London Borough of Barking & Dagenham
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Notice of Meeting

CABINET

Monday, 13 February 2017 - 7:00 pm
Council Chamber, Town Hall, Barking

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

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AGENDA

1. **Apologies for Absence**

2. **Declaration of Members' Interests**

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

3. **Minutes - To confirm as correct the minutes of the meeting held on 17 January 2017 (Pages 3 - 9)**

4. **Budget Monitoring 2016/17- April to December (Month 9) (Pages 11 - 44)**

5. **Budget Framework 2017/18 and Medium Term Financial Strategy 2017/18 - 2020/21 (Pages 45 - 103)**

6. **Treasury Management Strategy Statement 2017/18 (Pages 105 - 143)**

7. **Housing Revenue Account: Estimates and Review of Rents and Other Charges 2017/18 and 30 Year Business Plan (Pages 145 - 207)**

8. **Heritage Lottery Fund Bid for the Abbey Green and Barking Town Centre Conservation Area Townscape Heritage Project (Pages 209 - 220)**

9. **2017/18 Local Implementation Plan Funding Submission (Pages 221 - 235)**

10. **Pay Policy Statement 2017/18 (Pages 237 - 247)**

11. **Former Sacred Heart Convent - Conversion and Redevelopment Proposals (Pages 249 - 291)**

    Appendix 3 to the report is in the exempt section of the agenda at Item 14.

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 Cabinet, except where business is confidential or certain other sensitive information is to be discussed. The item below is in the private part of the agenda as it contains commercially confidential information which is exempt from publication under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14. **Appendix 3: Former Sacred Heart Convent - Conversion and Redevelopment Proposals (Pages 293 - 295)**

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

Our Vision for Barking and Dagenham

One borough; one community; London's growth opportunity

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
CABINET

Tuesday, 17 January 2017
(7:02 - 8:00 pm)

Present: Cllr Darren Rodwell (Chair), Cllr Dominic Twomey (Deputy Chair), Cllr Sade Bright, Cllr Laila M. Butt, Cllr Evelyn Carpenter, Cllr Cameron Geddes and Cllr Lynda Rice

Also Present: Cllr Syed Ahammad

Apologies: Cllr Saima Ashraf, Cllr Bill Turner and Cllr Maureen Worby

81. Declaration of Members' Interests

There were no declarations of interest.

82. Minutes (13 December 2016)

The minutes of the meeting held on 13 December 2016 were confirmed as correct.

83. Budget Monitoring 2016/17- April to November (Month 8)

The Cabinet Member for Finance, Growth and Investment introduced a report on the Council's capital and revenue position for the 2016/17 financial year, as at 30 November 2016.

The General Fund showed a projected end of year spend of £155.3m against the approved budget of £150.3m, which represented another slight improvement on the previous month's position. The main budget pressures continued to be within the Children's Social Care and Homelessness services and the Cabinet Member also referred to the pressure of £125,000 that had arisen from the decision to maintain a green garden waste collection service during 2016.

The Housing Revenue Account (HRA) showed a projected year end underspend which would result in a contribution of £1.82m to the HRA reserve. Expenditure on the Capital Programme was forecast to be slightly above budget at £199.17m. The Cabinet Member also referred to proposed virements from service budgets to reserves totalling £1,809,699 which reflected the savings that had been realised from the recent voluntary redundancy exercise.

In response to a question regarding the £623,000 pressure from the non-recovery of court costs in relation to Council Tax arrears, the Cabinet Member advised that a key factor had been the Court's tendency not to award costs in favour of the Council in order not to increase the defendant's debt and enable the individual to clear the debt quicker.

The Cabinet **resolved** to:

(i) Note the projected outturn position for 2016/17 of the Council's General Fund revenue budget at 30 November 2016, as detailed in section 4 and

Appendix A to the report;

(ii) Note the overall position for the Housing Revenue Account at 30 November 2016, as detailed in section 5 of the report;

(iii) Note the progress made on budgeted savings to date, as detailed in section 6 and Appendix B to the report;

(iv) Note the projected outturn position for 2016/17 of the Council's capital budget as at 30 November 2016, as detailed in section 7 and Appendix C to the report; and

(v) Approve the virements totalling £1,809,699 in respect of the savings realised by the voluntary redundancy exercise, as detailed in paragraph 4.7 of the report.

84. Outcome of Green Garden Waste Consultation

The Cabinet Member for Environment and Street Scene introduced a report on proposals to introduce a paid-for green garden waste collection service from April 2017.

The Cabinet Member reminded colleagues that the free garden waste collection service had ceased in September 2016, as part of a £30m+ package of budget savings approved at the end of 2014. The free service was originally due to end in September 2015 but was extended into 2016 while options for a paid-for service were developed.

The Cabinet Member advised that a petition had been considered by the Living and Working Select Committee on 10 January 2017 which called on the Council to "retain the garden waste collection and extend collection beyond September, asserting that cessation would increase fly-tipping, deny elderly residents healthy exercise, increase pollution and traffic congestion around recycling sites and that stopping in September [is] way too early". The Cabinet Member suggested that the proposals for a paid-for service would fulfil the wishes of those who signed the petition, as the new service was planned to run from the first week in April to early November and there were a range of measures that would help prevent an increase in fly-tipping and overcome the other concerns. It was noted, however, that the Select Committee had chosen to focus on the merits of a free service as opposed to a paid-for service, which was not an issue covered by the petition.

The Cabinet Member acknowledged that the continued provision of a free service would be the ideal position. However, the stringent cuts that the Government had imposed on this Council since 2010 meant that a number of non-statutory services, including green garden waste collections, had to cease.

The Select Committee had raised issues about there being no guarantee that a green garden waste collection service would continue as a certain number of households were required to sign up to a paid-for service in order for it to be financially viable. The Select Committee also sought more time to consider all the potential financial and environmental issues and were concerned that households were being asked to pay £2.66 per collection (fortnightly collections between early

April and November) as opposed to £1 a week that it believed had been referred to in the Council's publicity that supported the public consultation on the paid-for service. The Select Committee had therefore asked that the Cabinet defer making any decision at the moment to enable other options to be considered that would address its concerns.

Responding to the Select Committee's request, the Cabinet Member pointed out that the Council no longer provided a green waste collection service of any kind following the decision made in 2014 and the free service ending in September 2016. The Cabinet Member added that nothing would be gained from deferring the issue as the Council's financial position had only been made worse by the Government since the original decision to cease the free service was taken in 2014. Furthermore, it was felt that to defer consideration would only serve to delay the implementation of a new green garden waste collection service that several thousands of households wished to sign up to, as well as putting at risk the ability to launch the new scheme from April which the petitioners had called for.

Returning to the proposals in the report, the Cabinet Member advised that an unprecedented number of households had responded to the Council's consultation, with 3,835 (49.87%) indicating that they would be willing to pay for the service and 3,855 (50.13%) not willing to pay. Based on the number of households that had indicated a willingness to pay, an options appraisal had identified that a fortnightly collection service could be run from the beginning of April to early November for just £40 a year for each participating household, with a minimum two-year commitment required to coincide with the vehicle leasing arrangements on which the financial assessment had been calculated.

The Cabinet Member outlined some of the other practical elements of the new paid-for scheme as well as arrangements that would be in place for those households who chose not to participate but wished to continue to use their green bin for composting.

The Cabinet **resolved** to:

(i) Note the recommendations of the Living and Working Select Committee arising from the consideration, at its meeting on 10 January 2017, of a petition calling for the retention of a garden waste collection service and extending collections beyond September each year;

(ii) Agree, subject to the new service being self-financing, the commencement of a new green garden waste collection service for subscribing households with effect from 1 April 2017 on the terms detailed in the report; and

(iii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Environment and Street Scene, to make the final determination on whether the scheme would be self-financing.

85. Licensing Act 2003 - Draft 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.

The Cabinet Member referred to the key elements of the draft Policy which included two new, key provisions relating to the use of sound limiting devices when required and restrictions on licensed premises that were within 400 metres of schools and colleges. It was noted that the draft Policy had been the subject of extensive consultation with the local Police and other ‘Responsible Authorities’, other interested parties and the local community, which resulted in several aspects of the draft Policy being reviewed.

The Cabinet Member for Educational Attainment and School Improvement referred to the new controls for those premises located close to educational establishments and suggested that similar arrangements should be in place for licensed sex shops in the Borough. Officers confirmed that the Cabinet would be presented with an updated Sex Establishment Licensing Policy later in the year.

The Cabinet **resolved** to:

(i) Note the draft Statement of Licensing Policy 2017-2022, which included provisions that:
- Sound limiting devices shall be required where appropriate and where they provide the best means of noise control; and
- Establish a number of additional control measures, as recommended practice, for off-licences, convenience stores and supermarkets located within 400 metres of schools and colleges, including meeting the standards set out in “Challenge 25”.

(ii) Note the process for formal adoption of the Policy, as set out in section 5 of the report; and

(iii) Recommend the Assembly 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.

86. 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 **resolved to recommend the Assembly** to agree that the Council Tax Support Scheme implemented for 2016/17 be retained for 2017/18.

87. Calculation and Setting of the Council Tax Base for 2017/18

The Cabinet Member for Finance, Growth and Investment introduced the annual Council Tax Base setting report for the 2017/18 financial year.

The Cabinet Member advised that the number of Band D equivalent properties had increased by 1,528.56 compared to 2016/17, which would generate additional income of £1.65m based on the current rate of Council Tax and help to mitigate the effects of the budget cuts imposed by the Government.

The Cabinet **resolved** that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Barking and Dagenham Council as its Tax Base for the year 2017/18 shall be 47,273.13 Band 'D' properties.

88. Procurement of Framework Agreement for Arboriculture and Horticulture Services

The Cabinet Member for Environment and Street Scene presented a report on proposals to procure a new four-year framework agreement for the provision of arboricultural and horticultural services to the Council, which would also be accessible to a number of other London Boroughs.

In response to a question, Cabinet Member for Environment and Street Scene agreed to look into whether the new framework agreement could also be available to other organisations within the Borough, such as B&D Reside.

