Adult Social

Care. However, this will not be available in 2019/20.

- The New Homes Bonus will now only be payable above a new 0.4% expected national baseline from April 2017. There is also be a phased reduction in the years payable (2017/18 – from 6 years to 5 years, and 2018/19 – from 5 years to 4 years). These changes have resulted in a loss of funding of £1m in 2017/18. On a national level, this change has saved the government £241m.

- The creation of a one-off Adult Social Care Grant for local authorities. This grant applies to 2017/18 only, and the provisional figure of £0.9m has been allocated to the Council. This is not new money, but a redistribution of funding from the New Homes Bonus.

- There has been no formal announcement on the future of the Education Services Grant (The education services grant gives local authorities and academy trusts money to fund their schools' services). However, advice has been sought and received indicating that authorities should assume the loss of the entire grant in future.

3.10 The Chancellor announced in his autumn statement (November 2016) the National Living Wage will rise from £7.20 to £7.50 in April 2017, for those aged 25 and over. This is a smaller rise than had been predicted earlier in the year. The London Living Wage will increase to £9.75 from April 2017. The impact to the Council because of this announcement is £66k.

3.11 There were other local changes occurring after the November cabinet report, and these included changes to the forecast Council Tax Base increase, the approval by Cabinet in November of Proposals for Supporting the Development of Civil Society (Everyone Everyday) in Barking and Dagenham and the one-off Crowd Funding project. All changes are detailed in Appendix B and a summary for 2017/18 is set out in table 4 below.

Table 4: Summary of changes since November

Reconciliation (Decrease) / Increase Budget Gap	**£'000**
London Living Wage	66
Decrease NHB	1,060
1.99% increase in Council Tax	9
Decrease in Council Tax Base	456
Everyone Everyday (Participatory City)	300
Crowd Funding Programme	120
RSG/Grants	(240)
Education Services Transition Grant	(495)
Extra cost of capital borrowing	83
Events Programme	420
Adult Social Care Grant award	(900)
Increase in the Budget Gap	**879**

3.12 Incorporating all the changes outlined from the above, the revised MTFS now has a budget gap of £22.167m by 2020/21 which is shown in Table 5.

Table 5: Addressing the Gap

Pressure £'m	2017/18	2018/19	2019/20	2020/21	Total
Revised gap after Savings	8,129	6,824	3,932	3,281	23,107
Budget gap c/f 17/18		8,129			
Use of collection fund surplus	3,500				
Cashable savings VR	1,798				
One off reduction in Elevate client team costs	531				
Drawdown from reserves	2,300				
Revised cumulative gap after adjustment	0	14,954	18,886	22,167	22,167

3.13 Details of the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2017/18 are yet to be confirmed. The budget includes an increased provision for the cost of levies of £0.650m in respect of the ELWA levy.

3.14 It is proposed that authority is delegated to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to make the necessary adjustments using the funding provision or from reserves following confirmation of levy and final funding announcements.

4. Implementation: Investing in the Future of the Borough and our Council

4.1 An investment led strategy

4.1.1 The Medium Financial Strategy reflects the priorities, ambition and agreed strategies of the Council. It aims to bring alive the Council's vision: "One Borough; One Community; London's Growth Opportunity" and the four corporate priorities that support this vision:

- Encourage civic pride;
- Enabling social responsibility;
- Growing the borough;
- A well-run organisation.

4.1.2 As set out in section 2, the Council's approach for the next four years aims to break with the tradition of previous budget rounds. In place of service cuts and salami slicing, our plans pivot around investment in our borough and investment in changing how our Council operates. In particular:

- Investing in our borough to deliver investment returns and much need infrastructure (e.g. houses and schools);

- Investing in new and reformed services that:
    - Help to manage demand by supporting people to overcome the root cause of the problems that they face and support them to live more sustainable and independent lives
    - Are more commercial and better able to generate income so that services are preserved and jobs protected.

- Investing in service improvements where we know we can perform better if we modernise what we do;

- Investing in changing the way we work.

4.1.3 The proposed MTFS is balance sheet led. Historically this Council and others have approached the task of reducing revenue budgets by adopting a cuts-based approach, by reducing services or cutting staff. They have done this while continuing to maintain significant assets on their balance sheet. Assets, which during a period of very low interest rates are generating little or no investment return or value for the community they exist to serve.

4.1.4 This budget and MTFS signals a reverse to that trend, putting our balance sheet to work to generate financial returns to the Council and benefits for the community. The approach combines a number of opportunities many of which were supported by Cabinet in November in the Council's Investment and Acquisition Strategy including:

- The use of cash balances and new borrowing to invest in housing and other regeneration opportunities that deliver significant financial revenue returns together with medium to long term capital growth.
- The development of a rolling programme of land acquisition, development, disposal, re-financing and reinvestment, managed in such a way as to manage down the overall cost of capital to the Council and maximise financial returns.

- Full use of the Government's recently agreed Flexible Use of Capital Receipts dispensation to help fund the one-off revenue costs of change projects in the Council that deliver on-going revenue savings. More information about the use of this dispensation can be found in section 7 and Appendix H of this report.

4.2 Investment and Acquisition Strategy

4.2.1 By Minute 72 (15 November 2016), the Cabinet agreed the Borough's first Investment and Acquisition Strategy (IAS). The IAS set out proposals to leverage the Borough's growth potential over the coming 15 years to deliver both financial and community benefits. The report proposed the establishment of an initial £250m investment budget and £100m land property acquisition budget with the aim of delivering a minimum net financial return to the Council of £5.125m per annum by 2020/21. Over time the IAS will aim to be self-financing, with a pool of working capital to support acquisition costs funded from the disposal or refinancing of high value longer term assets. The aim is to manage our portfolio of investments maximise the best possible outcomes in terms of social and financial benefit. Where pump priming is required the Council will consider all options to ensure that the costs of capital are minimised. The MTFS supports the initial implementation of the IAS by allocating £1m in the Council's revenue budget for the borrowing costs of land acquisitions made during 2016/17 (currently totalling £25.5m).

4.2.2 While one of the principal aims of the IAS is to increase the Council's income generating assets, the Council is also targeting wider community benefits too. These include: shaping the strategic direction and pattern of development, ensuring that construction activity provides employment and skills development opportunities and ensuing that new homes support healthy living and the protection and enhancement of the environment. It will also be important to use our investment and acquisition strategy to attract and retain the key staff we need to deliver the services residents need. For example, to both attract newly qualified teachers by offering housing options they can afford as well as retaining more experienced school leaders. Equally this approach could help support the recruitment and retention of social workers.

4.2.3 The IAS will also play a leading role in the Council's ambition to develop its portfolio of intermediate and market rental properties managed through the Council's special purpose vehicle Barking and Dagenham Reside. Reside already owns over 1,000 homes that are either built or under development. Implementation of the IAS will see that number rise to 3,000 by 2020/21 with at least 50% of those additional 2,000 properties offered to Borough residents at sub market rents.

4.2.4 Working in this way, the Council aims to invest in the order of £750m over the coming years to significantly increase the stock of high quality, low cost rental properties available to Borough residents. The lowest cost properties will be affordable to those residents earning the London Living Wage, with rents comparable to social rents in other parts of London. In this way the Council will lead the way in providing the infrastructure homes our capital and residents demand: quality homes for those workers who keep our capital running at a price they can afford. As stated above we have earmarked £25.5m for future investment, though until sites have been identified we will not be drawing this amount down but this will be added to the stagey as and when identified. The revenue resources to fund this capital are contained within an earmarked reserve.

Summary of investment and acquisition strategy

Investment and Acquisition Strategy – Investment and Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Capital		£25.50m				
Flexible Receipt	£0.08m	£0.26m				£0.34m
Saving or additional Income						
Income		£0.76m	£1.61m	£1.37m	£1.39m	£5.13m
Cumulative		£0.76m	£2.37m	£3.73m	£5.13m	£11.98m

4.3 **Investment in new capacity: Be First**

4.3.1 A significant risk to achieving our investment objectives is the Council's delivery capacity. The programme of investment being brought forward by the Council alone will require a step change in the capacity and skills necessary to deliver on this scale.

4.3.2 In terms of residential development, the Council's planning and regeneration department has capacity to support and regulate the development of 500-600 units per year. The aspiration of the Council's own development pipeline will require 400+ units per year just for B&D Reside. This is substantially in excess of the capacity of the Council currently - before making any allowance for the significant number of homes - expected to be brought forward and delivered by the private sector in the coming years.

4.3.3 It is for this reason that Cabinet in July 2016 agreed to implement Be First, a wholly owned development and regeneration company tasked with accelerating the pace and scale of physical, economic and social regeneration in the Borough. A final business case for Be First was agreed by Cabinet in November 2016 (Minute 73) and it is anticipated that the new service will go live in the Autumn of 2017.

4.3.4 Be First will be tasked with scaling up delivery capacity so that the development of over 2,000 units per annum can be supported and regulated through the Councils planning and regeneration functions – roughly four times more per year than can currently be delivered. As well as accelerating to circa 10,000 the number of new homes that will be built in the Borough by 2020/21, Be First will also help to generate a number of significant financial benefits to the Council over and above the investment strategy income set out above, namely: additional new homes bonus, development fees and the fiscal benefits that arise from increases in the Council tax base. Set up costs for Be First are currently being finalised and will be confirmed in a report to Cabinet in March 2017.

4.3.5 Headroom to fund these costs of £3.54m has been allocated from the Council's pool of flexible receipts (see Appendix H). In its first year of operation the Council will also make available a loan of circa £3.43m for working capital to Be First. The loan will be on commercial terms and funded from the Council's treasury management arrangements with approvals sought from Cabinet as appropriate. This working capital will pump prime the increase in capacity required to deliver the aspirations of the Council's Investment and Acquisition Strategy and support a pipeline of private led schemes. Within 18-24 months it is envisaged that development fees and other income from the progression of these schemes will see Be First become self-financing.

Summary: Be First

Be First – Investment and Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Flexible Receipt	£1.08m	£1.98m	£0.48m			£3.54m
Commercial Loan	£0.30m	£1.82m	£1.31m			£3.43m
Saving or additional Income						
Income		£0.26m	£0.91m	£5.03m	£4.14m	£10.34m
Cumulative		£0.26m	£1.17m	£6.20m	£10.34m	£17.96m

4.4 Investment in infrastructure, our environment and our heritage

4.4.1 As the Borough grows, it is essential that infrastructure to support our growing population is enhanced and maintained. Some of these infrastructure requirements are outside of the Council's direct control, and so we achieve change by working closely with partners in the health service, Transport for London and the wider Greater London Authority to enable improved health provision, and improvements to our railways, roads, cycle routes, bus services and pavements. The Council invests £10m in its capital programme each year. Several bids were already put forward last year against the 2017/18 programme, meaning there was £6.600m available for new capital programme works for 2017/18. The largest bid in money terms is for the Highways Investment Programme at £9.000m over the next three years.

4.4.2 In addition to the available corporate funding, directorates can also directly fund projects themselves with alternative sources of funding, including:

- Government grants
- Lottery funding
- HRA funding
- Direct revenue funding
- Section 106 funding
- Community Improvement Levy

4.4.3 The Council retains a statutory responsibility to ensure there are sufficient school places available in the Borough to meet the needs of our population. We have an impressive track record of delivering additional school places with 450 additional places in Reception and Year 7 delivered in 2016.

4.4.4 This has meant that for Reception pupils for September 2016, 96.6% of pupils were offered one of their top three preferences (over 2% above the London average). For Secondary (YR7) pupils, 88.3% of pupils were offered one of their top three preferences of school in 2016. This is very close to the London average of 88.6%, at a time when Barking and Dagenham is seeing one of the biggest increases in demand for secondary places in the country.

4.4.5 This increase in school places has not come at the expense of quality. Investing in good quality buildings has supported the wider work to improve teaching in our schools. Indeed, in December 2016, 90% of the Borough's Schools were judged by Ofsted to be either good or outstanding – the best performance ever recorded by the Borough.

4.4.6 The main school projects concluded this year have been the Gascoigne Primary expansion, Riverside new secondary school and Dagenham Park expansion. There are other new school projects at Eastbury and Eastbrook Primary where the community have benefited, which have been funded directly via Central Government. Looking forward, the Council shall be developing Lymington Fields new school, Greatfields new school, as well as Robert Clack and Barking Abbey expansions, all to meet current and projected pupil demand. We are also working with the Education Funding Agency with regards to planning and securing our longer term needs currently up until 2025 reflecting proposed future developments such as Beam Park and Riverside. Provisionally £45m and £27m has been identified in 17/18, 18/19 to deliver these projects, and this is subject to securing funding to do so from the EFA (note that this is not included in the current capital programme, but will once funding has been secured). There is also the ongoing rolling programme of school condition works at around £4m per annum.

4.4.7 Improving our environment, investing in our parks and open spaces, ensuring our children and young people have safe and well maintained play and recreation facilities, working hard to improve the maintenance of our roads and pavements and undertaking essential health and safety repairs are all priorities for the Council's executive. As well as the £9m set aside for highways repairs there is a further £5.499m of investment through the Capital Programme over the MTFS period to include:

- £1.106m on enforcement equipment including the purchase of 23 bikes, 55 PDAs and 40 portable CCTV cameras
- £0.140m on leasing 9 new refuse fleet vehicles
- £0.250m on fixed play facilities in our parks
- £0.375m on park buildings

4.4.8 One of the more innovative investments is that set aside in this MTFS for the Borough's first Youth Zone. This new facility will provide programmed activities for young people in Parsloes Park in partnership with OnSide Youth Zones. The Council has already approved a £3m capital grant towards the estimated development costs of circa £6m. Thereafter the facility is designed to operate without on-going revenue funding from the Council. The first of its kind in London, the Youth Zone will contribute to the wider vision to improve and encourage greater use for formal and informal recreation and will provide a fully accessible facility for young people based on the successful Youth Zone model elsewhere in the country.

4.4.9 The Council is committed to improving the Borough's Heritage offer as part our wider strategy to encourage civic pride and to guide the future development of our place. Accordingly, the Capital programme sets aside £1.021m to enable a series of potential match funding bids to the Heritage lottery fund and other funders. Schemes in the pipeline include: Eastbury Manor House and Valence House. In July 2016, Cabinet agreed to retain the Councils heritage service and invest in its development with the intention that it vigorously promotes the Borough's past and its connection to the present and the future. Since that an improvement programme has been developed and implemented. As a result of these actions, the service is committed to improving the income that it generates by £71,000 per year by 2021 (see appendix E)

4.4.10 Cabinet in July 2016 also agreed to create a new Parks, Open Spaces and Cemeteries service with the intention of both improving the quality of our green spaces and developing their offer. As well as improving the boroughs image and wellbeing it is also anticipated that our parks and open spaces will become more commercially viable, generating more income to support their running costs. During 2017/18, Cabinet will agree a new Parks and Open Spaces Strategy – this will include targets to increase income by £133,000 by 2019/20. £279,000 of one investment to support the development and execution of this has earmarked from the pool of Flexible Capital Receipts set out in Appendix H.

Summary: Investment in infrastructure our environment and our heritage (not including schools)

Income from Parks and Heritage Services - Investment & Return	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Flexible Receipt	£0.01m	£0.04m				£0.04m
Saving or additional Income						
Income & Savings		£0.04m	£0.02m	£0.13m	£0.03m	£0.20m
Cumulative		£0.04m	£0.05m	£0.18m	£0.20m	£0.47m

4.5 **Investing in new and reformed services to help manage demand and reduce dependence**

4.5.1 At the core of our people-focused services is Community Solutions which will identify and resolve the root causes of an individual's or family's problems, by tackling the multiple needs of households in a joined-up way, and at an early stage. It will comprise multi-disciplinary and multi-agency teams that will collaborate closely with the voluntary and community sector and other partners to deliver early intervention and preventative support.

4.5.2 Investment will enable several services such as libraries, children's centres, housing support and employment support to be reconfigured into a single, integrated service for residents who need help. Working in this way will help our residents but also deliver efficiencies for the Council and, in time, help to and reduce demand for our more expensive services.

4.5.3 The prime objectives of Community Solutions are to:

- Increase resilience – embed a new relationship with households whereby the Council helps them to help themselves to tackle entrenched social issues;

- Reduce demand for expensive acute services –increasing the use of early interventions to stop issues from escalating, therefore reducing the need for acute, post crisis interventions;

- Realise savings – savings will be achieved by streamlining activity currently undertaken by staff located and managed by disparate services across the Council. This will also allow a reduction in management costs by bringing all age and all household support functions under one new service.

4.5.4 As the principle of the service is to focus support around the household rather than the individual, our approach to the re-design is to focus on three core themes:

- Information, Advice and Guidance
- Assessment and Support
- Intervention and Targeted Support

4.5.5 Grouping work in this way will enable more effective use of resources and provide a holistic life cycle approach rather than the previous siloed service approach.

4.5.6 To achieve this change and create the new service, processes will need to be redesigned and automated to ensure we deliver on the efficiencies required. The service will continue to provide face to face services to residents that require this level of support. However, to reduce costs and establish a more efficient service, several processes currently performed by staff will need to be digitised, requiring investment in technology and a complete review of the processes currently in place. Investment will be used to create a digital roadmap allowing staff to understand the needs of the household and to provide a co-ordinated single response on behalf of the Council.

4.5.7 Community Solutions will begin operations in April 2017 with all affected staff / teams being "lifted and shifted" under the Director of Community Solutions. During 2017/18 the staff will operate in a more co-ordinated and efficient way with a new streamlined management structure in place. The service will continue to develop during 2017/18 and 2018/19 through testing and evaluation to ensure that the service is achieving a reduction in demand. The new fully functioning, fully coordinated service will be in place by April 2019.

4.5.8 Community Solutions will offer a significantly different way of delivering services to our residents. Teams will merge, new partners will come together, cultures will change as will our relationship with residents.

Summary: Investing in services to help manage demand and reduce dependence: Community Solutions

Community Solutions - Investment & Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Capital		£3.39m	£1.61m	£0.48m		£5.48m
Flexible Receipt	£0.38m	£0.58m	£0.07m			£1.04m
Saving or additional Income						
Saving		£0.24m	£2.48m	£0.88m	£0.97m	£4.57m
Cumulative		£0.24m	£2.72m	£3.60m	£4.57m	£11.14m

4.6 Investing in services to help manage demand: Care and Support

4.6.1 We are re-designing the services for those individuals or families who either need our continuing support or require an intervention to enable them to remain safe. Increasing demand and costs mean that our current care arrangements are no longer affordable. Our aim is to enable and support more adults to live in their own homes for longer; and more children and young people to live at home with their families. We want to offer our residents more choice; and make our services smaller, more responsive and more user-focused.

4.6.2 Care and Support is made up of three services areas:

- Redesigning Adult Social Care
- Redesigning Children's Social Care
- All Age disability service

4.6.3 Our intention is to see reduced overlap and duplication of tasks between professionals making sure all social work processes are streamlined and effective. The services will include a mix of staff to ensure best use is made of skilled social worker time which is in short supply; enabling social workers to focus on the resident, rather than costly and ineffective back office functions.

4.6.4 We also propose a single disability service working with our residents with a lifelong disability. Services to Children and Adults are currently delivered separately with significant differences in approach. This difference in approach partly reflects the differing legal positions, but are perceived by the residents as difficult and confusing. Integration will deliver a more seamless service with whole life planning. This service is intended to significantly improve the current transition arrangements from children to adult services making it easier for parents and young people to navigate.

4.6.5 Where possible we will bring together health and social care services in a way that promotes independence, reduces any gaps and overlaps and delivers savings by reducing demand and enabling joint working.

4.6.6 Care and support is intended to deliver £11.8 million savings by 2020/21. Investment is required to improve the current working practices improving technology, such as enabling a modern electronic recording system to be introduced to support mobile working, enabling more time to be spent working directly with children, young people and adults. Investment is also required to review all existing processes to enable changes to current service models, contracts and provision. This service area undertakes the majority of the Council's statutory functions and works with those families requiring a safeguarding response. To make the savings it is critical that every function is examined to ensure it needs to be performed by a social care professional, integration opportunities with health are maximised and the Council's statutory responsibilities are not affected.

4.6.7 The service is aiming to begin to 'go live' by May 2017, with teams joining the All Age Disability Service and with improvements being made within Adults & Children's Care & Support. This will be supported by investment made in commissioning within Care & Support, which will enable more cost-effective purchasing of services more appropriate to residents through the introduction of brokerage and more efficient and outcomes-based methods of commissioning.

Summary: Investing in services to help manage demand and reduce dependence: Care & Support

Care and Support - Investment & Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Capital	£0.03m	£0.11m				£0.14m
Flexible Receipt	£0.41m	£0.80m				£1.21m
Saving or additional Income						
Saving		£4.35m	£3.54m	£1.63m	£1.71m	£11.23m
Cumulative		£4.35m	£7.89m	£9.52m	£11.23m	£32.99m

4.7 **Investing in services that are more commercial and better able to generate income so that services are preserved and jobs protected:**

4.7.1 **Leisure**

4.7.2 Cabinet agreed in November 2016 that bids should be invited to enable transfer of the management and operation of leisure service to a not-for-profit operator. A final decision is expected in April, which will enable the new operator to begin in October 2017. All staff who are currently involved in the delivery of the service will transfer under TUPE to the new operator.

4.7.3 Initial investment of £60,000 is required to cover the costs of procurement, and commercial support to ensure that the process used meets all requirements and attracts the best possible future operator.

4.7.4 It is expected that there will considerable efficiencies made in transferring the service to an established operator, which will have lower overhead costs, greater experience, and a capacity to market the service to attract new income. The Council will be retaining strategic influence over the services, through an outcome based specification and performance management framework.

Summary: Investing in services that are more commercial and better able to generate income so that services are preserved and jobs protected: Leisure

Leisure - Investment & Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Flexible Receipt	£0.01m	£0.05m				£0.06m
Saving or additional Income						
Income & Saving		£0.26m	£0.59m	£0.23m	£0.09m	£1.16m
Cumulative		£0.26m	£0.85m	£1.07m	£1.16m	£3.34m

4.7.5 **Traded Services**

4.7.6 Cabinet agreed in July 2017 to establish a trading company that offers a range of support functions initially to the family of schools in the Borough, but potentially to wider markets in the future. The trading model offers the best option to improve the delivery of services and to protect jobs.

4.7.7 These services must be given the flexibility to maximise income, the benefits of which would support the delivery of Council services. Retaining these services in house would not enable the flexibility offered through commercial working, or the positive income-generating stream.

4.7.8 Although the principal purpose of the trading company will be to secure financial benefit for the Council, the business case also considers the improved social outcomes that could be obtained by establishing the company as a social enterprise – that is a company with a clearly defined social purpose as the main part of its remit. In this case, the remit would be to improve the skills and qualifications of the workforce. The vast majority of staff in the Catering and Cleaning Services are local residents, many have low levels of academic qualification and attainment. Establishing the company as a social enterprise, with a clear intention to invest to increase the skills and capability of its workforce would potentially bring greatly improved outcomes for many of the workforce (and therefore borough residents) and aligns closely with Council priorities, especially those of 'Growing the Borough'.

4.7.9 Initial investment is required to procure specialist legal and commercial advice that will ensure the income required can be generated and that the company set up is one that is in line with the Council's requirements. It is anticipated that this investment will be required during 17/18, and the new trading entity will go within this year.

Summary: Traded Services

Traded Services - Investment & Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Flexible Receipt		£0.42m				£0.42m
Commercial Loan		£0.13m				£0.13m
Saving or additional Income						
Income & Saving		£0.17m	£0.15m	£0.13m	£0.14m	£0.59m
Cumulative		£0.17m	£0.32m	£0.45m	£0.59m	£1.54m

4.7.10 **Home Services**

4.7.11 Home Services will be a revitalised repairs and maintenance service contracted by the Council to maintain and repair the Council's own portfolio of properties including Corporate/ Education/ Housing/ Highways/ Leisure/ Libraries/ Parks/ Schools/ Social Services. It will compromise all the services currently within the existing repairs and maintenance service (DLO).

4.7.12 It was recognised that there needs to be a great deal of improvement in the current service to get it to a point where it may thrive in a commercial world and a substantial amount of fixes and improvements are being undertaken and continue to be made to get the service into an acceptable operating position, to raise service efficiencies and improve overall resident satisfaction. In this year, there has been a major restructure of the service that has reduced the number of operatives alongside developing more effective processes. There does though remain a legacy of activities that need to be addressed further, including staffing structures; operating practices, productivity and financial management.

4.7.13 The new company may seek to explore selling its services to the private sector once it has established cost and quality control and that it has both the ability and capacity for doing so at a profit. The aim is to create a service that, in addition to servicing the Councils housing portfolio, could offer services to local landlords; providing an opportunity for the service to generate additional income by broadening its customer base.

4.7.14 The new trading entity is expected to generate approximately £1.7m in savings and income by 20/21. To achieve this and preserve the jobs we have in the current repairs and maintenance service, investment is required to train staff in new ways of working; moving to more multi-disciplinary approach, improve the IT used both software and hardware, improve the customer experience, and procure specialist legal and commercial expertise to ensure that the new service would market-ready.

4.7.15 We would also need to invest in our staff, to develop the commercial skills they require to meet the challenges a more commercial way of working involves. This investment will come from HRA funds.

4.7.16 **Legal**

4.7.17 BDT Legal already provides legal services to the Council and to Thurrock Council. Enhancing this existing model will enable the Council to offer its legal services to other bodies, such as other councils, public sector organisations and charities. The service would also aim to support the Council's wider regeneration agenda by aiming to be commissioned by the Council's new arms-length entities.

4.7.18 By taking this approach, BDT Legal would avoid incurring additional costs through having to manage an Alternative Business Structure.

4.7.19 There would have to be some investment in developing the current relationship with Thurrock Council through formalising sharing agreements, and establishing a representative board from both Councils to provide oversight and reassurance.

Summary: Legal

Legal - Investment & Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Flexible Receipt		£0.07m				£0.07m
Saving or additional Income						
Income	£0.11m					£0.11m
Cumulative	£0.11m	£0.11m	£0.11m	£0.11m	£0.11m	£0.53m

4.8 **Investing in service improvements where we know we can perform better if we modernise what we do:**

4.8.1 **Customer Access**

4.8.2 Investment will tackle the Council's fragmented and inefficient customer contact, which in the past has entailed customers often supplying the same information on multiple occasions and repeated contacts to resolve queries. A new approach will ensure consistency across all contact channels, and streamline processes to improve efficiency.

4.8.3 We are in the process of developing a new Customer Access Strategy with the key aims of enhanced levels of customer service for all individuals and households by:

- Easier availability, access and delivery of services provided;
- Utilisation of innovative technology for more efficient and cost-effective service delivery;
- Improvements in how we engage with customers and obtain feedback;
- Effective measurement of customer service levels and performance;
- A targeted approach to ensure all customers get the right level of support.

4.8.4 The Council will achieve these aims through the provision of services across a range of different touchpoints, primarily through digital, and voice channels. As part of a targeted approach, we will ensure that appropriate face-to-face support is also available for individuals and households to meet their specific needs.

4.8.5 The longer-term vision is for fast, easy access to council services, efficient and cost-effective service delivery, and high levels of customer satisfaction. However, it is clear we are a long way from this now and over the summer it was apparent that there were significant issues with our ability to provide good quality customer services.

4.8.6 A programme of improvement has been in place and we have now implemented a number of initiatives including:

- Virtual parking permits for residents;
- Average call waiting significantly reduced from 13.50mins to 5.30 mins;
- 84% of calls answered in December compared to 63% in June;
- Payments now mobile and tablet friendly;
- The IVR structure has been reviewed and telephony systems upgraded to increase call capacity;
- Web forms and "customer journeys" have been reviewed;
- Dashboard of performance created alongside new measures of customer satisfaction;
- Text messaging to remind residents of appointment is being developed;
- "Report it" app being refreshed.

4.8.7 Clearly though there is a great deal more to do and investment is required in several areas including:

- The need to develop a new website and technical platform not only for the council but Community Solutions and My Place. This is linked to the reduction of demand by providing relevant and up-to-date information in order that residents can help themselves and so the launch of these improvements will be linked to the go live of these entities.
- Further enhancements to the contact centre including the possible creation of a Community Solutions contact centre and telephony improvements such as voice recognition and call back facilities.
- Streamlining "hand offs" between the front office and back office ensuring that the customer journey is as streamlined as possible.

Summary: Customer Access

Customer Access - Investment & Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Capital	£0.10m	£2.66m				£2.77m
Saving or additional Income						
Saving		£0.84m	£0.52m	£0.34m	£0.31m	£2.01m
Cumulative		£0.84m	£1.36m	£1.70m	£2.01m	£5.92m

4.8.8 **Frontline Service delivery**

4.8.9 We are bringing together all those Council services which are involved in enforcement and regulation, to provide a better service to residents and to make the workforce more productive and effective. There will also be significant improvements in the efficiency of the refuse and street cleansing services. Improved public education and enforcement will reduce waste volumes and disposal costs. The parks and open spaces service will use the assets of our parks and green spaces to support the Council's growth ambitions and attract further inward investment.

4.8.10 Over the years these services have become "reactive" rather than planned and we are at a point where they are not reliable nor consistent. Currently the Green and Clean service area is configured around generic services. We are proposing a move away from this approach, to create three new service blocks:

- **Waste Services** – Cabinet agreed an updated 2016-2020 Waste Strategy last year and we now need to build an operational plan based on reduce, reuse and recycling. There will include a series of staged operational changes and service efficiencies to the refuse collection and recycling services as well as introducing a new paid for green garden waste service in the spring of 2017.

- **Cleaner Communities** - The service will be required to create a targeted, intelligence driven and collaborative service. The new service which will bring together cleansing and the current caretaking service will have clear standards and accountability. The aim through these targets and approach is to be more cost effective. Public land will be cleaned to agreed and published standards.

- **Parks and Environment** - The service will be required to attract external capital into parks in the next five years through creating the expertise, applying for funds, participating in regeneration, and seeking commercial opportunities. It will look to use the parks as an asset that could generate income by, for example leasing spaces. The service will also develop our parks, setting and monitoring standards, animating parks, and running cost effective contracts and services. With the responsibility of running a new expanded Chadwell Heath Cometary there is also a need for a new commercial focus as well as developing new skills within the workforce to manage a new burial site.

4.8.11 Investment then is required to provide the right equipment and vehicles to deliver these new service blocs as well funds to improve assets like the Cemetery to ensure we can receive an income.

Service Improvement - Investment & Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Capital		£0.18m				£0.18m
Flexible Receipt	£0.44m	£0.31m				£0.75m
Saving or additional Income						
Enforcement	£0.17m	£0.25m	£0.20m	£1.46m		£2.08m
Refuse		£0.56m	£0.30m	£0.17m	£0.58m	£1.61m
Street Cleansing		£0.01m		£0.42m		£0.43m
Parks & Open Spaces		£0.15m	£0.14m	£0.52m	£0.16m	£0.97m
Cumulative	£0.17m	£1.14m	£1.78m	£4.34m	£5.08m	£12.50m

4.8.12 **My Place**

4.8.13 In 2014, the Housing Quality Network (HQN) conducted a "Landlord Health Check" which was reported to Cabinet in June 2015 , this found that performance across the core business processes within Housing that drove service delivery was generally below the average for London Boroughs and identified the improvements needed to address this. This was a critical report that showed that the service had fallen far behind the services delivered by other London authorities, in particular: -

- Rent collection was below average and the service was found to be very fragmented and ineffective
- Repairs satisfaction was low and was continuing to fall with voids re-let performance one of the worst measured.
- Tenant satisfaction with the Landlord service was also well below the London average

4.8.14 At this time, it was important that the Housing service robustly addressed what was a declining performance which had not been treated as an urgent priority in the past. Managers and staff in Housing rose to the challenge of these findings and a detailed improvement project was initiated with the aim of addressing all the shortcomings identified. This culminated in the development of the Housing Transformation programme which provided a clear focus and structure for improvement. It focused on five projects, namely:

- **Strategic Maintenance**: the need to transform the way we manage our building assets to ensure an integrated approach to investing in and maintaining our housing portfolio. This includes both capital investment and repairs and maintenance.

- **Customer Management**: improving the customer experience by understanding our customers and supporting households to be independent and successful.

- **Income & Debt Collection**: debt collection has not been good and needed to improve. Work was also required to prevent debt from arising in the first place.

- **Workforce Management**: greater productivity was needed which was led by retaining and rewarding a skilled, flexible and highly motivated workforce to deliver high levels of performance and professional behaviour at all times; it is also about communication and empowerment.

- **Strategic Housing**: a need to develop a coherent suite of our housing strategies and policies including housing advice, homelessness and temporary accommodation. Then promote them and monitor compliance.

4.8.15 This programme was absorbed in to the development of Home Services and My Place where the improvements envisaged are being be built upon to create these new service delivery blocks. The costs and benefits of the creation of My Place like Home Services are in the HRA business plan report. All costs for these programmes are contained in Appendix E (Capital).

4.9 **Investing in new ways of working**

4.9.1 We have already significantly re-configured the strategic 'core' of the Council to reduce management costs, while strengthening the capacity to develop and deliver the Council's key goals. Restructuring will continue in 2017/18, to complement the transformation of operational services. Investment in the modernisation of the Council's IT and office estate will improve workforce productivity and reduce the size of office accommodation. Changes in the operational delivery structure of the Council will also enable the Council to make significant savings in the costs of transactional support services.

New Ways of Working - Investment & Return

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Investment						
Flexible Receipt	£0.07m	£0.13m				£0.20m
Saving or additional Income						
Saving		£0.99m	£0.27m		£4.28m	£5.54m
Cumulative		£0.99m	£1.26m	£1.26m	£5.54m	£9.06m

5. Council Tax Requirement

5.1 As outlined in section 2 above, the Council proposes to increase Council Tax by:

- 1.99% Local Authority Precept Increase; and
- 3% Increase for the Adult Social Care Precept.

5.2 These increases (£53.80) raise the level of Council Tax from £1,078.03 to £1,131.83 for a Band D property.

5.3 The Greater London Authority has provisionally proposed a 1.5% increase in its charge for 2017/18. The Council Tax charge would be increased from the 2016/17 amount of £276.00 to £280.02 (Band D property).

5.4 The calculation of the proposed Council Tax for 2017/18 is shown in Appendix D.

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

6. Reserves

6.1 It is forecast that the General Fund Balances will be at £19.75m at the beginning of 2017/18, reducing to £17.65m at the beginning of 2018/19.

6.2 £15m is currently the minimum recommended level of balances for the General Fund Balance. This recommendation will be kept under review in the light of our changing financial context. The minimum levels of reserves are assessed annually at a local level. This assessment is based upon strategic, operational, and financial risks facing the authority. It is the responsibility of the Chief Financial Officer to ensure that the reserves are at an adequate level as per section 114 of the Local Government Finance Act 1988. The levels of reserves and their suitability are kept under constant review as the shape and size of the council changes. Any changes would be recommended to Cabinet. The current assessment of the minimum level of reserves is adequate and no change needs to be made.

6.3 There is currently is a forecast overspend for 2016/17. To balance this, we are drawing £4.5m from General Fund balances to balance this year's budget. This is funded from reserves that are designed to mitigate such risks. The risks associated with those areas over overspending in 2016/17 have been mitigated in the creation of the 2017/18 budget and MTFS.

6.4 Details of Projected Earmarked Reserves can be found in Appendix F.

7. Capital Programme

7.1 The previous paragraphs have set out our need to invest and the benefits of doing so. The Council is required to review its capital spending plans each year and set a capital programme. A key consideration when setting the programme is the projected level of available capital resources and the affordability of the overall programme, including the revenue cost of financing any debt.

7.2 The level of existing internal resources has been reviewed during the year and where relevant capital receipts and other capital reserves will be used to reduce the borrowing requirement of the approved programme in order to reduce debt charges on the Council's revenue budget. Officers will continue to review available capital funding and ensure that the capital programme is financed in the optimum way. This includes provision for the Chief Operating Officer to amend the source of funding for schemes if it is financial advantageous to do so.

Current capital programme

7.3 The Council's current capital budget for 2016/17, inclusive of the Gascoigne Estate scheme (£36.775m), is £199.086m, and Directorates have reprofiled £1.458m of work, which will be financed by bringing forward and adjusting future year budgets accordingly.

7.4 The 2016/17 capital programme will be funded by £79.067m worth of capital grants, £62.199m of HRA/MRR funding, £0.177m of Section 106, £51.783m of capital borrowing, £4.104m of contributions from reserves and revenue allocations and £0.382m of capital receipts.

7.5 The budgets for the following five years are draft and may change because of budget roll-forwards from the 2016/17 financial year for example if there has been programme slippage. A summary of these budgets is shown in the tables that follow. The full list of schemes is included at Appendix E.

7.6 The two most significant areas of the capital programme are the provision of school places and housing. This reflects the needs of the borough in terms of dealing with a high birth rate and high level of migration into the borough. School expansion schemes are funded by Central Government (the Education Funding Agency), and the HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms of needing to borrow and servicing the cost of borrowing.

7.7 Another significant area of the programme is the Corporate Accommodation Strategy. This has a budget of £10.37m over the next two years and will rationalise the corporate office portfolio, which will enable future capital receipts and revenue savings to be realised.

7.8 In January, Cabinet agreed a number of new schemes to be funded from corporate borrowing made available of £5m in 2016/17 and £10m in the subsequent years up until 2021, as per the provisions made available in the MTFS. The main intention of this process was to enable the Council to meet its statutory and health and safety requirements. Therefore, bids that fulfilled these purposes were prioritised and selected. This process was also primarily aimed at the services/schemes that do not attract external funding, for example to maintain corporate property and IT, roads, and the environment.

7.9 The details of the new bids going forward at this stage will be included in the Capital Priorities for 2017/18 to 2019/20 report that will be presented to Cabinet in March 2017. The £10m made available in 2017/18 has been fully allocated to schemes, but for subsequent years the funding has only been partially allocated, and therefore there will be further schemes put forward to Members to allocate the remaining funding. The new approved schemes as well as the corporate funding remaining to be allocated are included in the table below.

Table 8: Five Year Capital Programme (2016/17 – 2020/21)

	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Service Development & Integration	62,031,937	50,547,510	6,400,000	400,000	400,000	119,779,447
Customer, Commercial & Service Delivery	9,045,818	4,337,000	1,040,000	478,000	212,000	15,112,818
Finance & Investment	3,883,753	7,468,714	0	0	0	11,352,467
Growth & Homes	60,091,498	20,931,087	1,243,500	0	0	82,266,085
Care and Support	0	572,000	0	0	0	572,000
Community Solutions	0	3,391,000	1,614,000	477,000	0	5,482,000
Customer Access and Technology	1,374,000	1,670,000	3,992,000	0	0	7,036,000
My Place	0	217,000	0	0	0	217,000
Service Improvement	0	1,063,000	610,000	494,000	50,000	2,217,000
Parks and Open Spaces	0	145,000	555,000	155,000	145,000	1,000,000
Capital Asset and Infrastructure Improvements	0	3,770,000	3,295,000	3,550,000	600,000	11,215,000
Grand Total General Fund	136,427,006	94,112,311	18,749,500	5,554,000	1,407,000	256,249,817
HRA Total	62,659,036	80,654,000	59,440,000	57,960,000	56,000,000	316,713,036
TOTAL CAPITAL PROGRAMME	199,086,042	174,766,311	78,189,500	63,514,000	57,407,000	572,962,853

7.10 Other schemes that have external funding (e.g. government grants) can be added to the capital programme during the year and will appraised internally as and when such funding is allocated / received.

7.11 The table below identifies the capital allocation for the next five years (as per the £10m annual capital programme). As it is shown we are forecasting an overspend in 2017/18 and this is offset by the future capital programme which leads to reduced amounts available in future years. The revenue impact of these capital schemes has been built into the current MTFS and detailed in capital Appendix E.

	CAPITAL BUDGET						
	TOTAL £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Total Bids received in 2016/17	27,311	1,787	13,785	6,074	4,676	795	195
Budget Available	50,000	0	10,000	10,000	10,000	10,000	10,000
Total approved bids in 2015/16	5,251	0	3,349	1,212	478	212	0
Total bids received in 2016/17	25,524	0	13,785	6,074	4,676	795	195
Budget Remaining / (Exceeded)	17,438	-1,787	-7,134	2,714	4,846	8,993	9,805

Capital appraisal and monitoring arrangements

7.12 The Council has in place a capital appraisal process for new capital schemes. The appraisal process includes an analysis of the strategic fit of the scheme, options appraisal and key risks, financial implications, a detailed risk register, health and safety issues, and deliverability and key milestone issues. Only once a scheme successfully meets all these criteria can works commence.

7.13 The Council also has a capital monitoring system, which is primarily designed to ensure that projects are delivered within the timescales and within the budget approved by Cabinet. The Capital Programme is supported by the Capital Delivery Team and is monitored by Project Managers in consultation with the Finance Service.

Flexible Use of Capital Receipts Dispensation

7.14 Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) regulations 2003 made under section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure. The use of capital receipts to support revenue expenditure is not permitted by the regulations.

7.15 However, the Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a Direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

7.16 The Council welcomes the Government's Flexible Use of Capital Receipts dispensation and believes that if it is used judiciously and prudently, it can help the authority deliver savings while protecting revenue budgets. Working in this way will help to protect jobs and shield the tax payer. It aligns with the more commercial approach the Council is adopting to the use of its balance sheet to get the best value from its assets, in terms of both acquisitions and disposals; and also boosting our income generating asset portfolio.

7.17 Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

7.18 Appendix H outlines the Council's approach, criteria and strategy for the flexible use of Capital Receipts.

8. Consultation

8.1 A public consultation was carried out in the spring of 2016 with regards to the A2020 programme and the Council's future operating model. 89% of those who completed the consultation were supportive of the proposals. The statutory budget consultation with the public and business ended on 25 January 2017.

8.2 Accompanying these surveys have been roadshows in which members of the public and business were able to discuss with the Cabinet Member for Finance, Growth and Investment and others the Council's budget proposals. The findings of these consultations, which have been incorporated into the final MTFS, were presented to the Public Accounts and Audit Select Committee (PAASC) on 1 February 2017.

8.3 The proposals within the report were also considered and endorsed by the Cabinet at its meeting on 13 February 2017.

9. Early Years Funding Rates

9.1 A new early years national funding formula(EYNFF) for 3 and 4 year olds was announced on 1 December 2016. There are now several new requirements on how local authorities can allocate funding to providers from 2017-18. These are intended to ensure that funding provided by the Education funding agency is fairly distributed to providers.

9.2 The increased 3 to 4-year-old allocation for this Authority together with the new rules has allowed a significant uplift in the funds allocable to providers. Modelling the EYNFF for Barking and Dagenham, will mean an hourly base rate of £4.50 for all providers, an increase of £1.50 on the 2016-17 base rate of £3.00. The proposed deprivation rates are between £0.22 and £0.30 per hour based on IDACI bandings. The formula also allocates £0.21 per hour for an optional flexibility factor for PVI providers. Other allowable discretionary factors are not being used as they are difficult to judge and may change more frequently than the service offer, making it more difficult for budget setting purposes. These rates were sent out to Early Years providers for consultation ended 10 January 2017. It is also proposed to increase the funding rate to £5.35 per hour to settings with eligible 2 year olds. The rate changes were agreed by Schools Forum on 17 January 2016.

9.3 The indicative allocation for 2017-18 is based on the January 2016 census of 3 and 4 year olds to give the 'Universal 15 hours' allocation (£13.791 million) and an 'Additional 15 hours 'estimate from September 2017(£1.650 million). This brings the total funding of £15.441 million for 3 to 4 year olds.

9.4 Currently this authority retains £1.9 million (12%) from the EYB for central costs (including SEN inclusion Fund) for 3 to 4 year olds. There is now a central spending limit of 7% in 2017-18 and 5% in 2018-19. This means that the centrally retained funding will be limited to £1.081 million in 2017-18; reducing further to an estimated £0.772 million in 2018-19.

10. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

10.1 The detailed financial implications have been covered throughout the report. However, the key financial implications to note are:

a) To balance the 2017/18 Budget, it is planned that £8.1m of funding will be taken from reserves to ensure we meet our statutory responsibility. This will be funded from:

- Cashable VR savings (£1.8m),
- An increase drawdown from the collection fund (£3.5m),
- Transfers from reserves (£2.3m)
- One off reduction in cost relating to Elevate Client Reserve (£0.5m).

b) The budget gap for 2018/19 is £14.95m, rising to £22.17m in 2020/21.