The Cabinet **resolved** to:

(i) Agree that the Council proceeds with the procurement of a framework agreement, accessible to other public bodies and schools, for arboricultural and horticultural services in accordance with the strategy set out in the report; and

(ii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Environment and Street Scene and the Director of Law and Governance, to conduct the procurement and award and enter into the contracts and all other necessary or ancillary agreements with the successful bidder(s) in accordance with the strategy set out in the report.

89. Contract for Provision of Mobile Telephony and Ancillary Services

The Cabinet Member for Finance, Growth and Investment introduced a report on proposals for a new contract for the provision of mobile telephony and ancillary services with the Council's existing supplier, EE.

It was noted that, based on current usage levels and existing tariffs, the new contract would realise savings of approximately £800,000 over the full three-year term. Responding to an enquiry, the Cabinet Member clarified that the new service would be procured via a direct call-off from an existing Crown Commercial Services Framework and he had been assured that the new arrangements with the existing supplier represented the best deal for the Council.

The Cabinet **resolved** to:

(i) Agree that the Council enters a three-year contract for Mobile Telephony and Ancillary Services with EE, through the Crown Commercial Services Framework via Direct Call Off, in accordance with the strategy set out in the report; and

(ii) Delegate authority to the Chief Operating Officer, in consultation with the Director of Law and Governance, to award and enter the contract(s) and all other necessary or ancillary agreements with EE.

90. Acquisition of Land - 200 Becontree Avenue, Dagenham

Further to Minute 72 (15 November 2016), the Cabinet Member for Finance, Growth and Investment presented a report on the outcome of negotiations with the United Synagogue Trust and Redbridge Council regarding the purchase of land and buildings at 200 Becontree Avenue, Dagenham.

The Cabinet Member advised that the site was intended for a residential-led housing scheme in the medium to long term, possibly in conjunction with adjoining land already owned by the Council. In the interim and to cover interest charges, it was proposed that the existing buildings would be let on a temporary basis to community-based groups.

The Cabinet **resolved** to:

(i) Approve the purchase of land at 200 Becontree Avenue as shown edged red on the plan at Appendix 1 to the report, on the terms set out in Appendix 2 to the report;

(ii) Authorise the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment and the Director of Law and Governance, to enter into all necessary agreements with the United Synagogue Trust and Redbridge Council;

(iii) Authorise the Chief Operating Officer to market the site for appropriate short-term letting in order to mitigate holding costs, pending the development of plans for the redevelopment of the site; and

(iv) Note that a report shall be presented to Cabinet in due course on the longer-term redevelopment plans.

91. Private Business

The Cabinet resolved to exclude the public and press for the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

92. Proposed Acquisition of Land

Further to Minute 72 (15 November 2016), the Cabinet Member for Finance, Growth and Investment introduced a report on an opportunity to purchase a 0.08 hectare area of land to facilitate wider regeneration opportunities for the immediate area.

The Cabinet Member outlined the proposed terms of the acquisition and advised that, should the bid be successful, short-term letting opportunities would be explored to cover interest costs while the wider regeneration plans for the area were being developed.

The Cabinet **resolved** to:

(i) Agree that appropriate financial provision, as detailed in the report, be made within the 2016/17 Capital Programme to facilitate the purchase of the site shown edged red in Appendix 1 to the report;

(ii) Authorise the Strategic Director of Growth and Homes, in consultation with the Chief Financial Officer, the Director of Law and Governance and the Cabinet Member for Finance, Growth and Investment, to progress the purchase of the site on the terms set out in the report and to enter all necessary agreements to complete the purchase;

(iii) Authorise service of Initial Demolition Notices on the secure tenants of the adjoining Council property in order to suspend the requirement for the Council to complete Right-to-Buy applications for as long as the Notices remained in force; and

(iv) Note that a further report shall be presented to Cabinet if the land purchase was secured, setting out proposals for the future use of the site.

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CABINET

13 February 2017

Title: Budget Monitoring 2016/17 - April to December (Month 9)	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
Report Author: Katherine Heffernan, Group Manager – Service Finance	**Contact Details:** Tel: 020 8227 3262 E-mail: katherine.heffernan@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	

Summary

This report provides an update on the Council's revenue and capital position for the seven months to the end of December 2016, projected to the year end.

There is a projected overspend of £4.499m on the 2016/17 budget, an improvement of just over £0.5m from the position reported to Cabinet last month. Improvements in both the Children's Care and Support and the Elevate Client Unit have reduced the forecast. There are still pressures in a number of other service areas but all are currently forecast to be managed. These pressures include £1.4m in Adults Care and Support, which will be mitigated as planned through the drawdown of an earmarked reserve created to smooth pressures on the service pending the additional Better Care Fund monies, £0.6m income risk in Enforcement with £0.66m possible mitigations identified and £0.4m in Passenger Transport against which there is a mitigation plan for the full amount. The service area which has yet to establish a full mitigation plan is Clean and Green with pressures of £1.2m against which £0.3m possible mitigations have been identified.

The total service expenditure for the full year is currently projected to be £154.8m against the budget of £150.3m. The projected year end overspend will contribute to a reduction in the General Fund balance to £18.354m at year end, which is above the minimum target balance set by the Strategic Director of Finance and Investment. However, given the level of risk in both this year and future years it is still important that the actions taken to address the service pressures should continue and where possible other mitigations are brought forward to safeguard the Council's future financial stability.

The Housing Revenue Account (HRA) is projected to produce a revenue surplus of £1.9m, taking the HRA reserve to £10.6m although it should be noted that there are a number of potential calls on this reserve. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund.

The Capital Programme budget stands at £197.7m with an overall variance of £1.7m made up of over-performance of £2.6m on the General Fund programme and slippage of £0.9m on the HRA programme. These two variances are the result of timing

differences rather than increased costs.
Recommendation(s) The Cabinet is recommended to: (i) Note the projected outturn position for 2016/17 of the Council's General Fund revenue budget at 31 December 2016, as detailed in section 4 and Appendix A to the report; (ii) Note the overall position for the Housing Revenue Account at 31 December 2016, as detailed in section 5 of the report; (iii) Note the progress made on budgeted savings to date, as detailed in section 6 and Appendix B to the report; and (iv) Note the projected outturn position for 2016/17 of the Council's capital budget as at 31 December, as detailed in section 7 and Appendix C to the report.
Reason(s) As a matter of good financial practice, the Cabinet should be regularly updated with the position on spend against the Council's budget.

1 Introduction and Background

1.1 This report provides a summary of the Council's General Fund, HRA and Capital positions.

2 Current Overall Position

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

Table 1: Council Spend Position

Council Summary	Net Budget	Full year forecast at end Nov 2016	Over/(under) spend Forecast
2016/17			
	£0	**£0**	**£0**
Service Development & Integration	107,149	110,022	2,873
CCSD	32,240	32,779	539
Growth & Homes	5,823	8,690	2,867
Chief Executive	299	69	-230
Finance & Investment	1,387	887	-500
Corporate and Central Costs	3,416	2,366	-1,050
Total Service GF Expenditure	**150,314**	**154,813**	**4,499**

2.2 The revenue outturn for 2015/16 led to a General Fund balance of £21.1m and the table below shows the available reserves at the authority's disposal to cover this expenditure

Table 2: The consequent forecast position on reserves.

Projected Level of Reserves	**£'000**	**£'000**
Opening General Fund Balance		21,115
Draw down from available reserves		4,538
Total available reserves		**25,653**
Calls on reserves:		
Implementation of savings proposals	-1,400	
Return funding to reserves for use in future years	-1,400	
		-2,800
Revised Level of Reserves		**22,853**
Reserves Drawdown to cover Overspending		**-4,499**
Forecast General Fund Reserve at 31st March 2017		**18,354**

2.3 The forecast general fund balance includes the previously drawdown from other available reserves to fund a number of the 2016/17 savings proposals. This month a thorough review of the implementation costs has been carried and due to programming changes cost efficiencies and smarter working the call on reserve is now assessed to be only £1.4m rather than the £2.8m originally set aside. The unused funding can therefore be returned to reserves for use in future years. This is shown in the table above.

2.4` Following those movements to and from the reserve and the impact of the in year overspend the General Fund reserve is now forecast to be £18.354m at year end.

3 Comments of the Chief Operating Officer

3.1 The projected overspend of £4.5m shown in the table above is an improvement from the position reported to Cabinet last month. This is to be welcomed as it now brings the underspend to just under £5m for the first time this year. The usual pattern is for forecasts to fall in the final quarter, although there is perhaps less scope for this to happen this year than in previous years and there are also some significant pressures not included in this forecast which must also be resolved if the position is not to worsen.

3.2 These pressures include £1.4m in Adults Care and Support, which will be mitigated as planned through the drawdown of an earmarked reserve created to smooth pressures on the service pending the additional Better Care Fund monies, £0.6m income risk in Enforcement with £0.66m possible mitigations identified and £0.4m in Passenger Transport against which there is a mitigation plan for the full amount. The service area which has yet to establish a full mitigation plan is Clean and Green with pressures of £1.2m against which £0.3m possible mitigations have been identified.

3.3 If expenditure cannot be managed down further, then this level of overspend would reduce the GF balance to £18.354m. Taking £2.3m from reserves to balance the 17/18 budget as planned in the MTFS would bring the balance to £16.054m which is above our target minimum level of balances of £15m but still leaves little margin for unforeseen events. Overall this means the position although improving remains finely balanced and management should continue to identify further measures that can be taken to improve the situation. The Chief Financial Officer of the Council has a responsibility under statute to ensure that the Council maintains appropriate balances at all times.

3.4 The main elements of the projected overspend are as follows, offset by underspends in Central Expenses (£1.05m), Law and Governance (£0.23m) and Asset Strategy (£0.5m):

- Children's Care and Support - £2.16m
- Leisure - £0.85m
- Environmental Services - £0.20m
- Council Tax Recovery/Elevate Client Unit- £0.34m
- Homelessness - £2.9m

3.5 In November the Strategic Director for Finance and Investment brought to Cabinet proposals for the 2017/18 budget and the Medium Term Financial Strategy to 2019/20. Achievement of the targets in that strategy depends in part on robust financial management and the whole or partial successful mitigation of the pressures being experienced by services this year.

3.6 The pressures in Children's Care and Support have been present for a number of years and additional pressures emerged in Homelessness in the last financial year and have continued into 2016/17. The robust action taken by the Council in regard to Children's is taking effect and the Homelessness position has recently begun to improve. The main cause of the pressure is the continuing increase in homelessness applications and the growing gap between the cost to the Council of obtaining temporary accommodation and the income that can be recovered from tenants through Housing Benefit. A key concern has been that this pressure may grow due to the wider external factors acting on the borough and the capital more broadly and the forecast included an element of continued growth. However, in recent months the number and cost of households in Temporary Accommodation has levelled off allowing the forecast to be reduced. A pressure has been recognised in the MTFP for Homelessness next year of £1.8m but this still requires the action plan to impact on the current level of overspend to achieve a balanced position next year.

3.7 The continuing pressure in Leisure is also a concern as it is not clear how far there is scope for this to improve in this financial year. In addition, there is a high level of risk being carried in Clean and Green and Passenger Transport services which has the potential to become a significant pressure if successful mitigating action is not identified.

3.8 The historic trend for all services is for the final outturn position to be better than that projected throughout the year though this predominantly occurs as a result of active management decisions and close monitoring of the pressure areas. It is essential that this occurs again in 2016/17 and the delivery of services within the approved budget is given equal status as other projects and programmes within the Council.

3.9 The key areas of risk which might lead to a potential overspend are outlined in the paragraphs below.

4. Directorate Performance Summaries

4.1 Service Development and Integration Overview

4.1.1 The budgets within Service Development and Improvement are currently forecast to overspend by £2.87m by year end as shown in the table below.

Table 3: Service Development and Integration

Service Block	Full year Budget 2016/17	Period 9 Projection	Variance from Budget	
	£0	£0	£0	%
Adults Care & Support				
Operations	30,669	32,030	1,361	4.4%
Commissioning	6,755	6,794	39	0.6%
Mental Health	3,841	3,871	30	0.8%
Adults Mgt & Support	1,627	197	-1,430	-87.9%
Sub-total Adults Care & Support	**42,892**	**42,892**	**0**	**0.0%**
Children's Care & Support				
Operations	39,172	41,922	2,750	7.0%
Commissioning	8,889	8,189	-700	-7.9%
SAFE Project Team	512	622	110	21.5%
Children's Care & Support	**48,573**	**50,733**	**2,160**	**4.4%**
Public Health	0	0	0	0
Community Safety &Offender Mgt	1,226	1,226	0	0.0%

Healthy Lifestyles - Leisure	838	1,685	847	101.1%
Education Commissioning	4,418	4,284	-134	-3.0%
Childrens Central Costs	9,202	9,202	0	0.0%
Directorate Total	**107,149**	**110,022**	**2,873**	**2.7%**

Adults' Care & Support

4.1.2 The service delivery arm of Adults' Social Care and Support is currently reflecting a breakeven position, and this includes an underlying pressure of £1.361m which is a the same as last month.

4.1.3 These budgets will continue to be monitored closely. The last quarter of the year is often a time of high demand on the service (often referred to as "winter pressures".) The impact in year is limited (as there are only a few weeks in the financial period) but must be monitored as the pressure is felt in the following final year. At this stage, it is assumed that the in year pressure will be reduced by mitigation measures but the balance will result in a call on the Adults reserve.

4.1.4 The Commissioning service is currently forecast to overspend by £0.039m which is a change from the previously projected underspend of £0.133m reported last month. The detailed review of the learning disabilities supported living budget provision has revealed a pressure of £0.191m which will be managed within the commissioning service. Movements between contract allocations has enabled the service mainly manage this pressure, but there remains a pressure of £0.039m which the service aims to mitigate.

4.1.5 Mental Health is currently forecast to breakeven at year end based on current forecast placement numbers. However, there is a potential risk that if all clients currently on the waiting list are placed, this could lead to a pressure of about £0.186m.

Children's Care and Support

4.1.6 The Children's Care and Support division is forecasting a current pressure of £2.942m. This is a net decrease of £0.230m over last month's reported figures largely due to a net decrease in the cost of LAC placements. This figure is before the planned further reduction in expenditure (£0.192m) as a result of SAFE programme delivery which will bring the overall forecast to £2.75m.

4.1.7 This further saving is expected through the recruitment of permanent staff instead of agency workers in the last quarter. It should be noted that there has been only small success to date in achieving the recruitment targets. While the service has responded by increasing efforts and putting in place more effective processes and oversight this saving should be regarded as high risk. It should be further noted that delivering a balanced budget next year depends heavily on the full year effect of the staff related and recruitment savings which amount to around £1.8m in total.

Table 4: Children's Care and Support Operations – Forecast Outturn

Details	2016-17 Budget	2016-17 Forecast	Current 2016-17 Variance	2016-17 Further SAFE Savings	2016-17 Final Projected Variance
	£'000	£'000	£'000	£'000	£'000
Agency/Staffing	15,283	16,896	1,613	-192	1,421
Placements	22,565	20,636	-1,929	0	-1,929
Transport	1,928	2,177	249	0	249
Legal	437	437	0	0	0
NRPF	1,009	998	-11	0	-11
UASC	1,098	969	-129	0	-129
Unattributed savings/ funding gap[1]	-3,148	0	3,148	0	3,148
Total C&S Operations	**39,172**	**42,114**	**2,942**	**-192**	**2,750**

4.1.8 The overspend within Operations is offset by an underspend of £0.7m within Commissioning and Partnerships – an increased underspend of £0.2m since last month. This total includes small underspends on staffing and some commissioning contracts for Short Breaks and Supported Accommodation plus contributions from the catering and cleaning trading services.

4.1.9 Other Management Costs holds the Capital Recharges budget as well as the budgets for added years' pension payments for teachers. There is a risk that this may cause a pressure in future years. The likely pressures are currently being worked through.

Education Youth and Childcare Commissioning

4.1.10 The Education Service is forecast to underspend by £0.134m - an improved position from previous months. This is primarily due to underspend within the School Improvement Service. This is due to potential risk of sustainability for the future years for DSG contributions resulting from schools funding formula reforms. The service is therefore holding back on DSG funded vacant posts.

Public Health

4.1.11 The Public Health ring-fenced grant has an allocation of £17.791m in 2016/17. (after the reduction in Public Health Grant.) The service is currently on target to breakeven at year end. There remains a pressure against the Sexual Health services which the service is managing with the available funding.

Healthy Lifestyles – Leisure

4.1.12 The service is still forecasting a projected overspend of £0.847m the same as last month. This position mostly relating to pressures in the Leisure centres. The Abbey Leisure Centre (ALC) is currently reflecting a forecast pressure of £0.603m which is as a result of potential income shortfall based on trends of £0.380m, £0.223m relates to a combination of pressures against staffing budgets and supplies & services cost pressure based on current trends.

4.1.13 As previously highlighted, the original business case in 2011/12 for the new ALC was based on the premise that the centre would be self-financing. However, this relied on an ambitious estimate of the possible income. Since the business case was drawn up the market in Barking has changed with other rival establishments being set up in the area and the Abbey centre started with a lower number of customers than in the original projections. Since its opening the centre has grown its income but a gap still remains in achieving the original ambitious targets. In addition, the costs of setting up such a centre had been underestimated.

4.1.14 The pressure also remains against the Becontree Heath Leisure Centre (BHLC) of £0.165m mainly due to staffing costs pressures based on the current establishment. Also within the Healthy Lifestyles division there are pressures arising as a result of assumed savings factored into the staffing budgets for the increment freeze of £0.052m and a £0.026m shortfall assumed against the Active Age centres income target. The service would look to continue to explore options for expanding the customer base and fees & charges are currently being reviewed which could boost income.

4.2 **Customer Commercial & Service Delivery**

4.2.1 The projection to year end is an overspend of £0.539m – an improvement since last month. This is made up of savings not being achieved in Clean and Green (£0.125m), Enforcement (£0.076m) and £0.338m pressure from non-recovery of Court costs in relation to Council Tax arrears.

Table 5: CCSD

Division	**Full year Budget 2016/17**	**Period 9 Projection**	**Variance from Budget**	
	£'000	**£'000**	**£'000**	**%**
Clean & Green	**7,452**	7,577	125	1.7
Enforcement	**11,086**	11,162	76	0.7
Other	**26**	26	0	
Elevate Client Unit	13,432	13,770	338	2.5
SD Customer service & Commercial delivery	244	244	**0**	**0**
Total General Fund	**32,240**	**32,779**	**539**	

4.2.2 In addition to the declared overspend there is around £1.1m of expenditure pressures within this service grouping and a risk of around £0.66m on Income targets making a total pressure of around £1.7m. However, managers have identified £0.96m of mitigating actions and are working on finding further action to resolve the remaining pressures and income shortfalls (£0.7m in total.).

Clean & Green

4.2.3 The collection of green garden waste was due to end in September 2015 which would deliver a £220k saving in a full year (£110k in each of the financial years 2015/16 and 2016/17). This service continued to the end of September 2016 at a cost of £125k in 2016/17 due to agency cover of the service. A consultation has been carried out on the future for this service and the saving is expected to be achieved in full in 2017/18.

4.2.4 Other pressures on staffing budgets remain because of the service being over budgeted establishment. The overall staffing pressure is estimated at £1.045=6m with other pressures on transport and running costs of £0.096m. The service is currently formulating a plan and expects to mitigate these pressures. However, at this stage of the year this should be regarded as high risk. The service was significantly overspent last year (£1.25m) but at that time it could be offset against underspends and additional income within Enforcement which may not be possible this year. This pressure has been recognised in the medium term financial strategy approved by Cabinet in November so is not expected to repeat in future years.

4.2.5 The Clean & Green portfolio also now includes Fleet management and workshop which is forecast to underspend by £0.1m from a combination of lower supply costs and overachievement of income. However, with repair work at the depot still ongoing, there is a risk that this underspend may be partly eroded.

Enforcement Service

4.2.6 The Enforcement service pressure is as a result of the School Crossing patrol saving which has not yet been implemented. The service has been exploring sponsorship and other external funding options but without success. The service will therefore be ceased over the coming months.

4.2.7 There is an underlying pressure of £660k on the Parking account. This is primarily a result of a projected income shortfall of £526k. The service has seen an increase in revenue from Pay and Display (P&D) parking and Permit sales, however, a significant reduction in the receipts from fines compared to last year.