11. Legal Implications

Implications completed by Dr Paul Feild, Corporate Governance Lawyer

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

11.2 Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing then it will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.

- If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. The Council must have regard to:
- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;

- any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;

- any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);

- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;

- to any responses from stakeholders to consultation undertaken.

11.3 In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant 'protected characteristic'. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information.

11.4 As mentioned in the main body of this report to implement the Cabinet decision to recover the transaction cost of payments by credit card the Assembly will need to so resolve for the purposes of payment of Council Tax as it is a statutory requirement it be paid rather than a charge for services.

Public Background Papers Used in the Preparation of the Report:

- Local Government Finance Settlement 2017/18 (https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2016-to-2017)
- Autumn Statement 2016 (https://www.gov.uk/government/publications/autumn-statement-2016-documents/autumn-statement-2016)

List of appendices

- **Appendix A** – Revenue Budget 2017/18
- **Appendix B** – MTFS 2017/18 to 2020/21
- **Appendix C** – The Statutory Budget Determination
- **Appendix D** – Calculation of the Council Tax Requirement
- **Appendix E** – Draft Capital Programme 2017/18 – 2020/21
- **Appendix F** – Projected Reserve Balances
- **Appendix G** – A2020/Transformation Savings
- **Appendix H** – Flexible use of capital receipts strategy

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Appendix A

Department and Service Block Budgets	Initial Base 2017-18	Capital Charges 2017-18	A2020 Savings	Growth-Pressure	GF Recharges	Budget Realignments 2017-18	Use of Reserves 2017-18	Net 2017-18 Budget
LAW & GOVERNANCE								
LAW & GOVERNANCE	5,418,780	11,500	(402,570)	0	(4,767,940)	0		259,770
CUSTOMER, COMMERCIAL & SERVICE DELIVERY								
CLEAN & GREEN	5,995,210	982,300	(874,170)	591,000	622,000	93,390		7,409,730
ELEVATE CLIENT UNIT	18,005,550	633,100	(1,241,990)	0	(4,301,800)	32,600		13,127,460
ENFORCEMENT & OTHER	1,943,990	9,192,500	(438,930)	0	(9,040)	98,760		10,787,280
	25,944,750	**10,807,900**	**(2,555,090)**	**591,000**	**(3,688,840)**	**224,750**		**31,324,470**
FINANCE & INVESTMENT								
ASSETS & INVESTMENT	(207,580)	192,200	(763,520)	0	(2,435,700)	0		(3,214,600)
FINANCE, ASSURANCE AND COUNTER FRAUD	2,692,010	50,700	(47,600)	25,000	898,200	0		3,618,310
STRATEGY & PROGRAMMES	2,224,570	0	(3,480)	1,145,000	(2,252,600)	9,500		1,122,990
	4,709,000	**242,900**	**(814,600)**	**1,170,000**	**(3,790,100)**	**9,500**		**1,526,700**
GROWTH & HOMES								
CULTURE & RECREATION	3,209,190	780,800	(210,780)	420,000	361,200	0		4,560,410
GROWTH, HOMES & REGENERATION	187,530	57,000	(270,510)	0	464,820	0		438,840
HOUSING GENERAL FUND	(1,269,500)	2,053,000	(227,240)	1,800,000	870,940	(91,200)		3,136,000
	2,127,220	**2,890,800**	**(708,530)**	**2,220,000**	**1,696,960**	**(91,200)**		**8,135,250**
SERVICE DEVELOPMENT & INTEGRATION								
ADULT'S CARE & SUPPORT	38,792,560	1,542,800	(4,032,290)	1,928,000	4,152,300	(22,800)		42,360,570
PUBLIC HEALTH	882,900	0	0	0	221,500	(1,000)		1,103,400
CHILDREN'S COMMISISIONING, EDUCATION, YOUTH & CHILDCARE	46,371,770	8,612,700	(720,640)	(607,000)	6,987,800	(185,000)		60,459,630
TRADED SERVICES	1,318,300	6,700	(41,970)	0	(811,680)	(107,850)		363,500
	87,365,530	**10,162,200**	**(4,794,900)**	**1,321,000**	**10,549,920**	**(316,650)**		**104,287,100**
CENTRAL								
CENTRAL EXPENSES	24,748,720	(24,115,300)	0	6,475,000	0	173,600	(8,129,640)	(847,620)
Total General Fund Budgets	**150,314,000**	**0**	**(9,275,690)**	**11,777,000**	**0**	**0**	**(8,129,640)**	**144,685,670**

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Medium Term Financial Strategy - Summary Position 2017/18- 2020/21 **Appendix B**

	2017/18 £000 November ' 16	2017/18 £000 December ' 16	2018/19 £000 Revised	2019/20 £000 Revised	2020/21 £000 Revised
Prior Year (Surplus) / Deficit	**0**	**0**	**0**	**14,954**	**18,886**
Budget Increases					
Investment in the capital programme	1,400	1,400	900	900	900
Staff pay award and capacity building	200	200	1,000	1,000	1,000
ELWA levy increase	650	650	440	350	350
Increased contribution to Pension Fund deficit	-	-	650	325	325
Apprenticeship levy	675	675	-	-	-
Non staff inflation	-	-	2,100	2,100	2,100
Delaying of interest costs	900	900	2,000	-	-
Children's demand led increase	700	700	1,300	1,200	1,100
Increased demand for Adult social care	-	-	500	700	800
Homelessness demand pressures	1,800	1,800	-	-	-
Implications of the Care Act 2014	119	119	45	377	-
Increase in employers' NI contributions	-	-	-	-	-
Adults precept 3% Ctax increase	1,028	1,529	1,629		
Participatory City		300			
Crowd Funding Programme		120	(120)		
Events team and programme		420			
Delayed implementation of Leisure Trust	-	-	-	-	-
Oracle and ICT hosting, LLW	-	-	-	-	-
Clean and Green Establishment Pressure	591	591	-	-	-
National minimum wage - corporate contracts	-	-	-	-	-
Potential impact of funding and levy changes	-	-	-	-	-
Potential impact of new legislation	-	-	2,000	2,000	2,000
Potential impact of demographic pressures	581	581	1,225	1,133	1,760
CAB & Thurrock	500	500			
Strategy	750	750			
Education costs transfer to DSG	(611)	(607)			
Land development acquisition	1,000	1,000	500		
MRP charge increase	-	-	-	-	-
London Living Wage April 2017	-	66	-	-	-
Total Additional Costs	**10,283**	**11,694**	**14,169**	**10,085**	**10,335**
Changes in Income & Funding					
Government Grants	7,230	6,947	4,456	7,380	7,002
Reduction in HB admin grant			-	-	-
Education Services Grant	3,400	3,440			
Better Care Fund Grant	(400)	(400)			
ESG Transitional Protection	(500)	(995)			
New Homes Bonus Grant	-	1,060	1,722	703	2,173
ASC Grant 2017-18		(900)			
Reversal of Council tax and NNDR surplus	-	-	-	-	-
Increase in rates retention income	-	-	-	-	-
Business Rates Retention	667	667			
Business Rates Surplus loss		-			
Council Tax and NNDR surplus	-	-	-	-	-
1.99% increase in Council Tax	(1,023)	(1,014)	(1,081)	(1,119)	(1,158)
3% increase in Council Tax Adult social care precept	(1,028)	(1,529)	(1,629)		
Increase in Council Tax Base	(2,104)	(1,648)	(589)	(608)	(628)
Income from Business Rates Pooling	-	-	-	-	-
Transfer of industrial sites for residential use	-	-	-	-	-
Extra cost of Capital borrowing		83	1,120	275	95
Total Changes in Income	**6,242**	**5,711**	**3,999**	**6,631**	**7,484**
In year Budget Gap	**16,525**	**17,405**	**18,168**	**16,716**	**17,819**
A2020 Savings					
Savings approved by Cabinet	(9,275)	(9,276)	(11,344)	(12,784)	(14,538)

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STATUTORY BUDGET DETERMINATIONS

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

1. At its meeting on 17 January 2017 the Council approved the Council Tax Base 2017/18 calculation for the whole Council area as 47,273.13 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended ("the Act")]

2. The following amounts have been calculated by the Council for the year 2017/18 in accordance with Sections 31 to 36 of the Act:-

(a)	£745,415,660	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£691,910,513	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£53,505,147	being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (i.e. Item R in the formula in Section 31A(4) of the Act).
(d)	£1,131.83	being the amount at 2(c) above (i.e. "Item R), divided by Item T (shown at 1 above), calculated by the Council, in accordance with Section 31B(1) of the Act as the basic amount of its Council Tax for the year. Refer below for further detail.

Valuation Bands

A	B	C	D	E	F	G	H
£754.55	£880.31	£1006.07	£1,131.83	1,383.34	£1,634.86	£1,886.38	£2,263.65

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

3. That it be noted that for the year 2017/18 the Greater London Authority has indicated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:-

Precepting Authority: Greater London Authority

Valuation Bands

A	B	C	D	E	F	G	H
£186.68	£217.79	£248.91	£280.02	£342.25	£404.47	£466.70	£560.04

4. That, having calculated the aggregate in each case of the amounts at 2 and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the

following amounts as the amounts of Council Tax for the year 2017/18 for each of the categories of dwellings shown below:-

Valuation Bands

A	B	C	D	E	F	G	H
£941.23	£1,098.10	£1,254.98	£1,411.85	£1,725.59	£2,039.33	£2,353.08	£2,823.69

Appendix D

Calculation of the Proposed Council Tax for 2017/18

		£000
Revised 2016/17 Budget		**150,314**
Roll forward of last year's surplus	0	
New MTFS Items	11,777	
Approved A2020 Savings	(9,275)	
Use of one-off reserves	(8,130)	
Total Adjustments		(5,628)
Base Budget Requirement for 2017/18		**144,686**
Funded By:		
Formula & Specific Grant	(82,952)	
Adults Social Care Grant	(900)	
Better Care Grant	(400)	
Education Services Transitional Grant	(995)	
New Homes Bonus Grant	(4,995)	
CTS and Benefits Administration Grant	(1,439)	
Reduction in NNDR income	500	
Total Funding		(91,181)
Council Tax Requirement		**53,505**
Council Tax Base (Equivalent Band D properties)		47,273.13
Council Tax:		
London Borough of Barking & Dagenham		£1,131.83
Greater London Authority		£280.02
Overall Council Tax - Band D equivalent		**£1,411.85**

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Five Year Capital Programme (2016/17 - 2020/21)

APPENDIX E

	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL	Government Grants	HRA/MRR	Section 106	Borrowing	Revenue / Reserves	Capital Receipts	Total Funding
Service Development & Integration													
Adults Care & Support													
Disabled Facilities Grant	1,064,000					**1,064,000**	1,064,000						**1,064,000**
Direct Pymt Adaptations	400,000	400,000	400,000	400,000	400,000	**2,000,000**					2,000,000		**2,000,000**
Adult Social Care Cap Grant (Heathlands project)	113,000					**113,000**	113,000						**113,000**
Swift	425,515	997,485				**1,423,000**	446,000			977,000			**1,423,000**
Healthy Lifestyles													
Barking Leisure Centre 12-14	310,617					**310,617**						310,617	**310,617**
Total For Adults Care & Support	**2,313,132**	**1,397,485**	**400,000**	**400,000**	**400,000**	**4,910,617**	**1,623,000**	**-**	**-**	**977,000**	**2,000,000**	**310,617**	**4,910,617**
Education, Youth & Childcare													
Primary Schools													
Roding Primary School - Cannington Road Annex	129,789					**129,789**	129,789						**129,789**
George Carey CE Primary School (formerly Barking	23,376					**23,376**	23,376						**23,376**
Manor Longbridge (Former UEL Site)	150,000	153,310				**303,310**	303,310						**303,310**
St Joseph's Primary - expansion	4,279					**4,279**	4,279						**4,279**
Eastbury Primary (Expansion)	63,857					**63,857**	63,857						**63,857**
William Bellamy Infants/Juniors (Expansion)	44,500	400,000				**444,500**	444,500						**444,500**
Richard Alibon Expansion	53,770					**53,770**	53,770						**53,770**
Warren / Furze Expansion	350,255	100,000				**450,255**	450,255						**450,255**
Manor Infant Jnr Expansion	39,308					**39,308**	39,308						**39,308**
Rush Green Expansion	115,902					**115,902**	115,902						**115,902**
St Josephs Primary Extn	15,072					**15,072**	15,072						**15,072**
Marsh Green Primary 13-15	882,218	50,000				**932,218**	932,218						**932,218**
John Perry School Expansion 13-15	17,395					**17,395**	17,395						**17,395**
Gascoigne Primary	7,024,340	1,000,000				**8,024,340**	8,024,340						**8,024,340**
Sydney Russell (Fanshawe) Primary Expansion	4,382,500	200,000				**4,582,500**	4,582,500						**4,582,500**
Village Infants - additional pupil places	1,511,417	100,000				**1,611,417**	1,611,417						**1,611,417**
Marks Gate Junior	50,000					**50,000**	50,000						**50,000**
Barking Riverside City Farm Phase II	50,000					**50,000**	50,000						**50,000**
Gascoigne Prmy 5forms to 4 forms	600,000	861,996				**1,461,996**	1,461,996						**1,461,996**
Secondary Schools													
All Saints Expansion 13-15	112,233					**112,233**	112,233						**112,233**
Jo Richardson Expansion 13-15	350,000					**350,000**	350,000						**350,000**
Robert Clack Expansion 13-15	3,500,000	8,608,251				**12,108,251**	12,108,251						**12,108,251**
Lymington Fields New School	200,000	17,043,425				**17,243,425**	17,243,425						**17,243,425**
Barking Riverside Secondary Free School	27,500,000	4,621,458				**32,121,458**	32,121,458						**32,121,458**
Eastbury Secondary	2,800,000	1,036,320				**3,836,320**	3,836,320						**3,836,320**
Eastbrook School	640,000	349,692				**989,692**	989,692						**989,692**
Dagenham Park	2,831,458	50,000				**2,881,458**	2,881,458						**2,881,458**
New Gascoigne Secondary School	100,000	4,320,000				**4,420,000**	4,420,000						**4,420,000**
Barking Abbey Expansion 2016-18	100,000	5,900,000	6,000,000			**12,000,000**	12,000,000						**12,000,000**
Children Centres													
Extension of Abbey children's centre nursery	125,000	125,000				**250,000**	-			250,000			**250,000**
Upgrade of Children Centres	290,853					**290,853**				290,853			**290,853**
John Perry Childrens	5,123					**5,123**	5,123						**5,123**
William Bellamy Childrens Centre	6,458					**6,458**	6,458						**6,458**
Other Schemes													
Feasibility & Design Site Set up	-	1,177,956				**1,177,956**	1,177,956						**1,177,956**
DFC - Devolved Capital Formula	917,392					**917,392**	917,392						**917,392**
512a Heathway - Conversion to a Family Resource	19,323					**19,323**	19,323						**19,323**
School Expansion SEN Projects	164,138					**164,138**	164,138						**164,138**
School Expansion Minor Projects	87,344	836,239				**923,583**	923,583						**923,583**
Implementation of early education for 2 year olds	691,482	500,000				**1,191,482**	1,191,482						**1,191,482**
Barking Abbey Artificial Football Pitch	55,415					**55,415**	55,415						**55,415**
Additional SEN Provision	250,000	250,000				**500,000**	500,000						**500,000**

Pupil Intervention Project (PIP)	400,000	26,759				**426,759**	426,759						**426,759**
SMF 2013/14	63,306					**63,306**	63,306						**63,306**
UIFSM Project (Free School Meals)	5,862					**5,862**	5,862						**5,862**
SMF 2014/16	495,440					**495,440**	495,440						**495,440**
SMF 2015-17	2,500,000	1,439,619				**3,939,619**	3,939,619						**3,939,619**
Total For Education, Youth & Childcare	**59,718,805**	**49,150,025**	**6,000,000**	**-**		**114,868,830**	**114,327,977**			**540,853**			**114,868,830**
Service Development & Integration	**62,031,937**	**50,547,510**	**6,400,000**	**400,000**	**400,000**	**119,779,447**	**115,950,977**	**0**	**0**	**1,517,853**	**2,000,000**	**310,617**	**119,779,447**

Customer, Commercial & Service Delivery													
Environment Services													
Environment & Enforcement													
Consolidation & Expansion of CPZ	150,000	480,000				**630,000**				630,000			**630,000**
Frizlands Phase 2 Asbestos Replacement	381,146	0				**381,146**				381,146			**381,146**
HIP 2016-17 Footways & Carriageways	705,190					**705,190**				705,190			**705,190**
Street Lighting 2016-2019 : Expired Lighting Colum	976,005	2,875,000	1,000,000			**4,851,005**				4,851,005			**4,851,005**
Bridges & Structures	383,001	400,000				**783,001**				783,001			**783,001**
Abbey Green Works 2016-17	63,678					**63,678**				63,678			**63,678**
Capital Improvements	394,830	300,000				**694,830**				694,830			**694,830**
Parking ICT System	280,000					**280,000**				280,000			**280,000**
Road Safety Improvements - Environment Scheme	236,000					**236,000**	186,000					50,000	**236,000**
PGSS													
Old Dagenham Park BMX Track	226,136					**226,136**				226,136			**226,136**
Lakes Improvements	0	80,000	40,000	40,000	40,000	**200,000**				200,000			**200,000**
Park Infrastructure	117,840	52,000				**169,840**				169,840			**169,840**
ICT													
ICT End User Computing	1,700,000	0		438,000	172,000	**2,310,000**				2,310,000			**2,310,000**
Modernisation & Improvement Capital Fund	256,457					**256,457**					235,542	20,915	**256,457**
Oracle R12 Joint Services	157,465	150,000				**307,465**				307,465			**307,465**
Elevate ICT investment	2,221,000	0				**2,221,000**					2,221,000		**2,221,000**
Customer Services Channel Shift	797,070					**797,070**					797,070		**797,070**
Total For Environmental Services	**9,045,818**	**4,337,000**	**1,040,000**	**478,000**	**212,000**	**15,112,818**	**186,000**	**0**	**0**	**11,602,291**	**3,253,612**	**70,915**	**15,112,818**
Customer, Commercial & Service Delivery	**9,045,818**	**4,337,000**	**1,040,000**	**478,000**	**212,000**	**15,112,818**	**186,000**	**0**	**0**	**11,602,291**	**3,253,612**	**70,915**	**15,112,818**

Finance & Investment													
Chief Executive (CEO)													
Asset Strategy													
Energy Efficieny Programme	28,753	100,000				**128,753**				128,753			**128,753**
Implement Corporate Accommodation Strategy	3,000,000	7,368,714				**10,368,714**				10,368,714			**10,368,714**
Gurdwara Way - Land Rmdiation	855,000					**855,000**	855,000						**855,000**
Total For Asset Strategy	3,883,753	7,468,714	0	0	0	11,352,467	855,000	0	0	10,497,467	0	0	11,352,467
Finance & Investment	**3,883,753**	**7,468,714**	**0**	**0**	**0**	**11,352,467**	**855,000**	**0**	**0**	**10,497,467**	**0**	**0**	**11,352,467**
Growth & Homes													
Culture & Sport													
Broadway Theatre	50,000	450,000				**500,000**					500,000		**500,000**
Barking Learning Centre Works	171,000	125,000				**296,000**				296,000			**296,000**
50m Demountable Swimming Pool	1,700,000	0				**1,700,000**				1,700,000			**1,700,000**
3G football pitches in Parsloes Park	519,540	0				**519,540**			19,540	500,000			**519,540**
Youth Zone Development	1,000,000	2,000,000				**3,000,000**	2,000,000		1,000,000				**3,000,000**
Whitehouse Refurb	100,000					**100,000**				100,000			**100,000**
Dagenham Library Foyer		57,000				**57,000**				57,000			**57,000**
Eastbury Manor House - Access and egress improvements		86,000				**86,000**				86,000			**86,000**
Access Improvements, Eastbury Manor House		35,000				**35,000**				35,000			**35,000**
BLC void areas		140,000				**140,000**				140,000			**140,000**
Total For Culture & Sport	3,540,540	2,893,000	0	0	0	6,433,540	2,000,000	0	1,019,540	2,914,000	500,000	0	6,433,540
Regeneration													
Chadwell Heath CCM (TfL)	811,650					**811,650**	811,650						**811,650**
Establishment of Council Owned Energy Services C	100,000	150,000				**250,000**					250,000		**250,000**
Creative Industry (formerly Barking Bathouse)	35,586	275,000				**310,586**	310,586						**310,586**
Principal Road Maintenance	446,000					**446,000**	446,000						**446,000**
Barking Station Improvements	900,000					**900,000**	900,000						**900,000**
Barking Town Centre 2014/15 (TfL)	778,300					**778,300**	778,300						**778,300**
Bus Stop Accessability	138,000					**138,000**	138,000						**138,000**
Gale Street Corridor Improvements	325,000					**325,000**	325,000						**325,000**
Local Transport Plans	144,000					**144,000**	144,000						**144,000**
Barking Riverside Trans link	9,300,000	700,000				**10,000,000**	10,000,000						**10,000,000**
Clockhouse Avenue/East Street Land purchase	37,016					**37,016**	37,016						**37,016**
Purchase of Sacred Heart Convent, 191 Goresbrook Road, Dagenham - to convert to homeless provision	3,000,000					**3,000,000**	3,000,000						**3,000,000**
Total For Regeneration	**16,015,552**	**1,125,000**	**0**	**0**	**0**	**17,140,552**	**16,890,552**	**0**	**0**	**0**	**250,000**	**0**	**17,140,552**
General Fund Housing													
Boundary Road Hostel: Critical Needs Homelessness Assessment and Support Centre	400,000	475,250				**875,250**	656,250			219,000			**875,250**
Abbey Phase II (EIB)	360,000	0				**360,000**				360,000			**360,000**
Gascoigne Estate 1 (EIB)	36,775,406	11,637,837	1,243,500			**49,656,743**				49,656,743			**49,656,743**
Gascoigne West (Housing Zone)	3,000,000	4,800,000				**7,800,000**				7,800,000			**7,800,000**
Total For General Fund Housing (GFH)	**40,535,406**	**16,913,087**	**1,243,500**	**0**	**0**	**58,691,993**	**656,250**	**0**	**0**	**58,035,743**	**0**	**0**	**58,691,993**
Growth & Homes	**60,091,498**	**20,931,087**	**1,243,500**	**0**	**0**	**82,266,085**	**19,546,802**	**0**	**1,019,540**	**60,949,743**	**750,000**	**0**	**82,266,085**
Care and Support													
Swift		433,000				**433,000**				433,000			**433,000**
New Capital - Care and Support		139,000				**139,000**				139,000			**139,000**
Care and Support	**0**	**572,000**	**0**	**0**	**0**	**572,000**	**0**	**0**	**0**	**572,000**	**0**	**0**	**572,000**
Community Solutions													

Investment in our new Infrastructure		1,433,000	650,000			**2,083,000**				2,083,000			**2,083,000**
New Capital - Community Solutions		1,958,000	964,000	477,000		**3,399,000**				3,399,000			**3,399,000**
Community Solutions	**0**	**3,391,000**	**1,614,000**	**477,000**	**0**	**5,482,000**	**0**	**0**	**0**	**5,482,000**	**0**	**0**	**5,482,000**
Customer Access and Technology													
Cross Cutting: Technology		120,000	622,000			**742,000**				742,000			**742,000**
Customer Access Strategy (CAS)		643,000				**643,000**				643,000			**643,000**
Smarter Working Programme	1,374,000	494,000				**1,868,000**				1,868,000			**1,868,000**
New Capital - Customer Access and Technology		413,000	3,370,000			**3,783,000**				3,783,000			**3,783,000**
Customer Access and Technology	**1,374,000**	**1,670,000**	**3,992,000**	**0**	**0**	**7,036,000**	**0**	**0**	**0**	**7,036,000**	**0**	**0**	**7,036,000**
My Place													
My Place		100,000				**100,000**				100,000			**100,000**
New Capital - My Place		117,000				**117,000**				117,000			**117,000**
My Place	**0**	**217,000**	**0**	**0**	**0**	**217,000**	**0**	**0**	**0**	**217,000**	**0**	**0**	**217,000**
Service Improvement													
Bins Rationalisation		50,000	50,000	50,000	50,000	**200,000**				200,000			**200,000**
Refuse Fleet		84,000	56,000			**140,000**				140,000			**140,000**
Enforcement Equipment		158,000	504,000	444,000		**1,106,000**				1,106,000			**1,106,000**
On-vehicle Bin Weighing System for Commercial Waste		45,000				**45,000**				45,000			**45,000**
Replacement of Winter Maintenace Equipment / Gully Motors		640,000				**640,000**				640,000			**640,000**
Libraries Library Management System Tender		60,000				**60,000**				60,000			**60,000**
New Capital - Service Improvement		26,000				**26,000**				26,000			**26,000**
Service Improvement	**0**	**1,063,000**	**610,000**	**494,000**	**50,000**	**2,217,000**	**0**	**0**	**0**	**2,217,000**	**0**	**0**	**2,217,000**
Parks and Open Spaces													
Park Infrastructure Enhancements		20,000	30,000	30,000	20,000	**100,000**				100,000			**100,000**
Fixed play facilities		50,000	50,000	50,000	50,000	**200,000**				200,000			**200,000**
Park Buildings – Response to 2014 Building Surveys		75,000	75,000	75,000	75,000	**300,000**				300,000			**300,000**
Parsloes Park regional football hub			400,000			**400,000**				400,000			**400,000**
Parks and Open Spaces	**0**	**145,000**	**555,000**	**155,000**	**145,000**	**1,000,000**	**0**	**0**	**0**	**1,000,000**	**0**	**0**	**1,000,000**
Capital Asset and Infrastructure Improvements													
Car Park Improvements		130,000	100,000			**230,000**				230,000			**230,000**
Equipment to reduce Hand Arm Vibration		45,000	45,000			**90,000**				90,000			**90,000**
Engineering Works (Road Safety)		385,000				**385,000**				385,000			**385,000**
HIP 2016-17 Footways & Carriageways	0	3,000,000	3,000,000	3,000,000		**9,000,000**				9,000,000			**9,000,000**
Re imagining Eastbury			100,000	200,000	100,000	**400,000**				400,000			**400,000**
Meet the Fanshawes						**0**				0			**0**
Redressing Valence					500,000	**500,000**				500,000			**500,000**
Installation of New Fire Alarm System at BLC						**0**				0			**0**
Renovation of External Space at Rear of Barking Learning Centre						**0**				0			**0**
Upgrade & enhancement of Security & Threat Management System at		45,000				**45,000**				45,000			**45,000**
Upgrade of AV Equipment in Meeting & Teaching rooms at BLC						**0**				0			**0**
Replacement of motorised window opening mechanisms at BLC						**0**				0			**0**
Upgrade of Security & Fire Alarm System at Dagenham Library		30,000				**30,000**				30,000			**30,000**
Installation of LED light panels in all areas of Barking Learning Centre						**0**				0			**0**
Replacement of RFID equipment						**0**				0			**0**
Community Halls		60,000				**60,000**				60,000			**60,000**
The Abbey: Unlocking Barking's past, securing its future		25,000	25,000	350,000		**400,000**				400,000			**400,000**
East London Industrial Heritage Museum		50,000	25,000			**75,000**				75,000			**75,000**
Capital Asset and Infrastructure Improvements	**0**	**3,770,000**	**3,295,000**	**3,550,000**	**600,000**	**11,215,000**	**0**	**0**	**0**	**11,215,000**	**0**	**0**	**11,215,000**
Grand Total General Fund	**136,427,006**	**94,112,311**	**18,749,500**	**5,554,000**	**1,407,000**	**256,249,817**	**136,538,779**	**0**	**1,019,540**	**112,306,354**	**6,003,612**	**381,532**	**256,249,817**
HRA													
Investment In Stock													**0**
Aids And Adaptations	860,000	800,000	800,000			**2,460,000**		2,460,000					**2,460,000**
Asbestos Removal	900,000	650,000	725,000			**2,275,000**		2,275,000					**2,275,000**
Central Heating	1,600,000	1,600,000	1,000,000			**4,200,000**		4,200,000					**4,200,000**
Decent Homes Central	6,900,000	5,500,000	8,000,000			**20,400,000**		20,400,000					**20,400,000**
Decent Homes (South) 2015-16	187,900					**187,900**		187,900					**187,900**
Decent Homes (Blocks)	76,000		0			**76,000**		76,000					**76,000**
Decent Homes (Sheltered)	33,200		1,500,000			**1,533,200**		1,533,200					**1,533,200**
Decent Homes Support - Liaison Team / Surveys	90,000	90,000	90,000			**270,000**		270,000					**270,000**
Conversions	50,000	300,000	300,000			**650,000**		650,000					**650,000**
Fire Safety Improvements	15,300	2,917,000	1,500,000			**4,432,300**		4,432,300					**4,432,300**

Energy Efficiency	500,000	500,000	500,000			**1,500,000**		1,500,000					**1,500,000**
Voids	5,000,000	2,500,000	475,000			**7,975,000**		7,975,000					**7,975,000**
Roof Replacements	116,139	0	2,000,000			**2,116,139**		2,116,139					**2,116,139**
Window Replacements	4,400	0	2,000,000			**2,004,400**		2,004,400					**2,004,400**
Estate Roads & Environment	750,000	800,000	400,000			**1,950,000**		1,950,000					**1,950,000**
Garages	450,000	300,000	50,000			**800,000**		800,000					**800,000**
Communal Repairs & Upgrades	50,000	1,400,000	1,700,000			**3,150,000**		3,150,000					**3,150,000**
External Fabric - Blocks Phase 1	3,200,000	6,000,000	4,000,000			**13,200,000**		13,200,000					**13,200,000**
Decent Homes North	5,900,000	7,400,000	7,900,000			**21,200,000**		21,200,000					**21,200,000**
Decent Homes South	7,900,000	7,400,000	7,900,000			**23,200,000**		23,200,000					**23,200,000**
Fire Safety Works	1,627,000	2,225,000	0			**3,852,000**		3,852,000					**3,852,000**
Estate Public Realm Improvements	500,000					**500,000**		500,000					**500,000**
Door Entry Systems	20,000	100,000	100,000			**220,000**		220,000					**220,000**
Window Replacements	20,000					**20,000**		20,000					**20,000**
Internal Works	150,000					**150,000**		150,000					**150,000**
						0		0					
To Be Allocated				33,060,000	30,000,000	**63,060,000**		60,460,000				2,600,000	**63,060,000**
Total Investment In Stock	**36,899,939**	**40,482,000**	**40,940,000**	**33,060,000**	**30,000,000**	**181,381,939**	**0**	**178,781,939**	**0**	**0**	**0**	**2,600,000**	**181,381,939**
													0
													0
Estate Renewal													
Estate Renewal	8,000,000	8,000,000	7,000,000	6,000,000	6,000,000	**35,000,000**		35,000,000					**35,000,000**
Total Estate Renewal	**8,000,000**	**8,000,000**	**7,000,000**	**6,000,000**	**6,000,000**	**35,000,000**	**0**	**35,000,000**	**0**	**0**	**0**	**0**	**35,000,000**
New Build schemes													
Leys Phase 1	8,550,000	232,000	0			**8,782,000**		5,729,570		1,348,078		1,704,352	**8,782,000**
Leys Phase 2	3,000,000	14,000,000	300,000			**17,300,000**		8,405,057		4,012,522		4,882,421	**17,300,000**
Marks Gate	414,997	0	0			**414,997**		185,490		109,697		119,810	**414,997**
Infill Sites	784,100	3,000,000	0			**3,784,100**		3,784,100					**3,784,100**
Bungalows	100,000	3,750,000	8,000,000			**11,850,000**		11,774,175		36,242		39,583	**11,850,000**
North St / Ilchester Road	2,750,000					**2,750,000**		727,090		966,888		1,056,022	**2,750,000**
Kingsbridge	400,000	6,000,000	0			**6,400,000**		4,331,730		988,569		1,079,701	**6,400,000**
Burford Close	300,000	900,000	0			**1,200,000**		455,287		355,950		388,763	**1,200,000**
Modular Programme	1,000,000	3,000,000	1,000,000			**5,000,000**		5,000,000					**5,000,000**
To Be Allocated			2,200,000	18,900,000	20,000,000	**41,100,000**		41,100,000					**41,100,000**
Total New Build	**17,299,097**	**30,882,000**	**11,500,000**	**18,900,000**	**20,000,000**	**98,581,097**	**0**	**81,492,498**	**0**	**7,817,946**	**0**	**9,270,652**	**98,581,097**
													0
Housing Transformation													**0**
Housing Transformation Programme	460,000	1,290,000				**1,750,000**		1,750,000					**1,750,000**
Total Housing Transformation	**460,000**	**1,290,000**	**0**	**0**	**0**	**1,750,000**	**0**	**1,750,000**	**0**	**0**	**0**	**0**	**1,750,000**
													0
HRA Total	**62,659,036**	**80,654,000**	**59,440,000**	**57,960,000**	**56,000,000**	**316,713,036**	**0**	**297,024,437**	**0**	**7,817,946**	**0**	**11,870,652**	**316,713,036**
TOTAL CAPITAL PROGRAMME	**199,086,042**	**174,766,311**	**78,189,500**	**63,514,000**	**57,407,000**	**572,962,853**	**136,538,779**	**297,024,437**	**1,019,540**	**120,124,300**	**6,003,612**	**12,252,184**	**572,962,853**

Analysis of General Fund Reserves

Appendix F

	Balance March 2016	Balance March 2017	Balance March 2018
General Fund balances	**21,115**	**19,753**	**17,650**
General Fund earmarked	**23,311**	**16,593**	**4,122**
Breakdown GF Earmarked			
Butler Court	89	89	89
Skills & Learning Programme Reserve	859	206	206
ACS Reserve	3,197	1,597	0
Public Health	161	0	0
Corporate restructuring	3,154	1,798	0
Spend to Save	1,594	0	0
Insurance	1,639	1,639	1,639
Budget Support Reserve	4,583	1,639	0
Collection Fund Surplus	0	3,500	0
Barking Adult College	70	0	0
Capital Investment Reserves	3,123	3,123	1,000
Legal Reserve (B&D Share)	454	154	154
Collection Fund Reserve	2,034	1,581	0
Elections Reserve	163	163	0
LEP Housing Rentals Reserves	1,034	1,034	1,034
Commercial Property	845	0	0
HR Equality & Diversity project	171	0	0
B&D Reside Ltd	141	70	0
Total Earmarked	23,311	16,513	4,122

A2020 Programme Savings

Appendix G

Portfolio & Programme	Savings £'000 2016/17		2017/18	2018/19	2019/20	2020/21	Total
Transformation	No savings						0.000
My Place	141.218		122.883	151.597	21.657	0.000	437.355
Community Solutions	0.000		243.033	2,481.373	876.224	970.330	4,570.960
Disabilities	0.000		412.000	488.000	500.000	250.000	1,650.000
Adults	0.000		3,451.000	1,959.000	0.000	0.000	5,410.000
Children's	0.000		489.286	1,092.171	1,126.286	1,460.616	4,168.359
	141.218		**4,718.202**	**6,172.141**	**2,524.167**	**2,680.946**	**16,236.674**
Growth & Commercial	No savings						0.000
Be First	0.000		259.000	906.000	5,033.000	4,139.000	10,337.000
Legal	105.000	*	0.000	0.000	0.000	0.000	105.000
Leisure	0.000		257.000	590.000	226.000	91.000	1,164.000
Traded Services	0.000		171.623	151.104	131.679	135.690	590.096
Home Services	0.000		0.000	470.680	470.680	739.640	1,681.000
	0.000		757.000	1,608.000	1,368.000	1,392.000	5,125.000
Parks Commercialisation	0.000		33.000	0.000	100.000	0.000	133.000
	105.000		**1,477.623**	**3,725.784**	**7,329.359**	**6,497.330**	**19,135.096**
Service Improvement	No savings						0.000
Heritage	5.000		5.000	15.000	26.000	25.000	76.000
Enforcement	165.000	*	252.000	200.000	1,458.500	0.000	2,075.500
Refuse	95.000		557.000	300.000	170.000	579.000	1,701.000
St Cleansing	14.000		10.000	0.000	419.000	0.000	443.000
Pks, Open, Cems	8.000		152.850	139.953	516.022	164.245	981.070
	287.000		**976.850**	**654.953**	**2,589.522**	**768.245**	**5,276.570**
Cross Cutting	No savings						0.000
Customer Access	0.000		842.000	520.000	341.000	310.000	2,013.000
Irreducible Core	0.000		719.000	0.000	0.000	4,281.000	5,000.000
Workforce & OD	0.000		271.500	271.500	0.000	0.000	543.000
Technology - Applications	No savings						0.000
Technology - Infrastructure	No savings						0.000
	0.000		**1,832.500**	**791.500**	**341.000**	**4,591.000**	**7,556.000**
A2020 Overarching	No savings						0.000
Total	**533.218**		**9,005.175**	**11,344.378**	**12,784.048**	**14,537.521**	**47,941.122**
Sustainable 16/17 savings			270.000	* Savings delivered in 16/17 that create a 17/18 sustainable base budg			
Total			**9,275.175**				

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Appendix H

Strategy for the Flexible Use of Capital Receipts

Background

Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) regulations 2003 made under section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure. The use of capital receipts to support revenue expenditure is not permitted by the regulations.

However, the Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a Direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

For a number of years, the local government sector has been lobbying central government to provide councils with greater freedoms and flexibilities in relation to the use of Capital Receipts to support the delivery of savings and efficiencies. In 2013, the Local Government Association argued that freedoms should be given to Councils to "release value currently residing on council's balance sheets without the need for further funding from taxation; the sale of assets generates economic activity, as does transformational revenue expenditure"[1].

In response, the Secretary of State for Communities and Local Government issued guidance in March 2016[2], giving local authorities greater freedoms in relation to how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital:

"expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."

The Local Government Association responded, stating: "We welcome the flexibility to use new capital receipts and the discretion given to councils in identifying qualifying projects"[3].

To benefit from this dispensation and comply with the Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a 'Flexible Use of Capital Receipts Strategy'. The guidance also requires that each authority should disclose the individual projects that will be funded or part funded through capital receipts flexibility to full Council or the equivalent. It goes on to say that this requirement can be satisfied as part of the annual budget setting process, through the Medium-Term Financial Plan or equivalent, or for

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[1] LGA Consultation Response "Proposals for the use of capital receipts from asset sales: 24th September 2013.
[2] Statutory Guidance on the Flexible Use of Capital Receipts (Updated) DCLG March 2016
[3] Local Government Association (LGA) briefing: Provisional Local Government Finance Settlement 2016/2017 and an offer to councils for future years: 17th December 2015

those authorities that sign up to a four-year settlement deal, as part of the required Efficiency Plan. Accordingly this strategy sets out how the flexible use of Capital Receipts will be utilised in 2016/17 and for the remainder of the medium term strategy that falls within the qualifying period. Updates will be included in the Budget and MTFS reports to Assembly in future years or earlier if required.

There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.

The Statutory Guidance for the Flexible Use of Capital Receipts Strategy states that the Strategy should include a list of each project where it is intended capital receipts will be used, together with the expected savings that the project will deliver. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

Flexible Use of Capital Receipts Strategy

The Council welcomes the Government's Flexible Use of Capital Receipts dispensation and believes that if it is used judiciously and prudently, it can help the authority deliver savings while protecting revenue budgets. Working in this way will help to protect jobs and shield the tax payer. It aligns with the more commercial approach the Council is adopting to the use of its balance sheet to get the best value from its assets, in terms of both acquisitions and disposals; and also boosting our income generating asset portfolio.

The Cabinet has already agreed to dispose of £11.9m worth of general fund capital assets during qualifying period. It is anticipated that these disposals will fall:

- £4.5m during 2016/17
- £5.3m during 2017/18
- £2.0m during 2018/19

None of these agreed asset disposals have currently been included in the Council's capital programme and are therefore available to be deployed flexibly.
Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

"Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

The Council intends to use the capital receipts set out in the paragraph above to fund the projects set out in the table below. The figures shown in the table below are in, some cases yet to be finalized and are accordingly estimates of the maximum funding required. In these instances due diligence on final costs are on-going with the intention that final costs are lower than currently predicted. Where this is the case, the figures stated should be considered an upper limit.

The savings generated by these projects both incremental and cumulative are also set out in the table. Delivery of these savings is integral to the Budget set out in the main body of the report and in appendix B, the delivery of which are contingent upon the funding being in place for their delivery.

Project:		16/17	17/18	18/19
Implementation of Community Solutions	**Proposed use of Flexible Receipts**			
	Design	£0.19m		
	Implementation	£0.38m	£0.58m	£0.07m
	Total	£0.57m	£0.58m	£0.07m
	Savings per year		£0.24m	£2.48m
	Cumulative savings 2020/21			£11.14m

Project:		16/17	17/18	18/19
Implementation of the care and support service block	**Proposed use of Flexible Receipts**			
	Design	£0.53m		
	Implementation	£0.41m	£0.80m	
	Total	£0.94m	£0.80m	
	Savings per year		£4.35m	£3.54m
	Cumulative savings 2020/21			£32.99m

Project:		16/17	17/18	18/19
Start-up cost for Be First & Investment Strategy	**Proposed use of Flexible Receipts**			
	Design	£0.49m		
	Implementation	£0.59m	£1.98m	£0.48m
	Total	£1.15m	£2.17m	£0.32m
	Savings per year		£1.02m	£2.51m
	Cumulative savings 2020/21			£29.94m

Project:		16/17	17/18	18/19
Educational Attainment	**Proposed use of Flexible Receipts**			
	Design	£0.02m		
	Implementation			
	Total	£0.02m		
	Savings per year			
	Cumulative savings 2020/21			

Project:		16/17	17/18	18/19
Start-up cost for Traded Services	**Proposed use of Flexible Receipts**			
	Design	£0.18m		
	Implementation		£0.42m	
	Total	£0.18m	£0.42m	
	Savings per year		£0.17m	£0.15m
	Cumulative savings 2020/21			£1.54m

Project:		16/17	17/18	18/19
	Proposed use of Flexible Receipts			
	Design	£0.03m		
Leisure	Implementation	£0.01m	£0.05m	
	Total	£0.04m	£0.05m	
	Savings per year		£0.26m	£0.59m
	Cumulative savings 2020/21			£3.34m

Project:		16/17	17/18	18/19
	Proposed use of Flexible Receipts			
	Design	£0.03m		
Legal	Implementation		£0.07m	
	Total	£0.03m	£0.07m	
	Savings per year	£0.11m		
	Cumulative savings 2020/21			£0.53m

Project:		16/17	17/18	18/19
	Proposed use of Flexible Receipts			
	Design	£0.23m		
Parks & Open Spaces	Implementation	£0.01m	£0.04m	
	Total	£0.24m	£0.04m	
	Savings per year		£0.03m	
	Cumulative savings 2020/21			£0.33m

Project:		16/17	17/18	18/19
	Proposed use of Flexible Receipts			
	Design	£0.11m		
Service Improvement	Implementation	£0.44m	£0.31m	
	Total	£0.54m	£0.31m	
	Savings per year	£0.17m	£0.98m	£0.65m
	Cumulative savings 2020/21			£12.64m

Project:		16/17	17/18	18/19
	Proposed use of Flexible Receipts			
	Design	£0.69m		
Customer Access & Technology	Implementation			
	Total	£0.69m		
	Savings per year		£0.84m	£0.52m
	Cumulative savings 2020/21			£5.92m

Project:		16/17	17/18	18/19
	Proposed use of Flexible Receipts			
	Design	£0.31m		
Core Design & Workforce Development	Implementation	£0.07m	£0.13m	
	Total	£0.38m	£0.13m	
	Savings per year		£0.99m	£0.27m
	Cumulative savings 2020/21			£9.06m

Further additional receipts are also anticipated in the qualifying period and decisions about whether to earmark the receipts to be used flexibly will be made at the time.

At this juncture, it is anticipated that Cabinet in February will agree further disposals with the intention that they can be used Flexibly to support other qualifying expenditure incurred during the course of 2016/17 with any balance earmarked for future qualifying years.

On the assumption that this decision is taken and the asset disposal takes place during 2016/17, this strategy recommends that the one-off general fund costs of implementing the Council's Voluntary Redundancy scheme are financed by the disposal receipt. The General Fund costs of the Voluntary Redundancy Scheme in 2016/17 were £4m and the on-going savings were £1.8m.