4.2.8 In addition, the plans for delivering current year savings are also at risk of not being fully delivered. Delay in implementing cashless parking programme has also meant expected cost reduction for cash collection has not been fully achieved. The service is, however, continuing to review options to improve collection, reduce costs and increase income to mitigate these added risks.

4.2.9 There is also an added risk of staff cost pressures in the Highways service from increased cost of overtime without commensurate income. The service is reviewing these costs and processes and formulating actions to mitigate this.

4.2.10 However, there are other underspends in the service which mitigate pressure across the department from maximising the use of grants and income in the service. The service also anticipates that with ongoing Street lighting capital works in current year, there will be reduced pressure on the repairs and maintenance budget.

4.2.11 The net result of these pressures and mitigations is that the service should come in on balance or close to it but there will be restricted scope to offset overspends in other areas.

Other Environmental services

4.2.12 This includes the Passenger Transport Service. The Passenger Transport service saving of £400k will be achieved in this financial year by finding compensating savings or drawing down from reserves. Options for future years including partnership with another London Borough are currently being considered and a business case will be presented early in the new year.

Elevate Client Unit

4.2.13 The Elevate Client Unit is currently forecast to overspend by £338k by year end due to underachievement of income in respect to Council Tax Court Costs. This first occurred in 2015/16 due to court summonses being cancelled as an incentive for Council Tax payers to repay their debts. This practice has continued into 2016/17. However, this is a much reduced forecast from last month. There are several other smaller pressures within the service which are being mitigated.

4.3 **Growth & Homes**

Table 6: Growth and Homes

Division	Full year Budget 2016/17	Period 8 Projection	Variance from Budget	
	£'000	£'000	£'000	%
Culture & Recreation	**4,248**	**4,215**	**(33)**	
Regeneration	**770**	**770**	**0**	**0**
Housing strategy	**(226)**	**(226)**	**0**	**0**
Homelessness	**921**	**3,821**	**2,900**	**315**
Strategic Director, Growth & Homes	**110**	**110**	**0**	**0**
Total General Fund	**5,823**	**8,690**	**2,867**	

Departmental Performance Summary

4.3.1 The projection to year end is an over spend of £2.9m within Homelessness. Most this budget is driven by the number of people presenting, and being accepted, as statutorily homeless. Potential pressures have been identified within the other budgets, however, it is expected that they will be managed within the service areas.

Culture & Recreation

4.3.2 This service is forecast to under spend at year end by £0.033m, due to staff vacancies across Library services.

Homelessness

4.3.3 The Housing General Fund is currently forecasting a pressure of £2.9m at the year end. This is an improved forecast – down by £0.2m from previous months. The overspend is due to the net cost of placing people in accommodation provided by private sector landlords, which is the largest source of temporary accommodation. The income that the Council can collect from tenants is constrained by the level of Housing Benefit payable which has been frozen for several years and is now below the cost of most accommodation in the borough and neighbouring areas.

4.3.4 Around two thirds of the properties used for temporary accommodation produce a net cost to the Council. However, efforts to control costs in recent months have resulted in a lower average net cost than previously forecast. The average net cost is now calculated to be around £3 per night. Performance bonuses are also paid to agents for providing seven or more properties and are forecast at £140k for the year.

4.3.5 The costs for Bed and Breakfast and Nightly Let accommodation are greater still but the service has succeeded in reducing the usage of such accommodation with numbers falling to just one in October. This has also contributed to the reduction in the forecast. However, there is a risk that it may not be sustainable throughout the year, especially once renovation works at Boundary Road begin in March. The works have been planned to require only limited decant (up to 12 at a time) and residents will be placed in PSL/HRA stock. However, the reduction in hostel accommodation may mean that B&B must be used for emergency cases.

4.3.6 There are other pressures which will impact on the pressure reported above. The impact of welfare reform continues to be monitored but is expected to result in increased levels of homelessness unless preventative measures are effective. Temporary accommodation arrears have increased by £405k (12%) this financial year, and, the current level of bad debt provision will not provide sufficient coverage, resulting in additional pressure. It should be noted that in October TA arrears has risen by £320k due to the backlog in applying housing benefits to rent accounts which is a consequence of temporarily reduced benefit officer resources. The arrears position is expected to return to normal now that resources are back to normal. As such the pressure on the BDP has been maintained at last month's position.

4.3.7 There continues to be need for security at the homeless hostels to enable the safeguarding of staff and residents following several incidents in previous years. This is creating a pressure of around £0.25m on the hostels budget.

4.3.8 A new phase of Welfare changes has recently come into force with the lowering of the overall benefits cap. The impact of this is not yet fully known but may result in increased numbers of Homelessness applications or increased levels of bad debt.

4.3.9 The November Cabinet meeting received a report on the Homelessness situation and approved the high-level strategy and an outline recovery plan. This was followed by presentation of a more detailed plan at PAASC on 5th December. Although however, the budget is unlikely to return to a balanced position within year, full delivery of the plan should reduce the overspend further.

Regeneration (Including Housing strategy)

4.3.10 The Regeneration & Economic Development and Housing Strategy teams are currently projected to spend to budget by the end of the financial year with no specific issues or pressures at this stage.

4.3.11 The main risk to achieving the breakeven position for the Regeneration area is in respect of recovering the budgeted level of income which is derived mainly from Planning Application and Local Land Charge fees. The demand for Planning Applications has increased substantially over recent months and this has led to the employment of additional planning staff to cope with the demand. This additional cost can be offset by the enhanced levels of income that have been generated and, therefore, there are no current concerns in this area.

4.4 Chief Executive

Table 7: Chief Executive

Directorate Summary	2016/17 Budget £000	2016/17 Forecast £000	Variance £000
Net Expenditure	299	69	**(230)**

4.4.1 The Law and Governance Service is generating an income surplus, which is shown as an underspend.

4.5 Finance & Investment

Table 8: Finance and Investment

Directorate Summary	2016/17 Budget	2016/17 Forecast	Variance
	£000	£000	£000
Net Expenditure	1,387	887	**(500)**

4.5.1 Asset Strategy is projecting an underspend of £0.5m resulting from a surplus on B&D Reside.

4.5.2 The Housing Benefit Subsidy budgets are also included in this service grouping. Work is also being carried out to reassess the bad debt provision required – this is expected to produce further underspends.

4.6 Central Expenses

Table 9: Central Expenses

Summary	2016/17 Budget	2016/17 Forecast	Variance
	£000	£000	£000
Net Expenditure	**3,415**	**2,365**	**(1,050)**

4.6.1 This budget covers treasury management costs (interest paid on loans and received on investments), levies from ELWA and other statutory bodies, budgets to cover the costs of redundancy and doubtful debts and a small contingency to cover any unforeseen pressures.

4.6.2 Interest on borrowing costs is currently forecast to be £0.2m better than budget due to required borrowing being lower than anticipated and additional procurement savings of £0.2m are also forecast. In addition, there is around £0.5m projected underspend relating to Procurement savings.

4.6.3 The recent Cabinet decision to retain the current redundancy terms means that the saving from the removal of the enhanced multiplier will not be achieved. This will be managed in year but presents a risk for future years' budgets.

4.7 Transformation Programme

4.7.1 Cabinet in October approved the creation of a £4.3m budget for the in-year costs of the design phase of the Council's transformation programme. The total cost of this phase is now estimated to be £3.7m.

4.7.2 A proportion of these costs can be properly attributed to the HRA. The Finance team are currently working on this apportionment and this will be reported in subsequent reports together with proposals for the financing of these costs.

5. Housing Revenue Account (HRA)

Table 12: HRA

HRA Classification	Budget	Forecast	Variance
	£'000	£'000	£'000
Rent	(90,538)	(90,818)	(280)
Non-Dwelling Rents	(807)	(750)	57
Other Income	(19,285)	(19,453)	(168)
Interest Received	(336)	(437)	(101)
Income	**(110,966)**	**(111,458)**	**(492)**
Repairs and Maintenance	17,093	16,843	(250)
Supervision and Management	42,572	41,382	(1,190)
Rent, Rates and Other Taxes	700	350	(350)
Bad Debt Provision	2,772	2,772	0
Interest Charges	10,059	10,059	0
Corporate and Democratic Core	685	685	0
Expenditure	**73,881**	**72,091**	**(1,790)**
Revenue Contribution to Capital	**37,085**	**37,447**	**362**
Transfer to HRA Balances	**0**	**1,920**	**1,920**

5.1 **HRA Income**

5.1.1 Income is expected to over-achieve by £0.492m. The main areas of variation from budget are:

- Additional rental income of £0.28m from lower than expected void levels, partially offset by lower rental income from HRA decants used for Temporary Accommodation

- Lower than expected service charge income of £0.1m due to the Housing Management decision to suspend Concierge charges at Thaxted House. This is offset by an equivalent savings on the payment to the security contractor.

- Higher than budgeted income from telecommunication masts and other income is expected (£0.268m)

- Based on a higher level of balances now expected to be held in the HRA an increased interest payment is expected (£0.101m)

5.2 **HRA Expenditure**

5.2.1 In the same way as the rest of the Council the Housing Service has a large scale transformation programme to reduce costs and improve services for tenants and residents. This included a voluntary redundancy programme funded from HRA budgets. The Improvement programme has contributed to the creation of a large overall underspend on expenditure.

- Supervision and Management is expected to underspend by £1.190m, this is due to Housing Management fleet/estate cost reductions (£0.5m) & staff saving (£0.590m) from the on-going voluntary redundancy process and service management savings from the suspension of the concierge service at Thaxted House (£0.1m).

- The Repairs and Maintenance Service is currently forecast to underspend by £0.250m. This is a significant reduction from 2015/16 due to reduction in staffing costs in 2016/17 because of the voluntary redundancy scheme. The service also continues to actively work to identify further savings and make better use of its existing resources. The forecast position is highly dependent on level of work carried out by the in-house repairs service (in preference to that completed by sub-contractors), this continues to be closely monitored to ensure no revenue pressures are created and the existing workforce are underutilised. Any management decision to move additional work to sub-contractors will also need to consider the revenue and capital budget implications of this action

- The HRA contribution towards the cost of voluntary redundancy and the additional HRA pension fund top up is currently forecast to be £3.5m but this is containable within the overall HRA budget due to the staff vacancies created from the voluntary redundancy process.