Impact on Prudential Indicators

The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy.

There will be no impact on the Council's prudential indicators as a result of the implementation of this strategy because none of the assets in question have currently been allocated to the for use in the Council's capital programme.

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ASSEMBLY

22 February 2017

Title: Treasury Management Strategy Statement 2017/18	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** Yes
Report Author: David Dickinson, Group Manager Pensions and Treasury	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	

Summary

This report deals with the Treasury Management Annual Strategy Statement, Treasury and Prudential Indicators, Annual Investment Strategy and borrowing limits, in compliance with Section 15(1)(a) of the Local Government Act 2003.

The production and approval of a Treasury Management Annual Strategy Statement and Annual Investment Strategy are requirements of the Council under Section 15(1) of the Local Government Act 2003. It is also a requirement of the Act to set an authorised borrowing limit for the forthcoming financial year.

The Local Government Act 2003 also requires the Council to have regard to the Prudential Code, and to set prudential indicators which consider the Council's capital investment plans for the next three years.

The Cabinet considered and endorsed this report at its meeting on 13 February 2017.

Recommendation(s)

The Assembly is recommended to adopt the Treasury Management Strategy Statement for 2017/18 and, in doing so, to:

(i) Note the current treasury position for 2017/18 and prospects for interest rates, as referred to in section 6 of the report;

(ii) Approve the Council's Borrowing Strategy, Debt Rescheduling Strategy and Policy on borrowing in advance of need for 2017/18 as referred to in section 9 of the report;

(iii) Approve the Annual Investment Strategy and Creditworthiness Policy for 2017/18 outlining the investments that the Council may use for the prudent management of its investment balances, as set out in Appendix 1 to the report;

(iv) Approve the Authorised Borrowing Limit of £902m for 2017/18, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003, as set out in Appendix 3 to the report;

(v) Approve the Treasury Management Indicators and Prudential Indicators for 2017/18, as set out in Appendix 3 to the report;

(vi) Approve the Minimum Revenue Provision Policy Statement for 2017/18, representing the Council's policy on repayment of debt, as set out at Appendix 4 to the report;

(vii) Maintain the delegated authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to take account of any increase in cash from borrowing and any subsequent decrease in cash balances as payments are made to the Special Purpose Vehicle;

(viii) Agree to review the delegated responsibility as part of the 2017/18 Treasury Management Outturn Report;

(ix) Approve a loan of up to £3.5m to Be First, which is the new Council-owned company to manage the delivery of the Borough regeneration agenda;

(x) Approve a loan of up to £150,000 for Traded Services;

(xi) Agree to delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to agree contractual terms, including the rate, duration and security as part of the loan agreements with Be First and Traded Services; and

(xii) Note that further reports would be presented to the Cabinet in the event that the required working capital loans for Be First and Traded Services exceed the limits set out above.

Reason(s)

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

1. Introduction and Background

1.1 The Council is required to operate a balanced budget, with cash raised during the year sufficient to meet the Council's cash expenditure. Treasury management supports the Council by seeking to ensure its cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate security and liquidity while also considering the investment return.

1.2 A second function of treasury management is funding the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

1.3 The Council is responsible for its treasury decisions, activity and risk appetite. The successful identification, monitoring and control of risk are integral elements of treasury management, including credit and counterparty risk, liquidity risk, market risk, interest risk, refinancing risk and legal and regulatory risk. The Council is statutorily required to approve the Treasury Management Strategy Statement (TMSS) prior to the new financial year.

2. Reporting Requirements

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

i. **The Treasury Management Strategy Statement (TMSS)** is the most important report and considers the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators (PIs) and the outlook for interest rates. In addition, the current market conditions are factored into any decision-making process.

ii. **An Annual Treasury Report** which outlines the actual PIs, treasury indicators and treasury operations compared to the estimates within the strategy.

iii. **A Mid-Year Treasury Management Report** to update Members on the progress of the capital position, amending PIs and investment strategy as necessary.

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

2.3 This report provides an explanation of the key elements of the Council's Treasury Management Strategy, its Minimum Revenue Provision (MRP) Strategy, the Annual Investment Strategy (AIS) for 2017/18 and the borrowing strategy, which are set out in detail in the appendices attached to this report.

3. Treasury Management Strategy for 2017/18

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

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

3.3 The Council has adopted the Department of Communities and Local Government (DCLG) investment guidance that came into effect from 1 April 2010. The strategy for 2017/18 covers two main areas:

Treasury Management Issues

- Current Portfolio Position;
- Treasury Position at 31 December 2016;
- Medium term capital finance budget;
- Treasury Management Advisors;
- Economic Update and Rate Forecast;
- Strategy Amendments;
- The Annual Investment Strategy and Investment Policies;
- The Capital Expenditure Plans 2017/18 – 2019/20;
- The Council's Borrowing Strategy and Borrowing Requirement; and
- Treasury indicators which limit the treasury risk and activities of the Council.

Capital Issues

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

4. Current Portfolio Position

4.1 The Council holds cash balances arising from its operational activities, including income from grants and Council Tax, which are offset by expenditure to run services. The timing of these cash flows can result in surplus cash which is then available to invest. Cash balances are also affected by "working capital", which relates to amounts of outstanding payments to be made to suppliers offset by amounts owed to the Council.

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

2016/17 - £170m (estimate)
2015/16 - £220m
2014/15 - £218m
2013/14 - £120m
2012/13 - £110m

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

- Capital grants and Section 106 funds received in advance of expenditure;
- General Fund, HRA and School cash balances;
- Earmarked Reserves and provisions;
- Capital Receipts and Working Capital;
- European Investment Bank Loans to fund regeneration;
- Green Investment Bank to fund energy company expenditure;
- Public Works Loan Board (PWLB); and
- bank loans including Lender Option Buyer Option Loans (LOBO).

4.4 Table 1 below shows the Council's investments and borrowing balances as at 31 December 2016, including the Average Life and the Rate of Return. The loans have been split between HRA borrowing and GF borrowing to match the two pool approach the Council has adopted for borrowing. The Council invests all cash in one investment pool, with interest distributed between the HRA, schools and GF.

4.5 Members should be aware that the high level of short-term borrowing (£128.9m as at 31 December 2016) does significantly reduce the Average Life and the Rate of Return for General Fund as well as increase the total value of the investments held.

Table 1: Council's Treasury Position at 31 December 2016

	Principal Outstanding £000s	Rate of Return %	Average Life (yrs.)
General Fund Fixed Rate Borrowing			
PWLB	60,000	2.52	46.2
Market Loans	119,000	2.66	32.9
Short Term Borrowing	128,893	0.30	0.3
Total General Fund Debt	**307,893**	**1.64**	**21.8**
Housing Revenue Account Fixed Rate Borrowing			
PWLB	265,912	3.50	39.3
Market Loans	10,000	3.98	61.7
Total Housing Revenue Account Debt	**275,912**	**3.51**	**40.1**
Total Council Borrowing	**518,860**	**2.81**	**34.2**
Investments			
Bank Deposit	130,000	1.07	0.79
Local Authority	62,291	1.12	0.38
Certificates of Deposit	75,000	1.52	1.27
Money Market Funds	13,250	0.34	0.01
Other Investments*	12,251	4.22	1.45
Total Investments	**292,792**	**1.29**	**0.78**

* other investments include a prepayment to the pension fund, a loan to the Barking Riverside limited and loans to schools.

4.6 **Medium Term Capital Finance Budget**

A key part of the Council's budget strategy is the medium-term capital finance budget shown as Table 2. It is a statutory requirement that the level of borrowing is kept under review and is affordable. As a result of the Council's restructure, it is likely that the Council's cash position will significantly reduce over the next few years as a result of utilising the Council's reserves but also as a result of using cash balances to fund property investments.

The significant increase in GF Interest Payable is due to the borrowing required to fund the Council's property investments. In 2019/20, property returns should reduce the net cost of borrowing although the value of the income streams have not been calculated at the time of producing this report.

The medium-term capital financing budget to 2019/20 is outlined in table 2 below:

Table 2: Medium Term Capital Finance Budget

£'000s	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget
MRP	5,227	6,174	8,833	9,951
GF Interest Payable	2,251	4,151	5,651	7,151
HRA Interest Payable	10,059	10,059	10,059	10,059
Interest Income	(2,570)	(2,570)	(2,570)	(2,570)
Reside 2 Returns	(518)	(1,913)	(1,860)	(1,806)
Net Cost	14,449	15,901	20,113	22,785

4.7 **Treasury Position at 31 December 2016 and Forward Projections**

4.7.1 The Council's treasury portfolio position at 31 December 2016, with forward projections are summarised in table 3. The table shows the actual external debt against the underlying capital borrowing need (CFR), highlighting any over or under borrowing. The CFR and the Gross Debt includes borrowing to fund the first Barking & Dagenham Reside scheme as well as the borrowing from the EIB to fund Abbey Road Phase 2 and the Gascoigne Regeneration.

Table 3: Treasury Position at 31 March 2016, with Forward Projections

£'000s	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2017/18 Estimate	2018/19 Estimate
External Debt					
Debt at 1 April	315,912	394,912	454,912	504,912	524,912
Expected change in Debt*	79,000	60,000	50,000	20,000	0
Other long-term liabilities	58,078	55,245	52,308	49,407	47,707
Reside 1 Debt	84,847	84,481	84,100	83,703	83,291
Gross Debt at 31 March	**537,837**	**594,638**	**641,320**	**658,022**	**655,910**
CFR	**587,051**	**641,143**	**658,242**	**658,233**	**656,344**
Under / (over) borrowing	**49,214**	**46,505**	**16,922**	**211**	**434**

* Debt excludes short-term borrowing

5. **Treasury Management Advisors**

5.1 The Council uses CAS for external treasury advice. However the Council aknowledges that it is ultimately responsibility for all treasury management decisions and will ensure that undue reliance is not placed on the external advisors.

5.2 The Council recognises that there is value in receiving advice from an external treasury advisor in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are documented, and subjected to regular review. For its cash flow generated balances, the Council will utilise a range of investment instruments, as agreed within the Annual Investment Strategy restrictions (appendix 1) in order to benefit from the compounding of interest.

6. Economic Update and Rate Forecast

6.1 On 4 August 2016, the Monetary Policy Committee, (MPC), cut the Bank Rate from 0.50% to 0.25% to counteract a potential sharp slowdown in growth in the second half of 2016 following the vote for the UK to leave the European Union. The cut in rate had a significant impact on reducing the Council's return.

6.2 However, economic data since August has indicated stronger growth than that forecast. In addition, inflation forecasts have risen due to a continuation of the sharp fall in the value of sterling since early August. Consequently, the Bank Rate was not cut again in November and, on current trends, it now appears unlikely that there will be another cut.

6.3 A first increase to 0.50% is tentatively pencilled in for Q2 2019, after negotiations to leave the European Union are forecast to be concluded. However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

6.4 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK and geopolitical developments, especially in the EU, could have a major impact on the movements of interest rates. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

6.5 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty-five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy.

6.6 Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise.

6.7 Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

6.8 PWLB rates and gilt yields have been experiencing high levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the near future.

6.9 The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

6.10 Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries.
- Major national polls including Italy, Spain, Netherlands, France and Germany.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a problem, and stress from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- World geopolitical risks causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation weaker than currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

6.11 The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include:

- UK inflation rising to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

The Council has appointed CAS as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Table 3 gives their central view.

Table 3: Interest Rate Forecast for the BOE Base Rate and PWLB

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

6.12 **Bail In Legislation**

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

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

6.12.3 The Treasury section completes regular monitoring of the potential affect a significant market correction would have on the various banks the Council has deposited money with and will make adjustment to the strategy should any issues be identified.

6.13 **Treasury Savings Targets**

6.13.1 Historically the Council has maintained a prudent and low risk treasury investment strategy. This approach has ensured that the Council has not lost money from any of its investments, while achieving a return commensurate with the risk taken. This approach has led to treasury having a significant impact on the Council's overall funding requirements, both in terms of generating income from investments and from reducing the costs of borrowing to support the Council's capital programme.

6.13.2 In order for Treasury to support the reduced budgets for 2015/16 to 2017/18, Members agreed a number of savings targets for treasury as outlined in table 4 below, which shows the accumulative effect of the savings. A total of £1.6m worth of savings will have been removed from the annual treasury budget from 2017/18.

6.13.3 For 2015/16 Treasury significantly outperformed the savings target, providing a return of £800k above the revised target, which was used to reduce the impact of overspends in other departments.

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

Saving Reference	Savings Proposal	2015/16 £000	2016/17 £000	2017/18 £000	Total £000
CEX/SAV/27	Increase in Average Return	500	500	250	1,250
CEX/SAV/29	Increase Counterparty Risk	250	0	0	250
CEX/SAV/54e	Increase Duration Risk	100	0	0	100
	Total Savings	**850**	**500**	**250**	**1,600**

6.14 **Return Target 2016/16 to 2017/18**

6.14.1 To achieve the interest, target the treasury section needs to achieve the following average returns on an average cash balance of £160m (excluding EIB cash):

2016/17 1.40%
2017/18 1.60%
2018/19 1.80%
2019/20 2.00%

6.14.2 The increased return is heavily reliant on interest rates increasing from their current near historic lows. The increase does not need to occur in the first half of 2017 as treasury section has secured a return through longer dated investments, which is currently expected to achieve the 1.60% return for 2017/18. However, if rates do not increase by early 2018 then the return target for 2018/19 will be very challenging to meet without significantly increasing the duration risk and / or the counterparty risk.

6.15 **Risk Monitoring**

6.15.1 The Council recognises that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment takes account of information that reflects the opinion of the markets.

6.15.2 To this end the Council will engage with its advisors to maintain a monitor on market pricing such as Credit Default Swaps (CDS). However due to the volatility of the CDS market, this will be monitored but will not be included in the investment rating of any financial institutions.

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

6.15.4 The aim of the strategy is to generate a list of creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and to minimise risk to the level agreed by Members and included in the Investment Strategy.

7. Strategy Amendments

7.1 Duration Risk

7.1.1 Generally, the longer the duration of an investment the better the return. There are several risks associated with this including:

i. the risk of locking in a low rate for a long period; and
ii. liquidity risks as the cash will not be available for the Council to use.

7.1.2 To achieve the interest income budget set, without taking significant risk, the treasury section increased the duration of several investments during 2016/17 where opportunities arose. This strategy will continue in 2017/18, although the benefit from higher returns will be weighed against the risk of locking in investments at low rates at a time when interest rates may begin to increase.

7.2 Counterparty Risk

7.2.1 During 2017/18 the Council will continue to use the creditworthiness service provided by its advisor, CAS, which employs sophisticated modelling utilising credit ratings from the main credit rating agencies (Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

i. credit watches and credit outlooks from credit rating agencies;
ii. Sovereign ratings to select counterparties from only creditworthy countries.

7.2.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system for which the product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. The Council uses these colour codes to guide the suggested duration for investments and are outlined in detail in Appendix 1 section 16.

7.2.3 The financial institutions the Council invests with all have credit ratings and as a rule, the lower the credit rating the higher the return. The Council has historically had a prudent, although not completely risk adverse, approach to treasury investments. The Council has agreed that to increase investment income treasury will be able to take additional risk. The additional risk being taken include:

i. Maintain the Royal Bank of Scotland limit for deals at £70m with a maximum duration of three years.
ii. Remove the specific limit for Certificate of Deposits.
iii. Increase the individual Local Authority Limit over one year to £40m per authority and remove the total Local Authority Limit.
iv. Revise the minimum credit rating from A / F1 to A- F2.

7.3 Short-Term Borrowing

7.3.1 Currently there is little return (approximately 0.35%) gained from investing over a short-term period and therefore the focus of the investment strategy will be to take advantage of investments over the medium term (one to three years) where returns of 1.0% to 1.82% is available.

7.3.2 In addition, there is a significant difference of approximately £40m between the Councils highest cash balance in February to June and its lowest cash balance in December to January. To take advantage of medium term investment opportunities as they arise and to allow the Council to smooth the volatility of its cash flow, without overly relying on short-term investments, it will be necessary for the Council to carryout short-term borrowing. Where short-term borrowing is required this will be secured as early as possible to ensure liquidity risk is reduced. Short-term borrowing will also predominantly be from other Public Sector bodies.

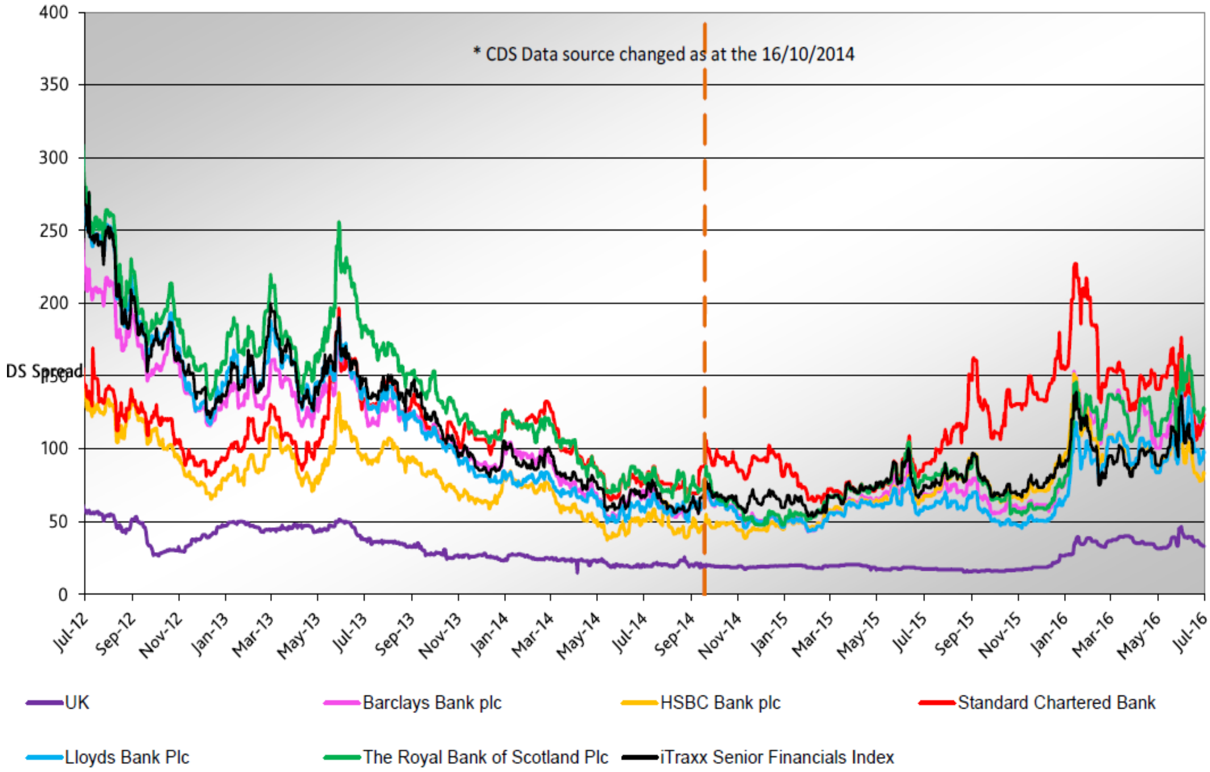
7.4 **Lloyds Banking Group**

7.4.1 The Council has, over the past three years, held a high allocation to Lloyds Banking Group (Lloyds) as it was viewed as having an implied guarantee from the UK government, which held a significant number of Lloyds shares. On 29 October 2015, the Government reduced its holdings of Lloyds shares to less than 10%, with a view to sell the remaining shares as soon as possible. As a result, the Council's exposure to Lloyds was reduced to £34.5m as at 29 January 2016.

7.4.2 In the 2016/17 TMSS, as part of the overall investment strategy of taking more risk, the duration for investment with Lloyds was maintained at 3 years, with a limit of £65m. The Council's Treasury Advisors, suggested investment duration with Lloyds is currently 6 months.

7.4.3 In terms of the rating agencies, Fitch's long term rating for Lloyds is A+, which is equivalent to Moody's rating of A1. All three agencies affirm a stable medium term view on Lloyds at present. Chart 1 shows the movements in CDS for the main UK banks, including Lloyd's CDS prices over the past 5 years compared to the iTraxx. The graph highlights the decrease in Lloyds' CDS prices over the past five years to below the iTraxx benchmark.

Chart 1: Lloyd's CDS prices (2012 to 2016) benchmarked against the iTraxx



7.4.4 In terms of outlooks, all three ratings agencies changed their methodologies mid-2016, which saw alterations to Lloyds' outlook positions. Moody's revised their bank methodology and changed their outlook on Lloyds to positive on 05/06/2016. Moody's placed Lloyds in the group of other UK banks which they believed to reflect a positive trend, more importantly in terms of the bank's capital and asset quality, but also in terms of their profitability.

7.4.5 S&P changed its outlook on Lloyds to stable on 29/07/2016 to reflect their view that Lloyds over the next two years will continue to build its capital buffer and will see improvements to its statutory earnings. Further, they believe that Lloyds will maintain a risk-adjusted capital ratio in line with S&P's ratio of around 8.5-9% and while they believe asset growth will continue, they do not expect this to be at the expense of any increase in risk appetite. Similarly, on changing its rating methodology, Fitch changed its rating outlook for Lloyds to stable on 14/05/2016 despite the negative outlook on their issuer ratings, with this being primarily as Lloyd's bond prices were significantly above their 'a-' viability rating at the time.

7.4.6 As the Authority is considering taking on more credit risk by lending longer than CAS's suggested 6 months, the long-term ratings are more relevant than the short-term ratings. The current definition (and therefore the credit opinion) of the rating agencies based on the above long-term ratings are as follows:

	Fitch	**Moodys**	**S&P**
Long Term Rating:	**A+**	**A1**	**A**

Definition of Long Term Rating: Very high credit quality Superior credit quality. Possibly more prone to adverse effects of changes in circumstances than higher-rated categories.

7.4.7 The justification for differing from the CAS limits is outlined below:

On 1 November 2016, stress tests were conducted and Lloyds comfortably passed these tests. In general, the stress tests had the greatest impact on those banks with significant international and corporate exposures. The three banks operating principally in domestic markets, Lloyds Banking Group, Nationwide and Santander UK, remained well above their hurdle rates throughout the stress.

Currently all Lloyds ratios and stress testing results confirm that Lloyds is one of the strongest UK banks and is ranked the 14th largest bank in the world by market capitalisation. Lloyds has one of the lowest CDS of all financial institutes and has a high tier 1 capital (core equity capital compared to total risk weighted assets) of 13.5%, which is higher than any other UK bank and provides a significant buffer if there were to be a run on the bank. It performed very well in the recent stress tests and is rated A+ by Fitch (marginally behind HSBC at AA-).

There remains a risk from bail-in but Lloyds would need to write-off £52.8b (mainly mortgages and small business loans) before unsecured senior creditors (the Council) would be affected. That would mean that the equity and sub debt would need to be wiped out before the Council's investments would be affected. This is a bigger loss than the loss incurred when Lloyds absorbed HBOS and is a very unlikely scenario.

7.5 **HRA Investments**

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

7.5.2 Where there is agreement between the Chief Operating Officer (COO) and the Strategic Director Growth and Homes, individual investments can be ring-fenced for the HRA, with the allocations made within the Council's overall treasury strategy requirements.

7.5.3 For further details please refer to the HRA Business Plan.

7.6 **Derivatives**

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

8. The Capital Expenditure Plans 2017/18 – 2018/19

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

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

Table 5: Proposed Capital Expenditure 2017 to 2020

Capital expenditure	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
General Fund	63,180	136,427	91,459	17,472	10,400
HRA	82,867	62,659	80,654	59,440	57,960
Total	**146,047**	**199,086**	**172,113**	**76,912**	**68,360**
Financed by:					
Capital Grants	52,534	79,067	56,077	6,000	0
Section 106	529	177	1,000	0	0
Revenue Contributions	4,771	4,104	1,000	400	400
Capital Receipts	30,853	382	14,232	2,200	21,500
HRA Contributions	38,961	62,199	65,132	57,240	36,460
Sub-Total	**127,648**	**145,930**	**137,441**	**65,840**	**58,360**
Net financing need for the year	**18,399**	**53,156**	**34,672**	**11,072**	**10,000**

8.3 The estimated financing need for the year in Table 5 represents a shortfall of resources resulting in a requirement to borrow. This underlying need to borrow is the CFR. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

8.4 A portion of the net financing need has already been borrowed as this relates to the Abbey Road Phase 2 and Gascoigne regeneration schemes which was borrowed from the European Investment Bank in January 2016.

8.5 Other long term liabilities**:** the above financing need excludes other long term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.

8.6 Sufficient headroom has been provided within the Authorised Limit on external borrowing to ensure that any major capital investment projects where finance has yet to be finalised, are not restricted by this statutory limit. The limit covers any short term borrowing for cash flow purposes as well as long term borrowing for capital projects, finance leases PFI initiatives as well as any unforeseen incidences where expected capital receipts are not forthcoming due to unexpected economic factors.

8.7 In addition sufficient headroom has been included within the Operational Boundary and Authorised Limit to accommodate borrowing requirements as a result of £250m property investment and £100m land purchases agreed by Cabinet on 15 November 2016 (Minute 72).

9. The Council's Borrowing Strategy and Borrowing Requirement

9.1 The decision to borrow is a treasury management decision and is taken by the COO under delegated powers of the Council's constitution and after consultation with the Group Manager – Treasury and Pensions and the Director of Finance. The key objective of the Council's borrowing strategy is to secure long term funding for capital projects at borrowing rates that are as low as possible. This can result in a trade off of short term returns on deposits to obtain the best possible rate on long term borrowings.

9.2 The Council can borrow funds from the capital markets for several purposes, including:

(i) *Short term temporary* borrowing for day to day cash flow purposes to ensure liquidity. This is likeliest to occur during the midyear period when the Council's cash balances are lowest and Council's own cash may be tied up in longer term investments. The maximum duration for short-term borrowing is one year.

(ii) *Medium term borrowing* to cover construction and development costs where the repayment period is likely to be after the construction of an investment property.

(iii) *Long term borrowing* to finance the capital programme where the Council can demonstrate the borrowing is affordable. The Council receives external funding (e.g. grants, contributions etc.) to meet a large proportion of its capital expenditure but some projects do not attract specific funding. These projects must be funded by the Council from sources such as capital receipts from the sale of property. However, in the relatively recent past, the Council has not had these funds available and therefore has had to borrow. Where the borrowing is to fund a large-scale property development then the duration and repayment will be linked to the cash flows expected to be generated.

9.3 Treasury management, and borrowing strategies in particular, continues to be influenced by the absolute level of borrowing rates and also the relationship between short and long term interest rates. Rate forecasts indicate that interest rates will remain low until 2018 which creates a “cost of carry” between what is paid on the borrowing and what is earned on the investment for any new longer term borrowing. This is because borrowing requirements are generally over a long term period of up to 50 years, while cash is currently being invested for a maximum of a year.

9.4 As a result the Council expects to maintain an under-borrowed position throughout 2017/18. This means that the CFR will not be fully funded with loan debt during the year as cash supporting the Council’s reserves, balances and cash flow will be used as a temporary measure. This strategy is prudent as it reduces the “cost of carry” while investment returns remain low, as well as reduces the Council’s counterparty risk, which continues to be high and is likely to will continue throughout 2017/18.

9.5 As circumstances can change during the year, the COO will monitor interest rates and adopt a flexible approach to any changes. The Council’s borrowing strategy will also give consideration to the following when deciding to take-up new loans:

- Use internal cash balances while the current rate of interest on investments remains low and cash flow forecasts indicate that borrowing is not required;
- Consideration given to weighing the short-term advantage of internal borrowing against long term costs if long term borrowing rates increase more than forecast;
- Using PWLB, the EIB or Local Authorities for fixed term and variable rate loans;
- Maintain an appropriate debt balance between PWLB and market debt;
- Ensure new borrowings are drawn at suitable rates and periods; and
- Consider the issue of stocks and bonds if appropriate.

9.6 The Council has £30m of fixed rate Lender’s Options Borrower’s Option (LOBO) loans and all of them will be in their call period during 2017/18. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower (the Council) can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the Lender’s discretion. Any LOBO called will have the default position of repayment of the LOBO without penalty, i.e. the revised terms will not be accepted.

9.7 **European Investment Bank (EIB) Borrowing**

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

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

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

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

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

9.7.5 To allow treasury to maintain flexibility to manage the increase in cash it is recommended that Members agree to maintain the authority delegated to the COO, in consultation with the Cabinet Member for Finance, Growth and Investment, to proportionally amend the counterparty lending limits agreed within the TMSS to consider the initial increase in cash from the EIB but also the subsequent decrease in cash balances as payments are made to the SPV.

9.8 Green Investment Bank (GIB) Borrowing

9.8.1 At its meeting on 2 December 2015, the Assembly agreed to borrow £7.5m from the GIB arising from the Cabinet's decision under Minute 67 (10 November 2015) to finance the Low Energy Street Light Replacement Programme via the UK GIB Green Loan.

9.8.2 On 15 December 2016, a loan of £7.0m was borrowed from the GIB at a rate of 3.44% for a duration of 30 years. The borrowing will be over a two-and-a-half-year period and will match the forecast expenditure. The repayment of the loan has been structured to best match the cashflows expected to be generated from the energy savings.

9.9 HRA Self Financing

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

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

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

- The full £275.9m of PWLB long term debt from the HRA reform settlement is allocated to the HRA, with the remaining £179.0m of debt (including EIB borrowing) allocated to the GF; and

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

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

Table 5: HRA borrowing:

Loan Type	Loan Amount	Maturity profile	Interest Rate
	£'000s	Yrs	%
PWLB	50,000	25	3.51
PWLB	50,000	35	3.52
PWLB	50,000	43	3.49
PWLB	50,000	44	3.48
PWLB	65,910	45	3.48
Barclays	10,000	61	3.98
Total	**275,910**		

9.9.5 The HRA debt cap is currently set at £277.65m; however, the Council has recently been given approval from the Department for Communities and Local Government, to exceed this by £3.2m in 2017/18 and by a further £10.75m in 2017/18, making the new total cap £291.60 onwards from 2017/18.

9.10 Repayment of Borrowing

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

9.10.2 The reasons for any rescheduling to take place will include:

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

9.10.3 No long-dated loans are proposed to be repaid in 2017/18.

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

9.11 Policy on borrowing in advance of need

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

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

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

9.11.4 Current forecasts indicate that it is unlikely that the Council will seek to borrow in advance in 2017/18.

9.12 **Council Transformation Programme - Be First Loan**

9.12.1 At the November 2016 Cabinet, Members agreed to establish a new Council-owned company to manage the delivery of the borough's regeneration agenda, Be First, in line with Recommendation 8 of the report of the independent Growth Commission. The aim of Be First is to accelerate the regeneration of the borough and deliver increased revenues and returns to the Council by using greater flexibilities to attract high-quality staff and create joint ventures with developers than would be available to an in-house Council function.

9.12.2 Be First will be a 100% Council-owned company that is operationally independent of the Council, operating in the same way as a commercial organisation, and being accountable to members through a Shareholder Executive Board. It will encompass all aspects of regeneration and place-shaping for the borough, including not only housing, commercial buildings and infrastructure but also green spaces and other community assets, employment, prosperity and community well-being.

9.12.3 To support Be First cash flow requirements during the first few years of established, Members are asked to agree a loan of up to £3.5m to Be First. The Loan will be at a market rate to be determined at the date of the drawdown.

9.12.4 In addition, Members are asked to agree a loan of up to £150,000 to Traded Services as part of the initial set-up costs.

9.12.5 It is recommended that the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, are delegated authority to agree contractual terms, including the rate, duration and security for both loans.

9.12.6 If additional loans are required as part of the Council's transformation programme, these loans will be taken to Cabinet for approval.

10. Minimum Revenue Provision Policy Statement

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

10.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 4.

11. Member and Officer Training

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

12. Financial Implications

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

13. Legal Implications

Implications completed by: Paul Feild, Senior Governance Lawyer

13.1 The Local Government Act 2003 (the “Act”) requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out its policies for managing investments and for giving priority to the security and liquidity of those investments. The Council must also ‘have regard to’ the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

13.2 This report sets out the Council’s strategies in accordance with the Act.

14. Other Implications

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

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

List of appendices:

- Appendix 1 – Annual Investment Strategy and Creditworthiness Policy 2017/18
- Appendix 2 – Interest Rate Forecasts 2017 – 2020
- Appendix 3 – Prudential Indicators 2016/17 – 2019/20
- Appendix 4 – Minimum Revenue Provision Policy Statement 2017/18
- Appendix 5 – Treasury Management Scheme of Delegation and Section 151 Officer Responsibilities

Appendix 1

Annual Investment Strategy and Creditworthiness Policy 2017/18

1. Treasury Management Practice: Credit and Counterparty Risk Management

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

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

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

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

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

The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps". Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

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

1.1 Annual Investment Strategy

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

1. The strategy guidelines for choosing and placing investments, particularly non-specified investments.

2. The principles to be used to determine the maximum duration for investments.

3. Specified investments that the Council will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.

4. Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

5. An additional consideration is the variable cash position the Council will have because of Council's investment strategy. The investment strategy will mean that the Council will be making significant borrowing and investment decisions and these may result in period where the Council has a significant allocation to a counterparty.

1.2 Creditworthiness policy

This Council uses an adapted version of the creditworthiness approach used by CAS. This service employs a modelling approach utilising credit ratings from the three main credit rating agencies (Fitch, Moody's & Standard and Poor's). This approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. The Council uses the following colour codes to determine the suggested duration for investments:

- **Yellow** 5 years
- **Dark pink** 5 years - enhanced money market fund with a credit score of 1.25
- **Light pink** 5 years - enhanced money market fund with a credit score of 1.50
- **Purple** 2 years
- **Blue** 2 year (only applies to Royal Bank of Scotland)
- **Orange/Red** 1 year
- **Green** 100 days
- **No colour** not to be used

The Council uses a one year limit for red colour ratings, which differs from the model used by CAS, which sets a limit of 6 months. This difference reflects a different risk appetite to the standard limits recommended by CAS.

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

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

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

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

1.3 The Monitoring of Investment Counterparties

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

1.4 Use of External Cash Manager(s)

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

1.5 Use of additional information other than credit ratings

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

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

1.6 Credit Quality Criteria and Allowable Financial Instruments

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

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

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

1. The UK Government (such as the Debt Management Account Deposit Facility, UK Treasury Bills or Gilts with less than one year to maturity).

2. Supranational bonds of less than one year's duration.

3. A local authority, parish council or community council.

4. Pooled investment vehicles (PIV) with a high credit rating. This covers PIVs such as money market funds, rated AAA by the rating agencies.

5. A body (i.e. bank of building society), of sufficiently high credit quality.

1.8 Non-Specified Investments

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

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

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

1.9 Alternative investment instruments

Currently the Council invests its cash with financial institutions, other Local Authorities, with the UK Government or through loans to companies and schools where prior agreement has been made by Cabinet.

There are a range of alternative investments instruments that the Council could invest in and these are reviewed at least annually to see if they meet the Council's risk appetite. There are varying degrees of risks associated with such asset classes and these need comprehensive appreciation. It is not just credit risk that needs to be understood, but liquidity and interest rate / market risk as well, although these can often be intertwined. Any option in which an investor hopes to generate an elevated rate of return will almost always introduce a greater level of risk. By carefully considering and understanding the nature of these risks, an informed decision can be taken. These instruments are summarised below:

Property Funds

The Council's Pension Fund already invests in property funds and these have provided a good rate of return, especially over the past two years. The costs to invest in property and then to disinvest are around 8% but steady income streams and capital appreciation can provide a net return of 6% to 8% per annum.

Investing in property is not risk free and there is the potential to lose not just the investment return but some of the original amount invested and the investment period is generally long term (over 5 years). The use of these instruments can also be deemed capital expenditure, and as such will be an application (spending) of capital resources.

This type of investment is appropriate where a council has an amount of cash that it is unlikely to use over the long term. There is currently some significant uncertainty over the Council's medium term cash position, both positively as the Council uses its cash balances to invest in growth but also as a result of budget pressures reducing the Council's reserves. In addition the Council currently has a significant housing investment strategy which is likely to use a significant part of the Council's cash balances. As a result it is unlikely that the treasury section will seek to invest in a Property Fund.

Challenger Banks

At present Challenger Banks, which includes Metro Bank, Tesco Bank and Aldemore, do not have credit ratings and so fall outside of the Council's investment strategy criteria. It is likely that some of these banks will get a credit rating in coming years, and treasury will continue to monitor these banks as the UK banking environment would benefit from additional competition.

Specified Investments and Non-Specified Investments Limits and Criteria

Counterparty / Financial Instrument	Minimum Credit Rating Criteria / Colour Band	Specified Investments		Non-Specified Investments	
		Maximum Duration	Counterparty Limit £m	Maximum Duration	Counterparty Limit £m
Lloyds Banking Group SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	A-	Up to 1 year	£80m	1 to 3 years	£80m
Government Supported UK Bank – Royal Bank of Scotland SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	Blue	Up to 1 year	£80m	1 to 2 years	£80m
Other UK Banks & Building Societies SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bond	Yellow Purple Orange/Red Green No Colour	N/A N/A Up to 1 year Up to 3 mths Not for use	£30m per counterparty	1 to 5 years 1 to 2 years N/A N/A N/A	£30m per counterparty
Bond Funds - Corporate Bonds	Short-term F2, Long Term A-	Up to 1 year	£20m	1 to 2 years	£20m
Local Authorities: Term Deposits	Not credit rated	Up to 1 year	£40m per authority	1 to 3 year	£40m per authority
UK Government Treasury Bills Gilts DMADF	UK Sovereign Rating	Up to 1 year	£50m	1 to 5 years	£20m
Money Market Funds	AAA	T+1	£30m per Manager	N/A	N/A
Property Funds	N/A	N/A		N/A	£20m

1.10 Use of other Local Authorities

For cash loans the Local Government Act (LGA) 2003 s13 suggests the credit risk attached to English, Welsh and Scottish local authorities is an acceptable one.

1.11 Use of Multilateral Development Banks

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

1.12 Use of Brokers

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

1.13 Country limits and Use of Foreign Banks

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

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

Approved countries for investments (Credit Rating as at 31 December 2016)

The list below is based on those countries which have sovereign ratings of AA- or higher (below is the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above.

AAA	AAA	AA+	AA	AA-
Australia	Netherlands	Finland	Abu Dhabi (UAE)	Belgium
Canada	Norway	Hong Kong	France	
Denmark	Singapore	U.S.A.	Qatar	
Germany	Sweden		U.K.	
Luxembourg	Switzerland			

1.14 Provisions for Credit-related losses

If any of the Council's investments appeared at risk of loss due to default, (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

Where there is a loss of the principal amount borrowed due to the collapse of the institution, the Council will seek legal and investment advice.

1.15 End of year investment report

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

APPENDIX 2

Interest Rate Forecasts 2017 – 2020

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

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APPENDIX 3

Prudential Indicators 2016/17 – 2019/20

1. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the PIs, which are designed to assist members overview and confirm capital expenditure plans.

Capital expenditure is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts in Table 1:

Table 1: Capital Expenditure Forecast 2016 to 2020

Capital expenditure	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	Actual £000	**Approved £000**	**Estimate £000**	**Estimate £000**	**Estimate £000**
Service Development & Integration	34,493	61,190	49,282	2,748	0
Customer, Commercial & Service Delivery	4,483	4,642	0	0	0
Finance & Investment	1,369	855	0	0	0
Growth & Homes	4,382	23,833	0	0	0
HRA	82,867	54,841	80,654	59,440	57,748
Finance Lease & PFI	**54**	**569**	**588**	**596**	**612**
Corporate Borrowing	**18,399**	**53,156**	**34,672**	**11,072**	**10,000**
TOTAL	**146,047**	**199,086**	**165,196**	**73,856**	**68,360**

Table 2 summarises the above capital expenditure plans and identifies whether the spend is financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2: Capital Expenditure Financing Plans 2016 to 2020

Capital expenditure	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	Actual £000	**Approved £000**	**Estimate £000**	**Estimate £000**	**Estimate £000**
General Fund*	63,180	136,427	91,459	17,472	10,400
HRA	82,867	62,659	80,654	59,440	57,960
Total	**146,047**	**199,086**	**172,113**	**76,912**	**68,360**
Financed by:					
Capital Grants and Contributions	52,534	79,067	56,077	6,000	0
Section 106	529	177	1,000	0	0
Revenue / Reserve Contributions	4,771	4,104	1,000	400	400
HRA Contributions (incl MRA)	30,853	382	14,232	2,200	21,500
Capital Receipts	38,961	62,199	65,132	57,240	36,460
Sub-Total	**127,648**	**145,930**	**137,441**	**65,840**	**58,360**
Net financing need for the year (borrowing)	**18,399**	**53,156**	**34,672**	**11,072**	**10,000**

*(incl. PFI, Leases and borrowing still to be allocated to schemes)

Part of the borrowing need includes financing of Reside 2 (Abbey 2 and Gascoigne Phase 1 regeneration). Funding of Reside 2 will be from a loan from the European

Investment Bank (EIB). Abbey Road 2 is now being let and is bringing in income, which will be used to repay the loan and interest to the EIB as well as provide significant net cash inflows into the Council.

1.2 The Council's borrowing requirement (CFR)

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP), a statutory annual revenue charge, reduces the borrowing need in line with each assets life. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. Table 3 sets out the CFR until 2019/20.

The significant increase in the CFR is due to the inclusion of the costs for Reside 1. The Reside 1 costs are financed through an external lender via a Special Purpose Vehicle and is effectively self financing.

The Council is asked to approve the CFR projections.

Table 3: Council's CFR 2015/16 – 2019/20

Capital expenditure	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Capital Financing Requirement					
CFR – General Fund	201,397	207,485	211,468	210,627	209,167
Reside 1	91,402	91,021	90,624	90,212	89,783
Reside 2	26,530	64,165	77,678	78,922	78,922
CFR – Housing	267,722	278,472	278,472	278,472	278,472
Total CFR	**587,051**	**641,143**	**658,242**	**658,233**	**656,344**
Movement in CFR	**8,953**	**54,092**	**17,100**	**-9**	**-1,889**
Movement in CFR represented by					
Net financing need for the year	18,820	63,102	27,086	11,840	10,612
Less MRP & other financing	-9,867	-9,011	-9,986	-11,849	-12,501
Movement in CFR	**8,953**	**54,092**	**17,100**	**-9**	**-1,889**

2. Affordability prudential indicators

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

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

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

£	2016/17	2017/18	2018/19	2019/20
Council tax - band D	-	-	-	-

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

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

Incremental impact of capital investment decisions on housing rent levels

£	2016/17	2017/18	2018/19	2019/20
Housing rent levels	-	-	-	-

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

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

£'000s	2016/17	2017/18	2018/19	2019/20
Maximum principal sums invested > 364 days	250,000	200,000	150,000	130,000

4. Treasury Indicators: Limits to Borrowing Activity

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

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

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

Interest rate exposures	**2017/18**	**2018/19**	**2019/20**
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates:			
• ***Debt only***	100%	100%	100%
• ***Investments only***	90%	90%	90%
Limits on variable interest rates			
• ***Debt only***	70%	70%	70%
• ***Investments only***	80%	80%	80%

Maturity structure of fixed interest rate borrowing 2017/18		
	Lower	**Upper**
Under 12 months	0%	40%
12 months to 2 years	0%	60%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	100%

Maturity structure of variable interest rate borrowing 2017/18		
	Lower	**Upper**
Under 12 months	0%	40%
12 months to 2 years	0%	40%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	80%

5. Treasury Indicators: Limits to Borrowing Activity

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

Operational boundary	**2016/17**	**2017/18**	**2018/19**	**2019/20**
£'000s	**Approved**	**Estimate**	**Estimate**	**Estimate**
Borrowing	650	750	800	850
Long term liabilities	55	52	49	48
Total	**705**	**752**	**849**	**898**

5.2 **The Authorised Limit for external borrowing** – this represents a control on the maximum level of borrowing, with a limit set, beyond which external borrowing is prohibited. This limit must be set or revised by the full Council. The limit set includes a margin for borrowing to fund the Council's property investments.