5.3 HRA Balances

5.3.1 There is a budgeted contribution to capital resources of £37.1m and it is currently assumed this will increase by £0.362m in 2016/17.

5.3.2 Based on the current forecast it is also assumed HRA balances will increase by £1.920m. However, this is before the HRA contribution to the Council's wider Transformation Programme for activity that is of benefit to the Housing service. This will be a first call on this surplus.

5.3.3 The remaining surplus will partly contribute towards a potential risk from a court decision against LB of Southwark, which is subject to appeal currently, in respect of resale of water supply and the associated commission (to cover admin costs of circa £1.2m in 2016/17). Should the appeal fail this may result in the repayment of commission to tenants. The service is currently seeking legal advice on this matter.

5.3.3 In addition, there is a Government proposal to instruct Local Authorities to sell its higher value voids and pay a levy to the Government to fund Housing Association Right to Buys. Even if the Authority does not decide to sell off its voids a levy will still apply. Formal Government Policy is still awaited, but it is now confirmed no payment will be required to central government in this financial year.

6. In Year Savings Targets – General Fund

6.1 The delivery of the 2016/17 budget is dependent on meeting a savings target of £12.9m. Directorate Management Teams are monitoring their targets and providing a monthly update of progress which is summarised in the table below. Where there are shortfalls, these are either reflected in the monitoring positions above or will be managed within existing budgets.

6.2 A detailed breakdown of savings and explanations for variances is provided in Appendix B and any shortfall in savings is already incorporated in to the overall and service forecasts earlier in the report.

Table 12: Savings Targets

Summary of Savings Targets	**Target £000**	**Forecast £000**	**Shortfall £000**
Customer, Commercial & Service Delivery	3,190	2,604	**586**
Growth & Homes	971	371	**600**
Service Development and Integration	3,466	3,378	**88**
Finance & Investment	5,227	4,470	**757**
Total	**12,854**	**10,823**	**2,031**

7. Capital Programme 2016/17

7.1 The Capital Programme forecast against budget as at the end of Dec 2016 is as follows:

	2016/17 Revised Budget £'000	Actual Spend to Date £'000	2016/17 Forecast £'000	Variance against Budget £'000
Service Development & Integration	62,032	54,580	62,832	800
Customer, Commercial & Service Delivery	9,046	3,291	10,004	958
Finance & Investment	3,029	10,699	3,029	
Growth & Homes	60,886	34,465	61,711	825
Subtotal - GF	**134,993**	**103,035**	**137,576**	**2,583**
HRA	62,659	28,582	61,759	-900
Total	**197,652**	**131,617**	**199,335**	**1,683**

New Schemes
There were no new schemes added to the Capital Programme in this reporting period.

Service Development & Integration
The main element in the programme is the school expansion programme (£53.6m). Forecast is that it will spend £0.8m over budget – however this is due to the Warren/Furze primary, Lymington Fields All through School and Gascoigne Secondary School (Greatfields) schemes being developed ahead of schedule. Funding for this is already in place and budgeted in 2017-18.

Customer, Commercial & Service Delivery
This includes IT projects (£5.1m) and various environmental projects (£3.9m). The Directorate is showing an overspend of £0.958m primarily due to increased hardware costs for the ICT End User scheme and the IT investment scheme being brought forward from future years.

Finance & Investment
The main element in the programme is the corporate accommodation strategy (£3.0m). The Land Acquisition (previously known as Barking Riverside Housing Zone), Acquisition of Royal British Legion have been moved to this Directorate from Regen in Chief Executive Directorate. At present, everything is spending to budget.

Growth & Homes
The largest project is the Gascoigne estate renewal (£37m). The monitoring shows that the Directorate will overspend by £0.825m due to delay in agreement on procurement and brief specification on Boundary Road Hostel (£0.375m) and accelerated spend of £1.2m on Gascoigne West due to buybacks.

HRA
The main expenditure is on new build schemes (£17.3m) and investment in existing stock (£36.9m). Forecast is £0.9m below budget due to delay in Modular programme development and agreement.

8. Consultation

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

9. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

9.1 This report details the financial position of the Council.

10. Legal Implications

Implications completed by: Fiona Taylor, Director of Law and Governance

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

Public Background Papers Used in the Preparation of the Report:

- Oracle monitoring reports

List of Appendices

- **Appendix A** – General Fund expenditure
- **Appendix B** – Progress against savings targets
- **Appendix C** – Capital Programme

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GENERAL FUND REVENUE MONITORING STATEMENT DECEMBER 2016/17

Directorate	Revised Budget	Expenditure to Date	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000
Service Development & Integration				
Adults Care & Support				
Operations	30,669	23,624	32,030	1,361
Commissioning	6,755	5,027	6,794	39
Mental Health	3,841	2,783	3,871	30
Adults Mgt & Support Services	1,627	1,133	197	(1,430)
Children's Care & Support				-
Operations-	39,684	32,241	42,544	2,860
Commissioning-	8,889	8,084	8,189	(700)
Public Health (Net)	0	0	0	-
Community Safety & Offender Management	1,226	1,005	1,226	0
Leisure	838	2,259	1,685	847
Education Commissioning	4,418	9,671	4,284	(134)
Divisional Support - Children's	9,202	687	9,202	-
	107,149	**86,514**	**110,022**	**2,873**
Customer, Commercial & Service Delivery				
Clean & Green	7,453	7,591	7,578	125
Enforcement	11,086	3,855	11,162	76
Other	26	(364)	26	0
Elevate Client Unit	13,432	22,079	13,770	338
SD Customer Service & Commercial Delivery	244	312	244	(0)
	32,241	**33,473**	**32,780**	**539**
Growth & Homes				
Housing Strategy	-85	0	(85)	-
Homelessness	780	1,594	3,680	2,900
Regen & Economic Development, Housing Strategy	770	591	770	-
Culture & Recreation	4,248	3,997	4,215	(33)
Strategic Director - Growth and Homes	110	67	110	0
	5,823	**6,249**	**8,690**	**2,867**
Chief Executive				
Chief Executive	18	3,041	18	(0)
Law and Governance	281	(279)	51	(230)
	299	**2,762.00**	**69**	**(230)**
Finance & Investment				
Corporate Finance & Assets	1,172	(1,146)	672	(500)
Strategy & Programmes	215	79	215	0
	1,387	**(1,067)**	**887**	**(500)**
Corporate and Central Expenses				
Central Expenses & Levies	3,415	9,784	2,365	(1,050)
	3,415	**9,784**	**2,365**	**(1,050)**
TOTAL	**150,314**	**137,715**	**154,814**	**4,499**

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Directorate Savings Targets: progress at Period 9

Customer Commercial & Service Delivery

Reference	Detail	Current Position	Target £'000	Forecast £'000	Variance £'000
ES004	Removal or self funding for School Crossing Patrols from 23 primary school locations across the borough	This saving has been delayed while alternative funding options such as sponsorship have been explored. However it has not been possible to establish a sustainable funding source for this non statutory service. Therefore the service will be withdrawn over the final months of the year. Effectively the saving therefore will not be realised in this financial year but will be achieved in full in 2017/18.	82	6	76
ES006	To increase zones and the sale of permits in line with the Parking Strategy	This work now forms part of a wider Parking Improvement Board. Work is being undertaken with the Ambition 2020 team for setting of fees and charges	125	125	0
ES010B	Prestart payment to drivers	Saving will be fully delivered by yr2	17	17	0
ES012	Cease green garden waste collection	Savings was based upon fully chargeable service in place from September 2015, but as a result of delays in implementing this, it was assumed that charging would take effect from April 2016. However, service provision is expected to continue (not as a chargeable service) until September when the service will be fully withdrawn. A consultation has been carried out about the future of the service.	110	0	110

ES015	Redesign of street cleansing operations	Service redesign is already delivered. Savings are available for yr1 and on track for yr2.	40	40	0
ES018	Achieve revenue budget savings by transferring the Councils current repair and maintenance responsibilities for allotments to the Allotment Society	Surveys are ongoing and arrangements to cancel existing licences are being made for April. The main risk is that societies will not accept leases and transferred responsibilities because remedial works in 2015/6 are not undertaken due to budget restriction and disagreement with societies.	17	17	0
ES020	Increases in income expected from future regulatory activity.	These savings will build on those to be delivered in yr1. It is too early to assess whether income improvements will be made. A programme of service transformation is being developed and will require service restructure and some adoption of policy and powers.	125	125	0
ES030	Parking review opportunity	Initial business cases are being developed to support debt recovery and cashless/paperless parking. The impact of legislation changes governing the use of CCTV came into force in April 2015; the service did come in on budget however it was clear that there was a need for increased capacity within the parking service for more officers on-street. A review of the service is underway and a reactive team is being developed.	450	450	0
ACS/SAV/11	Review of passenger transport for adults	The Maples Day centre has now closed thereby reducing the Adults passenger transport requirement. PTS are reviewing their costs in order to achieve this saving but it is unlikely to be met in year. Instead alternative savings will be found. Options for future years including partnership with another LA are being explored	400	0	400

CEX/SAV/45a (CCSD)	Review of corporate accommodation strategy	Corporate funding to be used	600	600	0
CEX/SAV/51 (CCSD)	School uniform grants	The issuing free school uniforms grants has been discontinued.	64	64	0
CEX/SAV/56 (CCSD)	B&D Direct - Customer Services Channel Shift	Delivered by reducing Elevate Target Cost.	324	324	0
CEX/SAV/61 (CCSD)	Council Tax - invest to collect more	Investment in place but delivery to be monitored.	391	391	0
CEX/SAV/63 (CCSD)	ICT End User Technologies	Delivered by reducing Elevate Target Cost.	400	400	0
CEX/SAV/64 (CCSD)	Client Team reduction	Delivered by post being deleted.	45	45	0
Total	**CC&SD**		**3,190**	**3,004**	**586**

Growth & Homes

Reference	Detail	Current Position	Target £'000	Forecast £'000	Variance £'000
HGF001	Expand Council hostel portfolio to accommodate temporary placements instead of using expensive B&B accommodation.	There is currently a delay to the transfer of an additional hostel which was assumed in the budget to be available from December 2016 but is now likely to be available in April 2017.	600	0	600
ACS/SAV/24	School library service to be full cost recovery and Home Library Service to be delivered by volunteers.	Achieved	59	59	0
ACS/SAV/27	Valence and Thames View libraries – community management	This saving was dependent on the option that the libraries would be in a trust as this is no longer the case, the service is working on alternative options to deliver the saving	125	125	0
ACS/SAV/29a	Broadway Theatre - transfer to College	Achieved	40	40	0
CEX/SAV/05	Reduction in Planning Policy Posts with amalgamation of roles	Achieved	25	25	0
CEX/SAV/04a	Reduction in staff costs in Development Planning & Strategic Transport	Achieved	42	42	0
CEX/SAV/08	Increased income in Employment & Skills	Achieved	80	80	0
Total	**Growth & Homes**		**971**	**371**	**600**

Appendix B

Service Development & Improvement

Ref:	Detail	Current Position	Target £000	Forecast £000	Variance £000
ACS/SAV/06a	Personalisation of Learning Disability Day Services and consequential closure of The Maples.	Achieved	127	127	0
ACS/SAV/10	Care and support in the home focused on people with doubling up of care staff as a result of high needs	Achieved	45	45	0
ACS/SAV/12a	Generalist Advice and Hate Crime Incident Reporting reductions	Achieved	280	280	0
ACS/SAV/12f	The Foyer Supported Living for 18-24 year olds	On track to be delivered.	92	92	0
ACS/SAV/12i	Bevan House supported living for vulnerable families	On track to be delivered.	97	97	0
ACS/SAV/31	Leisure centres - Management and reception staff	On track to be delivered.	150	150	0
ACS/SAV/32	Leisure centres - extraordinary increase in net income	An income shortfall is currently reported against leisure income and an action plan is being worked on to reduce the shortfall.	88	0	88
ACS/SAV/36	Options appraisal for leisure and cultural services	As a result of delays to the trust, this saving will be managed corporately in the financial year.	750	750	0
CHS/SAV/26	Children's Centres, part of policy paper re frontline service delivery (use of libraries, developing hubs approach etc. and use of assets Closure of a number of centres	On target	400	400	0
CHS/SAV/27	Youth Service - reconfigure to voluntary sector provision with £100k budget	On target	200	200	0

CHS/SAV/34	Reduction in CIN (c20 year 1, c120 year 2, c60 year 3) due to impact of Troubles Families agenda	Achieved by SAFE programme savings.	300	300	0
CHS/SAV/30	CAMHS - reduce to statutory minimum for year 1 and then delete service	On target but high risk at tier 2	150	150	0
CHS/SAV/35	Review children's social care costs to identify areas for spend reduction	Achieved by SAFE programme savings.	500	500	0
CHS/SAV/36	This proposal is to reduce funding to the Integrated Early Help QA Service	On target	120	120	0
CHS/SAV/25a	Reduction in support to quality Childcare and early years provision	Budget/saving removed via training, development and marketing centralisation	167	167	0
Total	**Service Development & Improvement**		**3,466**	**3,378**	**88**

Finance & Investment

Ref	Detail	Current Position	Target	Forecast	Variance
			£000	£000	£000
CEX/SAV/26	Minimum Revenue Provision accounting	Achieved	2,850	2,850	0
CEX/SAV/27	Investment income - rate change	On target to be achieved	500	500	0
CEX/SAV/77 (CEX)	Business Support review	Not yet delivered.	90	0	90
CEX/SAV/78 (F&I)	Reduction in middle management	Delivered.	300	300	0
CEX/SAV/42 (F&I)	Energy team	CEX/SAV/42 & 54b delivered through VR of 2 posts.	25	25	0
CEX/SAV/45 (CCSD)	Maritime House	Delivered as lease terminated.	125	125	0
CEX/SAV/53 (CCSD)	Business rate relief	Policy has been re-written to deliver this.	50	50	0
CEX/SAV/72 (Corporate)	Freeze salary increments	On target to be achieved	500	500	0
CEX/SAV/73 (Corporate)	Reduce redundancy multiplier	Following the decision of Cabinet to retain the redundancy multiplier this saving will not be achieved.	667	0	667
CEX/SAV/54b (F&I)	Energy and utility efficiencies	CEX/SAV/42 & 54b delivered through VR of 2 posts.	60	60	0
CEX/SAV/54f (F&I)	Pay Pension Fund contributions on 1 April instead of monthly	Delivered.	60	60	0
Total	**Finance & Investment**		**5,227**	**4,470**	**757**

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Capital Programme 2016/17

APPENDIX C

Project No	Project Name	Revised 2016/17 Budget	Actuals	2016/17 Forecast	Variance
Service Development & Integration					
Adult Care and Support					
Adult Social Care					
FC00106	Private Sector HouseHolds	1,064,000	622,898	1,064,000	0
FC02888	Direct Payment Adaptations Grant	400,000	183,396	400,000	0
FC03049	Adult Social Care Cap Grant	113,000	28,599	113,000	0
FC03061	Social Care IT Replacement System	425,515	158,988	425,515	0
Healthy Lifestyles					
FC02870	Barking Leisure Centre 2012-14	310,617	208,855	310,617	0
Total For Adult & Community Services		**2,313,132**	**1,202,736**	**2,313,132**	**0**
Education, Youth and Childcare					
Primary Schools					
FC02736	Roding Primary School (Cannington Road Annex)	129,789	0	129,789	0
FC02745	George Carey CofE (formerly Barking Riverside) Primary School	23,376	450	23,376	0
FC02784	Manor Longbridge (former UEL Site) Primary School	150,000	2,818	150,000	0
FC02799	St Joseph's Primary - expansion	4,279	4,279	4,279	0
FC02861	Eastbury Primary (Expansion)	63,857	40,044	63,857	0
FC02865	William Bellamy Primary (Expansion)	44,500	1,824	44,500	0
FC02919	Richard Alibon Expansion	53,770	37,052	53,770	0
FC02920	Warren/Furze Expansion	350,255	390,073	450,255	100,000
FC02921	Manor Infant Jnr Expansion	39,308	36,527	39,308	0
FC02923	Rush Green Expansion	115,902	114,689	115,902	0
FC02924	St Joseph's Primary(Barking) Extn 13-14	15,072	0	15,072	0
FC02956	Marsh Green Primary 13-15	882,218	647,413	882,218	0
FC02957	John Perry School Expansion 13-15	17,395	2,445	17,395	0
FC02960	Sydney Russell (Fanshawe) Primary Expansion	4,382,500	4,484,021	4,382,500	0
FC02979	Gascoigne Primary (Shaftesburys)	7,024,340	6,206,177	7,024,340	0
FC02998	Marks Gate Junior Sch 2014-15	50,000	38,418	50,000	0
FC03014	Barking Riverside City Farm Phase II	50,000	563	50,000	0
FC03041	Village Infants - Additional Pupil Places	1,511,417	1,397,895	1,511,417	0
FC03053	Gascoigne Primary - 5fe to 4fe	600,000	248,107	600,000	0
Secondary Schools					
FC02953	All Saints Expansion 13-15	112,233	0	112,233	0
FC02954	Jo Richardson expansion	350,000	48,548	350,000	0
FC02959	Robert Clack Expansion 13-15	3,500,000	2,974,726	3,500,000	0
FC02977	Barking Riverside Secondary Free School (Front Funding)	27,500,000	26,845,242	27,500,000	0
FC03018	Eastbury Secondary	2,800,000	1,328,878	2,800,000	0
FC03020	Dagenham Park	2,831,458	2,495,850	2,831,458	0
FC03054	Lymington Fields All through School	200,000	66,306	300,000	100,000

Project No	Project Name	Revised 2016/17 Budget	Actuals	2016/17 Forecast	Variance
FC03019	Eastbrook School	640,000	614,720	640,000	0
FC03022	New Gascoigne Secondary School (Greatfields)	100,000	597,910	700,000	600,000
FC03078	Barking Abbey Expansion 2016-18	100,000	3,235	100,000	0
Other Schemes					
FC02826	Conversion of Heathway to Family Resource Centre	19,323	16,662	19,323	0
FC02906	School Expansion SEN projects	164,138	33,198	164,138	0
FC03042	Additional SEN Provision	250,000	75,911	250,000	0
FC02909	School Expansion Minor projects	87,344	28,324	87,344	0
FC02972	Implementation of early education for 2 year olds	691,482	456,208	691,482	0
FC02975	Barking Abbey Artificial Football Pitch	55,415	45,098	55,415	0
FC02978 / FC03010 / FC03051	School Modernisation Fund	3,058,746	3,039,045	3,058,746	0
FC03013	Universal infant Free School Meals Project	5,862	0	5,862	0
FC03043	Pupil Intervention Project (PIP)	400,000	449,703	400,000	0
9999	Devolved Capital Formula	917,392	223,020	917,392	0
Children Centres					
FC03063	Extension of Abbey CC Nursery	125,000	124,158	125,000	0
FC03033	Upgrade of Children Centres	290,853	257,551	290,853	0
FC02217	John Perry Children's	5,123	0	5,123	0
FC02310	William Bellamy Children Centre	6,458	0	6,458	0
Total For Children's Services		**59,718,805**	**53,377,088**	**60,518,805**	**800,000**
Total for Service Development & Integration		**62,031,937**	**54,579,824**	**62,831,937**	**800,000**