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

Authorised Limit	2016/17	2017/18	2018/19	2019/20
£'000s	**Approved**	**Estimate**	**Estimate**	**Estimate**
Borrowing	760	850	900	950
Long term liabilities	55	52	49	48
Total	**815**	**902**	**949**	**998**

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

HRA Debt Cap	2016/17	2017/18	2018/19	2019/20
£'000s	**Approved**	**Estimate**	**Estimate**	**Estimate**
Total	277,649	291,599*	291,599*	291,599*

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

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Appendix 4

Minimum Revenue Provision Policy Statement 2017/18

1.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the Minimum Revenue Provision - MRP). The Council is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

1.2 CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement*:*

1.2.1 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1).

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

1.2.2 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be*:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3).

1.3 This option provides for a reduction in borrowing in line with the life of the asset to which the borrowing related.

1.4 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

1.5 Repayments included in annual PFI or finance leases are applied as MRP.

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APPENDIX 5

Treasury Management Scheme of Delegation and Section 151 Officer Responsibilities

Treasury management scheme of delegation

(i) Full board/council

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

(ii) Boards/committees/council/responsible body

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

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

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

The treasury management role of the section 151 officer

The S151 (responsible) officer

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

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ASSEMBLY

22 February 2017

Title: 2017/18 Local Implementation Plan Funding Submission	
Report of the Cabinet Member for Economic and Social Development	
Open Report	**For Decision**
Wards Affected: All	**Key Decision**: Yes
Report Author: Tim Martin – Transport Planning & Policy Manager	Contact Details: Tel: 020 8227 3939 E-mail: timothy.martin@lbbd.gov.uk
Accountable Director: Dan Pope, Acting Head of Regeneration and Planning (Planning)	
Accountable Strategic Director: John East, Strategic Director, Growth and Homes	

Summary

The LB Barking & Dagenham Local Implementation Plan (LIP) is the Council's transport strategy and delivery plan for improvements to the transport network in the borough. The current plan covers the 3-year period 2014/15 - 2016/17.

Ahead of the development of a new plan, the Council is required to submit a transitional 1-year spending plan to Transport for London (TfL) for funding for local transport schemes, including a range of road safety, traffic management, highways maintenance and cycling/walking schemes for implementation in 2017/18. The proposed programme of investment focuses on:

- Tackling existing road safety, congestion and accessibility issues in Thames View and on Thames Road, River Road and Renwick Road;
- Continuing the programme of public realm improvements in Barking Town Centre;
- Studies to inform future LIP schemes at Gale Street, the Wood Lane/Rainham Road roundabout and the High Road/Whalebone Lane junction;
- A review of the Heathway between Church Elm Lane and Parsloes Avenue;
- Funding for road safety schemes across the borough, including where necessary plans for improvements outside all borough primary schools;
- Funding for cycle training and school travel planning; and
- Funding to determine feasibility and costs of a Barking to Stratford direct rail link.

The programme has been developed to deliver the LIP objectives, is consistent with the Mayor of London's Transport Strategy and supports the Council's regeneration priorities as endorsed by the Barking and Dagenham Growth Commission by helping to shape a place that people chose to live in. The programme also aligns with the Council's Highway's Investment Programme.

The purpose of this report is to seek Members' approval for the Council's 2017/18 LIP spending plan submission to TfL. The Cabinet considered and endorsed this report at its meeting on 13 February 2017.

Recommendation(s) The Assembly is recommended to approve the 2017/18 Local Implementation Plan funding submission to Transport for London, as set out at Appendix 1 to the report.
Reason(s) To assist the Council in achieving all of its Community Priorities, in particular enabling social responsibility by protecting the most vulnerable; keeping adults and children healthy and safe; and growing the borough through supporting investment in public spaces to enhance our environment.

1. Introduction and Background

1.1 The Barking and Dagenham second Local Implementation Plan (LIP2) was approved by Cabinet in November 2010 (Minute 63 refers) and the Mayor of London in July 2011. The LIP is the Council's strategy to achieve a safe, sustainable and accessible transport system for the benefit of all those living and working in Barking and Dagenham. A key component of the LIP is a 3-year Delivery Plan and a series of targets to measure progress towards the LIP objectives. The current Delivery Plan, covering the period 2014/15 – 2016/17, was endorsed by the Cabinet on 24 September 2013 (Minute 36) and approved by the Assembly on 2 October 2013 (Minute 31.

1.2 Following the election of a new Mayor of London in May 2016, Transport for London (TfL) has begun preparations to develop a new Transport Strategy for London. It is anticipated that this will necessitate all London boroughs having to produce a new LIP and 3-year Delivery Plan. To date, no definitive timescale has been put in place for this work and pending the release of any detailed guidance, TfL has issued high-level guidance which requires the Council to produce an interim 1-year spending plan setting out our priorities for delivering a range of transport projects in 2017/18.

2. Proposal and Issues

2.1 Over the three-year period 2014/15 – 2016/17, LIP funding has been used to deliver a range of traffic management, road safety and public realm improvement schemes across the borough, including:

- Improvements to the A12/Whalebone Lane junction to address congestion at this busy junction, together with measures to address road safety concerns and improve pedestrian accessibility along Whalebone Lane, particularly on the approach to Warren schools;
- Neighbourhood improvements aimed at tackling congestion and improving accessibility within Marks Gate as part of the Sustrans community lead 'DIY Streets' Initiative;
- Improvements to Ballards Road to address long-standing road safety and congestion issues caused by rat-running HGVs and to enhance the local public realm. The scheme has resulted in the significant improvement in conditions for pedestrians and cyclists;

- Public realm improvements in Gale Street to assist the policy objective of integrating new/existing communities and ensuring residents benefit from the wider regeneration of the area. Included measures to improve safety/accessibility and deliver enhancements to the local shopping parade;
- Highways/environmental improvements at various locations across Barking town centre, including Cambridge Road/Linton Road, Axe Street and Abbey Road to improve conditions for pedestrians and to address issues of localised congestion, speeding and road safety concerns;
- A range of small-scale public realm and accessibility improvements across the borough, including pedestrian access improvements, removal of street clutter (signage/furniture) and implementation of cycle parking stands.
- In addition, the Council was awarded substantial funding for works to Station Road in Chadwell Heath in support of the forthcoming Crossrail services.

2.2 The latest TfL Business Plan was published in December 2016 and sets out TfL's plans for the transport network over the five years to 2021/22. It includes details of the LIP budget for London for 2017/18 which is confirmed at £148 million, of which the Council has been allocated circa £2.12 million. The breakdown of the borough's funding allocation is set out below:

Funding Programme	**2017/18**
Principal Road Maintenance	£477,000
Corridors, Neighbourhoods and Supporting Measures (Includes schemes for Bus Priority/Bus Stop Accessibility; Cycling; Walking; Local Safety Schemes; Freight; Environment; Accessibility; School/ Workplace Travel Plans; Travel Awareness; Education and Training)	£1,549,000
Local Transport Funding (Funding for small scale schemes of the Borough's choice and to undertake future scheme feasibility work)	£100,000
Bridge Assessment/Strengthening	Subject to application £8.9m available pan London
Major Schemes (Large schemes with value above £1m. Emphasis on delivering 'transformational' projects)	Subject to application £28m available pan London
Traffic Signal Modernisation (Boroughs to avoid new signals where possible – if new signals are required consideration to be given to removing poorly used signals)	Subject to application £10.3m available pan London
TOTAL	**£2,126,000**

This report suggests how this funding should be spent (the programme of investment) in 2017/18.

LIP Programme of Investment - Corridor, Neighbourhood and Supporting Measures

2.3 A summary of the schemes that the Council is proposing under the Corridor, Neighbourhood and Supporting Measures programmes for 2017/18 is set out below. A more detailed programme is included in Appendix 1. For each scheme an indication of costs and the measures proposed are given. It is considered that the measures proposed will help deliver the Council's Growth Strategy, emerging Local Plan and Growth Commission priorities and the overarching LIP objectives whilst also being consistent with the Mayor's Transport Strategy (MTS) and a range of other national, regional, sub-regional and local plans and policies. Whilst a significant proportion of the funding for 2017/18 is focused on growth areas funding has also been set aside for studies into schemes in the rest of the borough which can be delivered in future years.

2.4

Scheme	Cost
Thames Road/River Road/Renwick Road Corridor Improvements	£400,000
Thames View Cycle/Walking Link Improvements	£170,000
Barking Town Centre Improvements	£350,000
Junction Improvement Schemes (Feasibility studies)	£120,000
Road Safety Improvement Programme (Including schools road safety review)	£320,000
Barking Riverside/Thames View Active Travel Programme	£109,000
Borough-Wide Safer/Smarter Travel Programme	£80,000
TOTAL:	**£1,549,000**

Further details on and justification for the recommended Corridors. Neighbourhoods and Supporting Measures programme of investment is set out below:

- **Thames Road/River Road/Renwick Road Corridor Improvements**

  A key focus of the proposed LIP programme is Thames View, Thames Road, River Road and Renwick Road. The Council's Growth Strategy outlines ambitions for 35,000-43,000 new homes and 10,000 new jobs by 2035. 90% of this new housing will be delivered in London Riverside and will have significant implications for transport. The area was also subject to a recent funding bid to TfL to implement a Low Emission Neighbourhood with the aim of improving local air quality.

  Whilst the Barking Riverside development includes a substantial S106 contribution for transport improvements, (this includes a £172m contribution towards the Barking Riverside London Overground Extension and a £11.1m contribution for bus service improvements), and the Barking Riverside Gateway Housing Zone will provide developer contributions for transport infrastructure improvements, there is a pressing need in advance of this for improvements to the environment along Thames Road, River Road and Renwick Road to make it more accessible for pedestrians and cyclists, to better manage the current chaotic parking, and to work with businesses to reduce the impacts of the commercial vehicles which blight the area. This includes preventing conflicts between commercial traffic and pupils and staff going to the schools on Thames Road and Renwick Road which may necessitate restricting HGV access. Funding is also set aside for a highways model so that the impacts of new developments on the junctions on and south of the A13 can be modelled to inform improvement measures.

- **Thames View Cycle/Walking Link Improvements**

  The need to improve walking and cycling links between Thames View and the new Riverside School in Renwick Road and to Barking Town Centre has been identified by a range of local stakeholders as critical as a means of encouraging a shift to healthy, sustainable modes of travel in the area. It is also a key element of the Barking Riverside Healthy New Towns programme. In support of this it is proposed to improve cycle parking/storage facilities within Thames View for existing residents (the new developments at Thames Road and Barking Riverside will include safe secure cycle parking for each home).

- **Barking Town Centre Improvements**

  In line with the place making and accessibility objectives of the Barking Town Centre Strategy, it is proposed to continue the programme of public realm improvements within the town centre focused on East Street and Town Quay. The latter will help deliver the Growth Commissions objective of creating a destination which attracts pedestrians and cyclists from the town centre to the river.

- **Junction Improvement Schemes**

  A number of feasibility studies are proposed to identify potential solutions to address road safety issues at a number of key junctions in the borough which are accident hotspots. These include:
  - Gale Street/Woodward Road, Gale Street/A13 and Gale Street/Goresbrook Road junctions
  - High Road/Whalebone Lane junction.
  - Review of the Wood Lane/Rainham Road roundabout to improve accessibility to the new Coventry University site at the Civic Centre.

  Subject to detailed design/ consultation and Cabinet approval these schemes could be delivered in the 2018/19 LIP.

- **Road Safety Improvements Programme**

  A borough-wide road safety improvements programme is proposed in support of our LIP objective to reduce the number of road casualties, and to complement our various corridor/neighbourhood initiatives. Measures include:
  - where necessary undertaking a feasibility study/outline designs for road safety (and other appropriate highways/public realm improvements) outside and on the approach to borough primary schools and key secondary school locations;

- developing a comprehensive borough-wide road safety strategy setting out the Council's priorities for improving safety on the borough's roads and reducing the number of people killed or seriously injured;
- providing a definitive road safety education programme at all borough schools in addition to any physical highway improvements identified;
- delivering small-medium scale site specific road safety improvements across the borough. Sites will be identified on a priority basis (i.e. number of casualties) and the nature of the measures implemented will be determined by the type of accident that occurs. Community engagement will be undertaken to ensure that the proposed measures are supported by residents/businesses.

- **Barking Riverside/Thames View Active Travel Programme**

  Linked to Barking Riverside's status as a Healthy New Town, it is proposed to deliver a 2-Year targeted travel planning programme in schools and amongst employers and residents with a focus on improving local air quality and promoting active travel in the area. Measures to include development/ implementation of community/school travel plans; roll-out of comprehensive cycle training programme targeting schools/residents; Walk to School events; a series of led rides/walks and active travel events and the extension of the award-winning 'Respoke' bicycle recycling scheme.

  The allocation also includes a contribution towards the cost of funding a London Riverside Transport Coordinator (to be match funded by Barking Riverside Limited through the Barking Riverside S106 agreement) to manage the transport impacts of the developments south of the A13. Specific coordinator roles tbc, but likely to include:
  - using the highways model to monitor the impacts of new development on the local road network (particularly the junctions on and south of the A13) and securing funding to deliver improvements;
  - working with TfL on monitoring bus capacity and securing bus route improvements;
  - working with businesses to manage the impacts of freight deliveries;
  - working with schools to develop/implement their travel plans;
  - delivering cycle training/initiatives locally;

- **Borough-Wide Safer/Smarter Travel Programme**

  To assist the Council in achieving its Community Priorities of enabling social responsibility and keeping adults and children healthy and safe, and in line with the Growth Commission's recommendations that 'no one should be left behind', it is proposed to continue the successful programme of cycle training across the borough; to assist schools with updating travel plans and delivering small scale physical measures such as cycle parking; and to work with businesses to reduce the impact of freight movements.

Local Transport Fund

2.5 The LIP settlement includes a £100,000 Local Transport Fund allocation to support the development and delivery of local transport priorities. It is proposed that the borough's 2017/18 allocation is used to undertake studies to:

- Determine the feasibility and costs of a Barking to Stratford direct rail link as the basis to lobby TfL and Network Rail for this key strategic transport priority;
- Review the form/function of the Heathway in light of the emerging plans for the area.

Maintenance Programme

2.6 Borough funding for principal road maintenance is based on an assessment of need taken from road condition surveys. On that basis, Barking and Dagenham has provisionally been allocated £477,000 in 2017/18 for such schemes.

2.7 The Council is required to identify proposals for principal road maintenance, including details of the priorities and criteria that will be used to identify proposed areas of spend, within the LIP spending plan. The key priorities for 2017/18 include:

- Longbridge Road (Junction with Upney Lane);
- Wood Lane (Lodge Avenue – Heathway).

2.8 Funding for bridge assessment and strengthening schemes is allocated to boroughs on a priority basis based on the relative condition of bridges/structures. Circa £8.9 million is available across London in 2017/18. Work to identify those structures in the borough most in need of repair is currently underway as part of the work to develop the Council's Highways Asset Management Plan (HAMP).

2.9 LIP funding cannot be used to fund repairs to borough's road which are not principal roads. However, when LIP Corridor and Neighbourhood schemes are delivered the opportunity will also be taken, subject to funding, to repair those roads which are included in the Highway's Investment Programme Action List.

3. Options Appraisal

3.1 The Council is required by TfL to submit an interim 1-year spending plan for 2017/18. Section 2 of this report has provided a justification for the recommended program.

3.2 Whilst the focus of the 1-year spending plan is to address local transport objectives as set out in the Local Implementation Plan, the programme is also designed to help deliver the objectives of the Mayor of London's Transport Strategy (MTS).

3.3 The LIP programme is also required to be broadly consistent with a range of other national, regional and local plans and strategies. They include the work of the Mayor's Roads Taskforce and the Mayor's Road Safety Action Plan at the pan-London level; the East London Sub Regional Transport Plan at the sub-regional level; and the Council's Vision and Priorities, Growth Strategy, Barking Town Centre Strategy, emerging Local Plan, Children and Young People's Plan, Community

Safety Strategy and Health and Wellbeing Strategy, Highways Asset Management Plan and Highways Investment Programme at the local level.

4. Consultation

4.1 The programme has been drawn up in consultation with the relevant Council services including parking, highways and regeneration, and was considered and endorsed by Corporate Strategy Group on 20 January 2017 and by the Cabinet on 13 February 2017.

5. Financial Implications

Implications completed by: Katherine Heffernan, Finance Group Manager

5.1 As confirmed in TfL's business plan, the LIP allocation for the Borough in 2017/18 will be £2.126m. These figures are broadly in line with the level of funding the Authority has received from TfL in both 2015/16 and 2016/17. The funding will continue to be claimed from TfL periodically during the year in line with actual level of spending against each scheme.

5.2 It is anticipated that the full programme of works will be carried out within the allocated funding and there will be no impact on the Authority's internally funded capital programme or level of borrowing. Some of the proposed projects will be treated as revenue expenditure as, rather than enhancing the highways infrastructure, they relate to training, publicity or the staging of events. There will be no impact on existing revenue budgets.

5.3 Whilst it is possible that there will be some ongoing revenue implications associated with the programme (e.g. infrastructure maintenance costs), these are difficult to quantify as it is not clear what specific measures, if any, will be necessary. The cost of ongoing maintenance will be met through the existing highway maintenance programme budget with additional external funding sought where possible.

5.4 The LIP submission includes part funding for a London Riverside Transport Coordinator which is felt to be necessary to manage the transport impacts of the developments south of the A13. Barking Riverside Limited has agreed to match fund this post and other developments will be expected to contribute to the cost of this post in the future. Therefore, there will be no financial implications for the Authority with regard to this post as it will be fully funded from external bodies.

5.5 The revenue cost of monitoring the LIP targets and mandatory indicators will continue to be met from existing Regeneration and Economic Development budgets.

6. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

6.1 The Council is required under Section 146 of the Greater London Authority Act 1999 ('the GLA Act') to submit its Local Implementation Plans to the Mayor of London for his approval. These plans must include a timetable for implementing its proposals and a date by which all the proposals are delivered.

6.2 In preparing a Local Implementation Plan the Council must have regard to the Mayor's Transport Strategy. The Mayor will take into consideration whether the Plans is consistent with the Transport Strategy and the proposals and timetable are adequate for the implementation. The Council's submission to the Mayor will consist of the version of the plans presented to the Cabinet and Assembly.

7. Other Implications

7.1 **Risk Management** – Failure to submit a 1-year LIP funding programme could result in the Council's funding allocation for 2017/18 being withdrawn and the Council having to bear the full costs of any planned transport schemes. A number of the proposed schemes will require further investigation/detailed design work to be carried out before they can be progressed, to ensure all potential risks are properly mitigated.

7.2 **Contractual Issues –** Procurement relating to the design/delivery of the scheme will be undertaken in accordance with the provisions of the Council's contract rules and procurement rules including EU procurement rules where applicable. The Legal Partner would be consulted in entering into terms and conditions with suppliers in relation to such procurement.

7.3 **Corporate Policy and Customer Impact –** The schemes in the LIP programme are in line with Council priorities. In particular, the programme will contribute to enabling social responsibility through protecting the most vulnerable, keeping adults and children healthy and safe. The proposed schemes will also benefit all those who live on or travel through the borough including motorists, pedestrians and cyclists and will improve safety along various roads and at key junctions. The programme also contributes to the Council's 'Growing the borough' priority through investment in enhancing our environment.

The overarching LIP has been subject to an Equalities Impact Assessment (EIA), and it is considered that the current LIP programme would not impact adversely on the various equality groups. All schemes are subject to consultation with relevant stakeholders, including TfL, and road safety and accessibility will be considered carefully in drawing up options. Where LIP works are planned at a similar location to planned Highways Investment Programme works, wherever possible, a coordinated approach will be taken so that local disruption can be kept to a minimum.

7.4 **Safeguarding Children –** The LIP Programme includes schemes to improve road safety both through highway safety measures and also through initiatives such as cycle training.

7.5 **Health Issues –** It is widely acknowledged that walking and cycling is one of the best ways for people to achieve good health and fitness. The promotion and enabling of walking and cycling in Barking and Dagenham is a key component of the Council's health and wellbeing strategy.

7.6 **Crime and Disorder Issues –** Personal safety has been highlighted as a concern by both users and non-users of the local transport network. The Council is addressing these concerns by working with TfL to ensure that roads and footways are well maintained and free from obstructions and infrastructure is safe and secure. The Crime and Disorder Act requires the Council to have regard to crime reduction and prevention in all its strategy development and service delivery. The Council will work with partners to ensure that the infrastructure is delivered with due regard to safety and to reducing the fear of crime.

7.7 **Property / Asset Issues –** The precise nature of some of the LIP schemes is still to be determined, however, in general, very little of what is proposed represents 'new' infrastructure. In many cases, schemes are, in effect, 'replacements' for existing infrastructure which would otherwise require maintaining. Where new infrastructure is required, high quality design, durable products and well-engineered schemes should ensure that short term maintenance is not required. In most circumstances, ongoing maintenance costs will be met through the existing highway maintenance programme budgets with additional external funding sought where possible.