Project No	Project Name	Revised 2016/17 Budget	Actuals	2016/17 Forecast	Variance
Customer, Commercial & Service Delivery					
Evironmental Services					
FC03064	Street Light Replacing	976,005	5,500	976,005	0
FC03030	Frizlands Phase 2 Asbestos Replacement	381,146	337,943	381,146	0
FC02964	Road Safety Impv 2013-14 (TFL)	236,000	26,673	236,000	0
FC02886	Parking Strategy Imp	0	909	0	0
FC02542	Backlog Capital Improvements	394,830	145,241	394,830	0
FC03065	Highways Improvement Programme	705,190	51,400	705,190	0
FC02982	Controlled Parking Zones (CPZ's) 2013-15	150,000	79,692	150,000	0
FC03011	Structural Repairs & Bridge Maintenance	383,001	48,794	383,001	0
FC03012	Environmental Asset Database Expansion	0	388	0	0
FC03031	Highways & Environmental Design	0	0	0	0
FC03067	Abbey Green Works 2016-17	63,678	26,459	63,678	0
FC03066	Parking ICT System	280,000	254,926	280,000	0
PGSS					
FC03026	BMX Track	226,136	0	226,136	0
FC03034	Strategic Parks	117,840	32,494	117,840	0
Total For Environmental Services		**3,913,826**	**1,010,419**	**3,913,826**	**0**
ICT					
FC03068	ICT End User Computing	1,700,000	1,510,531	2,658,000	958,000
FC02738	Modernisation and Improvement Capital Fund (formerly One B & D ICT Main Scheme)	256,457	91,480	256,457	0
FC02877	Oracle R12 Joint Services	157,465	38,330	157,465	0
FC03052	Elevate IT Investments	2,221,000	543,456	2,221,000	0
FC03059	Customer Services Channel Shift	797,070	96,282	797,070	0
Total For ICT		**5,131,992**	**2,280,079**	**6,089,992**	**958,000**
Total For Customer, Commercial & Service Delivery		**9,045,818**	**3,290,498**	**10,003,818**	**958,000**
Finance & Investment					
Asset Strategy					
FC02587	Energy Efficiency Programme	28,753	0	28,753	0
FC02565	Implement Corporate Accommodation Strategy	3,000,000	1,873,774	3,000,000	0
FC03081	Land Acquisitions 2016-18 (Barking Riverside Housing Zone)	0	8,101,077		0
FC03080	Acquisition of Royal British Legion	0	724,534		0
Total For Asset Strategy		**3,028,753**	**10,699,385**	**3,028,753**	**0**
Total for Finance & Investment		**3,028,753**	**10,699,385**	**3,028,753**	**0**

Project No	Project Name	Revised 2016/17 Budget	Actuals	2016/17 Forecast	Variance
Growth & Homes					
Culture & Sport					
FC03060	BLC - Replacement Flooring	171,000	0	171,000	0
FC03029	Broadway Theatre	50,000	0	50,000	0
FC03062	50m Demountable Swimming Pool	1,700,000	0	1,700,000	0
FC03032	Parsloes Park - Artificial Turf Pitches & Master Planning	519,540	5,375	519,540	0
FC03057	Youth Zone Development	1,000,000	166,000	1,000,000	0
FC03079	Whitehouse Refurb	100,000	0	100,000	
Regeneration					
FC03027	Establishment of Council Owned Energy Services Company	100,000	116,967	100,000	0
FC02969	Creative Industries	35,586	0	35,586	0
FC02902	Short Blue Place - New Market Sqr Phase II		3,445		0
FC02898	Local Transport Plans (TFL)	204,000	120,086	204,000	0
FC02962	Principal Road Resurfacing 2013-14 TfL	446,000	463,752	446,000	0
FC02963	Mayesbrook Neighbourhood Improvements (DIY Streets) 2013-14 (TFL)	200,000	18,856	200,000	0
FC02994	Renwick Road/ Choats Road 2014/15 (TfL)	80,000	9,281	80,000	
FC02995	Ballards Road/ New Road 2014/15	0	3,400	0	0
FC02996	Barking Town Centre 2014/15 (TfL)	1,278,300	614,724	1,278,300	0
FC02997	A12 / Whalebone Lane (TfL)	0	0	0	0
FC03000	MAQF Green Wall (TfL)	0	2,349	0	0
FC03023	Bus Stop Accessability Improvements	138,000	58,945	138,000	0
FC03025	Gale St Corridor Improvements	325,000	351,292	325,000	0
FC03028	Chadwell Heath Crossrail Complementary Measures (CCM)	811,650	721,061	811,650	0
FC03050	Clockhouse Avenue - Freehold Purchase	37,016	10,233	37,016	0
FC03072	Purchase of Sacred Heart Convent, 191 Goresbrook Road, Dagenham - to convert to homeless provision	3,000,000	2,825,163	3,000,000	0
FC03055	Barking Riverside Trans Link (Drovers Way)	9,300,000	3,900,593	9,300,000	0
FC03082	Gurdwara Way - Land remediation	855,000	11,625	855,000	0
Total For Regeneration		**20,351,092**	**9,403,147**	**20,351,092**	**0**
General Fund Housing					
FC03070	Boundary Road Hostel	400,000	13,703	25,000	(375,000)
FC02990	Abbey Road Phase II New Build	360,000	18,900	360,000	0
FC02986	Gascoigne Estate	36,775,406	22,055,342	36,775,406	0
FC02985	Gascoigne West (Housing Zone)	3,000,000	2,973,762	4,200,000	1,200,000
Total For General Fund Housing		**40,535,406**	**25,061,707**	**41,360,406**	**825,000**
Total For Growth & Homes		**60,886,498**	**34,464,854**	**61,711,498**	**825,000**
Grand Total for Non HRA		**134,993,006**	**103,034,561**	**137,576,006**	**2,583,000**

Project No	Project Name	Revised 2016/17 Budget	Actuals	2016/17 Forecast	Variance
HRA					
	Estate Renewal				
FC02820	Boroughwide Estate Renewal	8,000,000	7,200,553	8,000,000	0
	Sub-Total: Estate Renewals	**8,000,000**	**7,200,553**	**8,000,000**	**0**
	New Build schemes				
FC02823	Council Housing Phase 3	0	79	0	0
FC02916	Lawns & Wood Lane Bungalows	0	13,121	0	0
FC02917	Abbey Road Creative Industries Quarter	0	2,500	0	0
FC02931	Leys New Build Development (HRA)	8,550,000	4,227,532	8,550,000	0
FC03071	Modular Construction Programme	1,000,000	1,000	100,000	(900,000)
FC03009	Leys Phase II	3,000,000	660,861	3,000,000	0
FC02961	Goresbrook Village Housing Development 13-15	0	190,758	0	0
FC02970	Marks Gate Open Gateway Regen Scheme	414,997	693,732	414,997	0
FC02973	Infill Sites	784,100	86,657	784,100	0
FC02988	Bungalows	100,000	18,996	100,000	0
FC02989	Ilchester Road New Build	2,750,000	458,444	2,750,000	0
FC03056	Burford Close	300,000	3,463	300,000	0
FC03058	Kingsbridge Development	400,000	199,876	400,000	0
	Sun-Total: New Builds	**17,299,097**	**6,557,019**	**16,399,097**	**(900,000)**
	Investment In Stock				
FC00100	Aids & Adaptations	860,000	276,828	860,000	0
FC02811	Members Budget	0	(144)	0	0
FC02933	Voids	5,000,000	2,023,467	5,000,000	0
FC02934	Roof Replacement Project	116,139	37,224	116,139	0
FC03048 / FC02938	Fire Safety Works	1,642,300	1,268,705	1,642,300	0
FC02943	Asbestos Removal (Communal Areas)	900,000	21,554	900,000	0
FC02950	Central Heating Installation Inc. Communal Boiler Replacement Phase II	1,600,000	782,643	1,600,000	0
FC02939	Conversions	50,000	7,388	50,000	0
FC02984	Block & Estate Management	0	86,441	0	0
FC02983	Decent Homes Central	6,900,000	1,717,489	6,900,000	0
FC03002 / FC03047	Decent Homes South	8,087,900	4,578,584	8,087,900	0
FC03001 / FC03046	Decent Homes North	5,900,000	3,230,799	5,900,000	0
FC03003	Decent Homes (Blocks)	76,000	(92,838)	76,000	0
FC03004	Decent Homes (Sheltered)	33,200	(25,031)	33,200	0
FC03005	Decent Homes Small Contractors	0	(5,000)	0	0
FC03007	Window Replacement Scheme	4,400	(10,500)	4,400	0
FC03036	Decent Homes Support - Liaison Teams/Surveys	90,000	0	90,000	0
FC03037	Energy Efficiency	500,000	81,860	500,000	0
FC03038	Garages Refurbishment	450,000	69,155	450,000	0
FC03039	Estate Roads & Environmental	750,000	(1,139)	750,000	0
FC03040	Communal Repairs & Upgrades	50,000	0	50,000	0
FC03045	External Fabrics - Blocks	3,200,000	776,771	3,200,000	0
FC03074	Estate Public Realm Improvements	500,000	0	500,000	0

Project No	Project Name	Revised 2016/17 Budget	Actuals	2016/17 Forecast	Variance
FC03075	Door Entry Systems	20,000	304	20,000	0
FC03076	Window Replacements	20,000	0	20,000	0
FC03077	Internal Works	150,000	0	150,000	0
	Sub-Total: Investment in Stock	**36,899,939**	**14,824,560**	**36,899,939**	**0**
	Housing Transformation				
FC03073	Housing Transformation Programme	**460,000**	0	**460,000**	0
Total For HRA		**62,659,036**	**28,582,132**	**61,759,036**	**(900,000)**
Total for Capital Programme 2016/17		**197,652,042**	**131,616,693**	**199,335,042**	**1,683,000**

CABINET

13 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 the Council Tax bill for 2017/18.

The proposed draft 4-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.

Recommendation(s)

The Cabinet is asked to recommend the Assembly:

(i) To approve a base revenue budget for 2017/18 of £144.686m, as detailed in Appendix A to the report;

(ii) To 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) To 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) To 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) To 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) To 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) To 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 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

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

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 2.3.4 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 circa £15m higher. This 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 authority 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 a balanced budget for 2017/18 in November 2016. The budget gap was £16.525m, taking into account approved savings of £9.275m (cabinet in July 2016, updated in November 2016) this left a revised budget gap of £7.250. Cabinet agreed 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 following the Chancellors Autumn Statement and the December provision finance 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 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 recommended and agreed 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 Governments recent 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 Cabinet in November 2016 agreed the Borough's first Investment and Acquisition Strategy. The strategy 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 strategy 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. This medium term financial plan supports the initial implementation of the strategy 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 strategy 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 strategy 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 1000 homes that are either built or under development. Implementation of the Investment and acquisition strategy will see that number rise to 3000 by 2020/21 with at least 50% of those additional 2000 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 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 2000 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 at 2.7, 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.