Public Background Papers Used in the Preparation of the Report:

- Interim Local Implementation Plan (LIP) Annual Spending Submission Guidance: 2017/18, June 2016; Transport for London (http://content.tfl.gov.uk/lip-guidance-17-18.pdf)

List of Appendices:

- **Appendix 1**: 2017/18 Local Implementation Plan Programme of Investment

Appendix 1

2017/18 Local Implementation Plan Programme of Investment

Scheme Name/ Location	Scheme Summary	Ward(s) Affected	2017/18 Allocation	Project Management/ Delivery Arrangements
Maintenance Programme – Provisional Allocation: £477,000				
Principal Road Resurfacing Programme	Carriageway resurfacing to be undertaken at following priority locations: • Longbridge Road (Junction with Upney Lane); • Wood Lane (Lodge Avenue – Heathway).	Becontree/ Heath/ Longbridge/ Mayesbrook/	£477,000	Management & Delivery: Capital Delivery
		TOTAL:	**£477,000**	
Corridors, Neighbourhoods and Supporting Measures Programme - Provisional Allocation: £1,549,000				
Thames Road/River Road/Renwick Road Corridor Improvements	Corridor improvements scheme to address long-standing road safety and congestion issues, to manage the impact of freight activity and to deliver pedestrian/cyclist accessibility improvements in this busy commercial area. Includes: • Junction/side road entry treatments; • Upgrade to pedestrian/cyclist facilities; • Review of parking/loading restrictions; • Footway/street furniture repairs and enhancements; • Roll-out of freight plan measures aimed at maximising the coordination/efficiency of business logistics operations and to reduce the impact of HGVs/other freight traffic in the area (linked to EU funded NOVELOG project). Consideration to be given to the introduction of width restrictions/road closures on Thames Road to prevent rat-running traffic at busy school site whilst allowing for local access to homes/businesses.	Thames	£400,000	Management: Regen Delivery: Capital Delivery

Scheme Name/ Location	Scheme Summary	Ward(s) Affected	2017/18 Allocation	Project Management/ Delivery Arrangements
	Funding also allocated for highways model to asses impacts of new developments on key junctions on/south of the A13;			
Thames View Cycle/Walking Link Improvements	Provision of high quality, safe, accessible cycling and walking routes and associated facilities to improve connectivity to and within the Thames View area. Priorities include: • £130,000 towards a 'Quietways' cycle route linking Thames View with Barking Town Centre; • £40,000 towards the provision of new safe, secure cycle parking facilities including on-street cycle parking spaces; modern, secure residential cycle storage units; and secure cycle shelters within the Local Centre in Thames View.	Abbey/ Gascoigne/ Thames	£170,000	Management: Regen Delivery: Capital Delivery
Barking Town Centre Improvements	Package of highways/public realm improvements at various locations throughout the town centre, including: • £100,000 towards phase 2 of the High Street Improvement Programme for East Street, with a focus on de-cluttering street furniture, installation of market stall feeder pillars, revised market layout and gateway signage as a means of improving pedestrian accessibility across the high street, providing links between key town centre spaces, improving the quality of the urban realm and the appearance and offer of the high street; • £150,000 to support a heritage-led regeneration scheme focused on the renovation of external facades of high street buildings in poor condition and/or of heritage value. This will complement the work being done in the High Street Improvement Programme by ensuring a holistic approach is taken to physical high street renewal; • £100,000 towards public realm works in the Town Quay area to help deliver the ambitions in the Growth Commission of creating a destination which attracts pedestrians and cyclists from the town centre to the river.	Abbey	£350,000	Management: Regen Delivery: Capital Delivery

Scheme Name/ Location	Scheme Summary	Ward(s) Affected	2017/18 Allocation	Project Management/ Delivery Arrangements
Junction Improvement Schemes (Phase 1 Feasibility Studies)	Junction improvement schemes to address long-standing congestion, pedestrian/cyclist accessibility and road safety issues. Priority areas include: • Gale Street/Woodward Road/Hedgemans Road Junction; • Gale Street/A13 Junction; • Gale Street/Goresbrook Road Junction; • Wood Lane/Rainham Road North Roundabout to improve accessibility to Coventry University campus; • High Road/Whalebone Lane Junction. Specific measures TBC. Design/consultation work planned for 2017/18, with scheme delivery in subsequent years (subject to approval and funding availability).	Chadwell Heath/Heath/ Goresbrook/ Mayesbrook/ Whalebone	£120,000	Management: Regen Delivery: Capital Delivery/Term Consultants
Road Safety Improvements Programme (Various Locations)	Borough-wide road safety improvements programme in support of our LIP objective to reduce the number of road casualties, and to complement our various corridor/ neighbourhood initiatives. Programme for 2017/18 includes: • £80,000 towards feasibility study/outline designs for road safety (and other appropriate highways/public realm improvements) outside and on the approach to all borough primary schools and key secondary school locations where necessary. Studies will identify current road safety issues and identify/cost up appropriate remedial measures and to prioritise improvements according to whether they meet certain criteria (e.g. HGV route, high number of casualties); • £30,000 to develop a comprehensive borough-wide road safety strategy setting out the Council's priorities for improving safety on the borough's roads and reducing the number of people killed or seriously injured. Strategy approach to be informed by outcomes from school gate feasibility study above;	Borough Wide	£320,000	Management: Parking/Road Safety Delivery: Capital Delivery

Scheme Name/ Location	Scheme Summary	Ward(s) Affected	2017/18 Allocation	Project Management/ Delivery Arrangements
	• £50,000 to providing a definitive road safety education programme at all borough schools in addition to any highway improvements identified. Includes contribution towards staffing costs and promotional materials; • £160,000 towards small-medium scale site specific road safety improvements across the borough. Sites will be identified on a priority basis (i.e. number of casualties) and the nature of the measures implemented will be determined by the type of accident that occurs. Community engagement will be undertaken to ensure that the proposed measures are supported by residents/businesses. Priority areas for 2017/18 TBC.			
Barking Riverside/Thames View Active Travel Programme	2-Year targeted travel planning programme in schools and amongst employers and residents with a focus on improving local air quality and promoting active travel in Barking Riverside/Thames View linked to areas status as a 'healthy new town'. Includes contribution towards cost of London Riverside Travel Coordinator which is match funded by Barking Riverside Limited. Includes plans for: • Development of an area-wide travel plan with targets to reduce journeys by car and increase levels of walking/cycling; • Working with LEPT to implement personalised travel planning (linked to EU funded Horizon 2020 project); • Roll-out of comprehensive cycle training programme targeting schools and local residents; • 'Walk to School/Walk once a Week (WoW)' events; • A series of led rides/walks and active travel events; • Extension of 'Respoke' bicycle recycling scheme.	Thames	£109,000	Management: Regen Delivery: Regen/ Specialist Suppliers

Scheme Name/ Location	Scheme Summary	Ward(s) Affected	2017/18 Allocation	Project Management/ Delivery Arrangements
Borough-Wide Safer/Smarter Travel Programme	Continuation of work with borough schools and businesses to promote safe and sustainable travel practices. Funding earmarked for: • £40,000 towards the provision of cycle training to cyclists of all ages to promote cycling as a healthy and sustainable mode of travel; • £40,000 towards the review/update of school travel plans, including funding for promotional events and small scale physical measures (e.g. cycle parking) and the development/implementation of business travel strategies/ logistics plans to reduce the impact of freight movements/ deliveries, etc.;	Borough Wide	£80,000	Management: Regen Delivery: Regen/ Specialist Suppliers
		TOTAL:	**£1,549,000**	
Local Transport Funding - Provisional Allocation: £100,000				
Barking – Stratford Direct Rail Link Feasibility Study	Study to determine feasibility and costs of securing a direct rail link between Barking and Stratford to provide improved connectivity between these two key sub-regional hubs. Study to include identification of the engineering requirements for a flyover at the Forest Gate junction.	Borough Wide	£60,000	Management: Regen Delivery: Capital Delivery
Future Scheme Development (Various Locations)	Investigative studies to inform future LIP Corridor/ Neighbourhood based schemes. Focus will be on securing road safety, accessibility and journey time improvements. A key priority for 2017/18 is the Heathway.	Borough Wide	£40,000	Management: Regen Delivery: Capital Delivery/ Term Consultants
		TOTAL:	**£100,000**	
		GRAND TOTAL:	**£2,126,000**	

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ASSEMBLY

22 February 2017

Title: Pay Policy Statement 2017/18	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	**For Decision**
Wards Affected: None	**Key Decision**: No
Report Author: Martin Williams, Interim Head of Workforce Change	**Contact Details:** Tel: 0208 724 3587 E-mail: martin.williams@lbbd.gov.uk
Accountable Director: Fiona Taylor, Director of Law and Governance	
Accountable Strategic Director: Chris Naylor, Chief Executive	

Summary

Under the terms of the Localism Act 2011 the Council must agree, before the start of the new financial year, a pay policy statement covering chief officer posts and above. The Act sets out the matters which must be covered in the policy.

The draft Pay Policy Statement for 2017/18 is attached at Appendix A. It sets out the expected position at 1 April 2017.

The Cabinet considered this report at its meeting on 13 February 2017 and, in recommending it to the Assembly, also agreed to apply the uplift in the London Living Wage with effect from 31 October 2016, which increased the minimum hourly rate of pay from £9.40 to £9.75 per hour. That decision is reflected at paragraph 3.3 of the Pay Policy Statement.

Recommendation(s)

The Assembly is recommended to approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2017/18 as set out at Appendix A to the report, for publication on the Council's website with effect from April 2017.

Reason(s)

Under the terms of the Localism Act 2011 the Council must agree a pay policy statement in advance of the start of each financial year.

1. Introduction and Background

1.1 Section 38(1) of The Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior officers (Chief Officers) to be agreed by all Councillors at an Assembly meeting before the beginning of each financial year.

1.2 The Council produced its first Pay Policy Statement for the 2012/13 financial year in accordance with the Localism Act 2011. The definition of Chief Officer covers the Chief Executive, Chief Operating Officer, Strategic Directors, Commissioning and Operational Directors. The matters that must be included in the pay policy statement are as follows:

- The level and elements of remuneration for each Chief Officer
- The remuneration of its lowest paid employees (together with its definition of 'lowest paid employee' and the reasons for adopting that definition).
- The relationship between the remuneration of its Chief Officers and other officers.
- Other specific aspects of chief officer's remuneration: remuneration on recruitment, increase and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.
- The Localism Act defines remuneration widely to include not just pay but also charges, fees, allowances, benefits in kind.
- enhancements of pension entitlement and termination payments.

1.3 The Pay Policy statement:

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

2. Context of the Pay Policy Statement

2.1 The 2016/17 Pay Policy Statement set out the huge challenges and opportunities this borough faces as a result of the on-going squeeze on public finances and the aspirations of this Council in response. Over the last year, two significant pieces of work have been completed: (i) the Growth Commission report and the Council's response to it, and (ii) the A2020 proposals that now move from design to implementation stage over the course of 2017/18.

2.2 The JNC Salaries and Conditions Panel agreed in May 2015 to create the current top team structure. This was an interim structure as 2015/16 and 2016/17 were recognised as years of transition and that further developments to the top team structure would be required. In November 2016, the same committee agreed to amend the existing structure at Strategic Director level by creating a Chief Operating Officer role and deleting the posts of Strategic Director, Finance and Investment and Strategic Director, Customer, Commercial and Service Delivery. Such changes are designed to retain strategic capability with a strategic focus on the operational and financial delivery of the Council's services, whilst also making savings at chief officer level. There will be a further chief officer review in the summer of 2017 designed to focus on the new operating model of the organisation.

2.3 This report also updates on the commitment made by the Chief Executive to reduce the costs of the top 5% of management costs by the end of 2016/17 by £1m. Taken alongside decisions taken to date and the outcome of the Council's voluntary severance scheme, the permanent establishment costs for the top 5% of the organisation will be £1.036m lower on 1 April 2017 compared to the baseline position as at May 2015.

3. London Living Wage

3.1 The London Living Wage increased from £9.40 to £9.75 with effect from 31 October 2016.

3.2 Initial assessments suggest the cost of implementing this increase is circa £40,000 and would be captured within existing budgets.

4. Consultation

4.1 This report and the Pay Policy Statement for 2017/18 was considered and endorsed by the Cabinet at its meeting on 13 February 2017.

5. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

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

6. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

6.1 This report outlines the Council's obligations with regard to senior officer pay and in particular in relation to the information to be provided pursuant to section 38 of the Localism Act.

7. Other Implications

7.1 **Risk Management** – There are no risks attached to the statement as it describes the current position.

7.2 **Contractual Issues** – The statement makes no changes to employees' contractual position.

7.3 **Staffing issues** – The staffing issues are fully explored within the main body of the report.

7.4 **Equalities Issues** – The Council's approach to pay is based on the use of established job evaluation processes to determine the salary for individual roles, eliminating the potential for bias in the process.

7.5 **Service issues** – The ability to deliver effective services is dependent on having the right staff at different levels. The Council must have an approach to pay that enables it to recruit and retain the right people and also motivate them to perform. The Pay Policy seeks to support that aim.

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

List of Appendices:

- **Appendix A** – Pay Policy Statement 2017/18

APPENDIX A

LONDON BOROUGH OF BARKING AND DAGENHAM

PAY POLICY STATEMENT 2017/18

1. Introduction – Requirement for Council Pay Policy Statement

1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement to be agreed by Members before the beginning of each financial year. The Act does not apply to local authority schools. This document meets the requirements of the Act for the London Borough of Barking and Dagenham. This Pay Policy Statement presents the expected position at 1 April 2017.

1.2 The provisions of the "Act" require that councils are more open about their own local policies and how their local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks councils to follow three principles when publishing data they hold: responding to public demand, releasing data in open formats available for re-use, and, releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.

2. Organisational Context

2.1 The Council recognises that if it is to serve its communities well and deliver the agreed vision and objectives, it needs to be able to attract and retain talented people at all levels of the organisation. The Council continues to face very significant budget and demand challenges.

2.2 The Council has strengthened and realigned its senior management team in a number of areas, in order to give capacity to take forward Ambition 2020 from design to implementation phase and the Council's response to the Growth Commission proposals. This is reflected in this Pay Policy Statement. The number of senior posts has increased slightly, although this will be subject to review in 2017 as the Council moves into the implementation of its new service delivery blocks of Be First, My Place and Community Solutions.

3. Pay and Reward Principles

3.1 The approach to pay and reward continues to be based on the following principles:

- Pay levels are affordable for the Council, at a time when it is making some very difficult decisions about spending on services to the community;

- The Council can demonstrate fairness and equity in what it pays people at different levels and in different parts of the Council; and

- Pay is set at levels which enable the Council to recruit and retain the quality of staff needed to help achieve its objectives at a time of financial hardship.

3.2 Pay levels are determined through “job evaluation”. For staff at PO6 and below, the Council generally uses the Greater London Provincial Council job evaluation system. For posts at PO7 and above, the HAY job evaluation system is used. Pay point 49 (£45,666) is at the top of PO6 and bottom of PO7. Each system assesses the relative “size” of the role against a range of criteria, relating to its complexity, the number of resources managed and the knowledge required to undertake the role.

3.3 Pay rates are generally set against the national pay spine agreed by the National Joint Council, although there are local pay points at the top of the LBBD pay scale. The Council has committed to pay no less than the “London Living Wage” to its own staff or agency workers working with the Council. A new rate of £9.75 per hour (from £9.40 per hour) was applicable with effect from 31 October 2016.

4. Defining “Chief Officers”

4.1 At the start of the 2017/18 financial year, the Council expects to have within its structure the following Chief Officer posts:

- Chief Executive (and Head of Paid Service)
- Strategic Director for Service Development and Integration (and Deputy Chief Executive)
- Chief Operating Officer (Section 151 Officer)
- Strategic Director for Growth and Homes
- Director of Law and Governance (and Monitoring Officer) (0.7fte)
- Finance Director
- Director of Strategy & Programmes
- Director of Public Health
- Director, Community Solutions
- Director, My Place
- Commercial Lead
- Commissioning Director, Culture and Recreation
- Commissioning Director, Children’s Care and Support
- Commissioning Director, Adults’ Care and Support
- Commissioning Director, Education
- Operational Director, Enforcement
- Operational Director, Adults’ Care and Support
- Operational Director, Children’s Care and Support
- Commercial Director, Traded Services (one-year fixed term)
- Operational Director, Public Realm (two-year fixed term)

5. Accountability for Chief Officers Pay

5.1 The pay arrangements for chief officers are overseen by the JNC Salaries and Conditions Panel, appointed by the Council’s Assembly.

5.2 The Council’s Constitution sets out the responsibilities and composition of the Panel and states:

JNC Salaries and Conditions Panel - consisting of the Leader (who shall be Chair), the Deputy Leader(s) of the Council, the relevant Portfolio Holder(s) and two non-Cabinet councillors (selected by the Chief Executive, in consultation with the Leader, from a pool of four non-Cabinet councillors appointed by the Assembly), to consider and make final decisions in relation to:
(a) salaries and conditions for JNC officers (including the Chief Executive);
(b) the grading of any new JNC posts in line with Council policy; and
(c) senior management (JNC) structures / reorganisations.

6. Current Pay Policy and Base Pay Rates

6.1 Setting Salary Levels

6.1.1 Chief Officer roles are evaluated using the HAY job evaluation system. There is a commitment to review salary levels about every three years. In undertaking reviews, account is taken of the market, particularly the market in London, to ensure the Council can compete successfully for the talent it needs to lead and manage in the current challenging environment.

6.1.2 The salary benchmarking information comes from the LGA ePayCheck survey. The latest information held is from 2014/15. There was a 91% response rate to this survey among London Boroughs. The median rates of pay for roles in London, based on the information from the survey, were as follows:

CX	- £175,313
Exec Director	- £133,725
Director	- £102,977
Assistant Director	- £89,869 (pre 1% pay award in April 2015, for roles below £100k)

6.1.3 The Council is contractually obliged to apply nationally agreed pay awards for Chief Officer grades.

6.2 Chief Executive

6.2.1 The salary for the Chief Executive, agreed at appointment in November 2014, was £165,000. This has increased by 1% in line with nationally negotiated pay awards in April 2016 and will increase by a further 1% in April 2017.

6.3 Chief Officer Pay Range

6.3.1 The Chief Officer pay range was last reviewed in 2013. The grades increased by 1% in line with nationally negotiated pay awards in April 2016 and will increase by a further 1% in April 2017.There are no proposals to review this pay range in 2017/18. The pay range from April 2017 is as follows:

CO1	£81,929
CO2	£93,398
CO3	£103,230
CO4	£110,845
CO5	£122,412
CO6	£134,405

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

6.3.3 The table below sets out the salaries of the chief officer posts referred to in paragraph 4.1 above:

Position	**Grade of Post**	**Salary cost to LBBD (excl. on-costs)**
Chief Executive (Head of Paid Service)	Individual spot salary	£168,316
*Deputy Chief Executive, **Chief Operating Officer & Strategic Directors	CO6 (spot salary)	£134,405 - £146,450
Directors & Operational and Commissioning Directors	CO2 – CO5 (spot salary)	£93,398 - £122,412
Director of Public Health	Individual spot salary	£88,269

*The Strategic Director for Service Development and Service Integration (and Deputy Chief Executive) is paid a salary in recognition of the level of risk and responsibility held as statutory Director of Children's Services and Director of Adult Services and the additional responsibility of Deputy Chief Executive. This salary was benchmarked at £145,000.

**The Chief Operating Officer role includes the statutory Chief Financial Officer (S.151) responsibility as well as a range of operational functions and was benchmarked at £140,000.

7. Contingent Pay

7.1 The Council pays its Chief Officers a spot salary. There is no element of performance pay nor are any bonuses paid. No overtime is paid to Chief Officers. There are no lease car arrangements.

7.2 The Operational Director: Children's Care and Support receives a market supplement of £10,000 to recognise the challenges of recruiting in this market.

8. Pensions

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

9. Other Terms and Conditions

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

"Your terms and conditions of employment are as set out in the Joint Negotiating Committee for Chief Officers of Local Authorities handbook, as adopted by the Authority, unless otherwise indicated in this statement.

From time to time, variations in terms and conditions of employment will be negotiated and agreed at national or local level with the union or unions recognised by the Authority as representing your employment group. Where these are adopted by the Authority, they will, within a period of 28 days from the date of the change, be separately notified to you or otherwise incorporated in the documents to which you have reference".

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

10. Election Expenses

10.1 The fees paid to Council employees for undertaking election duties vary according to the type of election they participate in and the nature of the duties and responsibilities they undertake. All election fees paid are additional to Council salary and are subject to normal deductions of tax.

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

11. Termination / Severance Payments

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

11.2 The Government is introducing, through the Small Business, Enterprise and Employment Act 2015, a £95,000 cap on "exit payments". Enabling regulations bringing in section 41 of the Enterprise Act 2016 came into force on 1 February 2017 which give the power for exit pay cap regulations to be made and a date for implementation of those regulations is expected in April 2017. This will limit the amount a public sector worker could be paid for losing their job to £95,000. This will apply to all staff but predominately high earners and will cover:

- Redundancy payments
- Payments on voluntary exits
- Pension strain costs
- Severance or ex-gratia payments
- Payment for outstanding entitlement
- Compensation under the terms of a contract
- Pay in lieu of notice

- Any other payments made as a result of loss of employment.

11.3 A different set of regulations, The Repayment of Public Sector Exit Payment Regulations 2016, due to come into force in 2017, will set out the liability to repay any exit payment if the exit payee returns to the same 'sub-sector' within 12 months of receiving the payment. If the individual returns to the same sub-sector within 28 days the whole amount is due, thereafter tapering arrangements become operational. The Assembly may exercise a waiver to exclude such a repayment. If a waiver is issued it must be published along with the reasons for doing so in the preceding twelve months at the beginning of a financial year or published in the annual accounts. Guidance is awaited on the exercise of a waiver. If reclaimed, an exit repayment is made to the 'old' employer and the sum passed through to the Treasury.

12. Retirement

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

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

13. Redundancy

13.1 Employees who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on their actual salary. The standard London Borough of Barking and Dagenham redundancy scheme applies to all officers. The scheme has a redundancy multiplier which provides for a maximum of 45 weeks' pay depending on length of service.

14. Settlement Agreements

14.1 Where an employee leaves the Council's service in circumstances which are, or would be likely to, give rise to an action seeking redress through the Courts from the Council about the nature of the employee's departure from the Council's employment, the Council may settle such claims by way of a settlement agreement where it is in the Council's interests to do so. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Legal advice will be sought in all cases.

15. Fairness and Equality

15.1 Pay Ratios

15.2 It was agreed that as of 1 January 2013, no permanent member of the Council's staff should be paid less than £9 per hour (excluding those on apprenticeship schemes). This supports the Council's ambition to raise average local household incomes, and reflects its commitment to pay fairness. The Council has also agreed that this should apply to all agency staff working on Council assignments. This minimum rate increased to £9.75 per hour (equivalent to an annual salary of £17,792) with effect from 31 October 2016.

15.3 Based on this figure, the Council's pay multiple - the ratio between the highest paid employee, the Chief Executive and lowest paid employee - is 1:9.5 (1:9.6 in 2016/17).

15.4 The ratio between the Chief Executive's salary level and the median earnings figure for all employees in the Council is 1:6.93. The median annual salary is for all employees at 1 April 2016 was £24,027 pa with the average salary being £27,259. Both median and average salaries referenced are full time equivalent and are adjusted according to individual contractual arrangements

15.5 Across London the average ratio between the highest and median salaries is 1 to 7, based on a Chief Executive's average of £181,500 (taken from London Councils 2015 Senior Staff Pay Data). The variance in LBBD is attributable to the retention of in-house services such as catering and cleaning.

16. Any Additional Reward Arrangements

16.1 There are none in place.

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