4.3.5 Headroom to fund these costs of circa £2.82m has been allocated from the Council's pool of flexible receipts (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

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

4.4 **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 London). 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, but these have been funded directly via central government. Looking forward the Council shall be developing Lymington Fields new school, Greatfields new school, Robert Clack and Barking Abbey expansion 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 17/18 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 17\18 and 18\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 20/21. 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 The Council 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. 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 end on 25th January 2017.

8.2 Accompanying these surveys have been roadshows in which members of the public and business can discuss with Councillor Twomey about the council budget proposals. The findings of these consultations will form the final MTFS that was considered the Public Accounts and Audit Select Committee (PAASC) in 1 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
- 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

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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**				

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
	Proposed use of Flexible Receipts			
	Design	£0.19m		
Implementation of Community Solutions	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
	Proposed use of Flexible Receipts			
	Design	£0.53m		
Implementation of the care and support service block	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
	Proposed use of Flexible Receipts			
	Design	£0.49m		
Start-up cost for Be First & Investment Strategy	Implementation	£0.66m	£2.17m	£0.32m
	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
	Proposed use of Flexible Receipts			
	Design	£0.02m		
Educational Attainment	Implementation			
	Total	£0.02m		
	Savings per year			
	Cumulative savings 2020/21			

Project:		16/17	17/18	18/19
	Proposed use of Flexible Receipts			
	Design	£0.18m		
Start-up cost for Traded Services	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
Core Design & Workforce Development	**Proposed use of Flexible Receipts**			
	Design	£0.31m		
	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.

CABINET

13 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.

Recommendation(s)

The Cabinet is asked to recommended the Assembly to:

(i) Adopt the Treasury Management Strategy Statement for 2017/18 and, in doing so, to:

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

b) 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;

c) 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;

d) 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;

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

f) 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;

g) 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;

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

i) 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;

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

k) 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

l) 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.

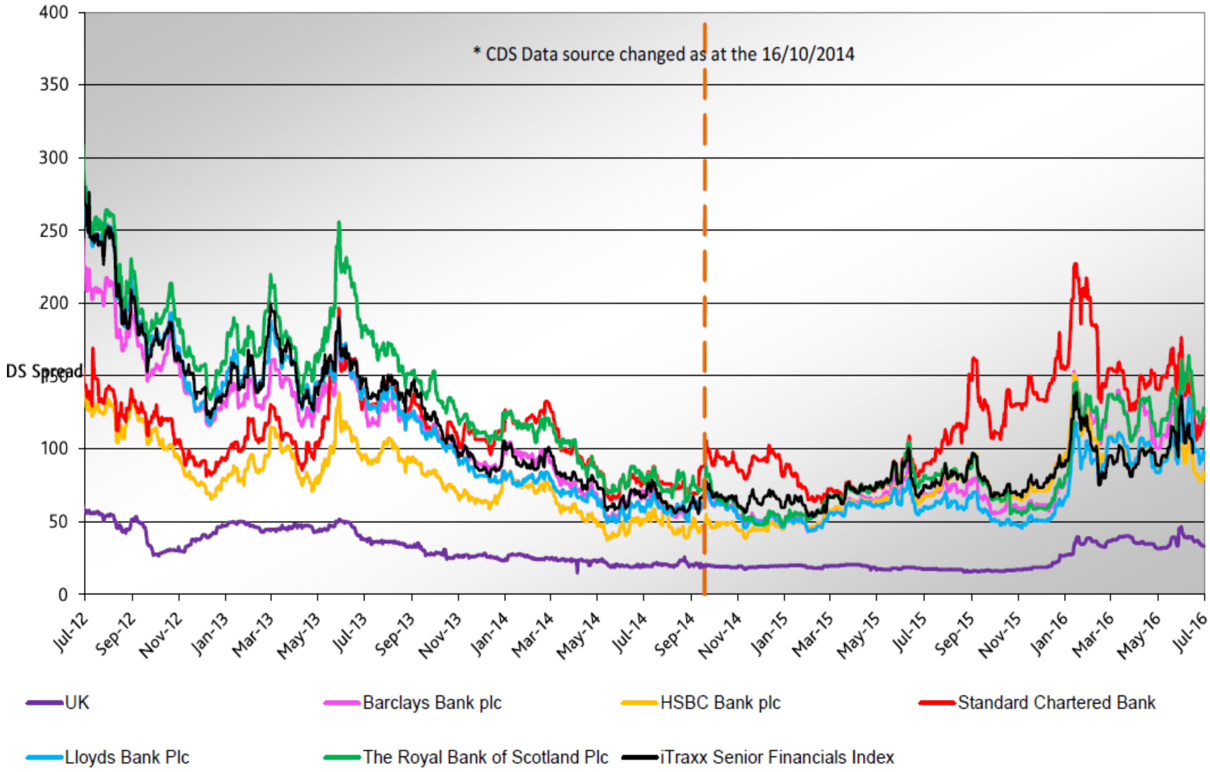
7.4 Lloyds Banking Group

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 14^{th} 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 at the 15th of November 2016.

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, 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 & 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 £'000s	2016/17 Approved	2017/18 Estimate	2018/19 Estimate	2019/20 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 £'000s	2016/17 Approved	2017/18 Estimate	2018/19 Estimate	2019/20 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.

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.

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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CABINET

13 February 2017

Title: Housing Revenue Account: Estimates and Review of Rents and Other Charges 2017/18 and 30 Year Business Plan	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
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Summary

The Annual Budget
The Council as a stock owning local authority, has an obligation to maintain a Housing Revenue Account. This is the income and expenditure relating to the management of the Council's housing stock and the Council is obliged to set a balanced budget.

This year is the second year in which the Government has imposed a rent reduction of 1% on all the Council's housing stock, both general needs secure tenancies, as well as affordable rented homes. The Council manages three types of housing within the HRA. These are:

- the majority of the stock built before 2012, where the rents are set in accordance with the old rent restructuring formula, and where average rents are low, currently around 39% of market rents.
- Affordable rented homes, which have been built since 2012 where rents are set as a proportion of market rents – between 50% and 80% of market rents;
- Temporary accommodation rents – where the rents are set in accordable with the Housing Benefit subsidy rules for temporary accommodation. The formula has changed for 2017/18 and rents will be set at 90% of the Local Housing Allowance. Local Housing Allowances were initially themselves set at the lower third of market rents but are currently frozen at the 2015 level.

Tenants of general needs and sheltered housing stock, as well as tenants in Affordable rented homes will therefore benefit from a decrease in their rents of an average of £1.67p per week. There is no requirement to reduce the rents on temporary accommodation which are set in accordable with a different formula.

This has led to a reduction in the Council's anticipated resources. The Council is seeking to address this difficulty through improvements in efficiency, as well as maximising income from other sources.

The Housing Service invited Housing Quality Network (HQN) to do a complete review of the service in 2014, and that report set out concerns about the quality of the housing service. This led to a Housing Transformation programme, which is continuing. The costs and benefits of this are set out in the report.

The report then goes on to consider the available resources, and how to maintain its commitments to investing in the housing stock in the most effective way, and how to maintain a programme of renewing the worst estates, and building new homes for Barking & Dagenham residents.

The 30 Year Business Plan
Cabinet approved the first HRA Business Plan in March 2012 in preparation for the new financial regime, Self-Financing in April 2012. This report updates the Plan since then. It is a holding Plan, and does not introduce any new changes of policy but simply summarises where we are now. The Housing Revenue Account (HRA) Business Plan is a statement of the Council's income and expenditure over 30 years, in respect of its owned housing stock. It enables the Council to take a long-term view of its assets and plan for housing projects which are funded in part or in whole by the HRA. It considers all the financial indicators that may influence the plan and enables the Council to anticipate and meet all known contingencies.

The current HRA Business Plan demonstrates that the Council can fulfil all its known expenditure plans on stock investment, estate regeneration and new build over the next 30 years adequately. There are several anticipated threats to the Business Plan, some of which have been built into the Plan, like the four-year reduction of rental income; and some of which cannot yet be quantified, like the proposed financial levy on the value of higher value homes that become empty in the future.

Because of the changes in Government Policy, regulation, the housing market, and local housing conditions, it is important to keep the HRA Business Plan under regular review as it is possible that the current position may change significantly because of developments in the legal, regulatory, market or economic situation.

The current Business Plan is a springboard from which the new emerging housing policies, will be introduced. This includes the proposed new rights: The Right to Rent, the Right to Move, and the Right to Invest.

Recommendation(s)

The Cabinet is recommended to:

(i) Agree that rents for all general needs secure, affordable and sheltered housing accommodation be reduced in line with the national rent reduction programme, from the average of £98.02 per week to £96.35 per week;

(ii) Agree that all new lettings, once a property becomes empty, be set at the target rent (minus 1% for each of the years that rents have been reduced by legislation) or the rent paid by the previous tenant, whichever is the higher;

(iii) Agree that service charges for tenants are frozen at 2016/17 levels;

(iv) Agree that charges for heating and hot water are frozen are frozen at 2016/17 levels;

(v) Agree that rents for stock used as temporary accommodation be set at 90% of the appropriate Local Housing Allowance (LHA);

(vi) Agree that service charges for hostels held in the General Fund are increased as set out in paragraph 2.7 of the report;

(vii) Agree that the above changes take effect on Monday 3 April 2017;

(viii) Approve the proposed HRA Capital Programme for 2017/18 as set out at Appendix 7 to the report;

(ix) Approve the HRA Business Plan as set out at Appendix 8 and the financial assessment at Appendix 9 to the report;

(x) Note the assumptions underpinning the HRA Business Plan which shall be reviewed annually; and

(xi) Approve the proposed commissioning intentions for 2017/18 as set out in Annex 1 to the HRA Business Plan.

Reason(s)

The Council must set the rents and give notification to tenants of changes to the rent and service charges. The Council has considered a review of the housing service which was carried out by HQN in 2014. It then set ambitious plans to maintain and improve its housing service and stock; and to build new homes. This report enables the Council to assess the level of resources available, and to plan for major expenditure in the three key areas of investment: its housing stock; its plans for regeneration and for new build. The organisation of Council services is also changing – property based services will be commissioned from the new “My Place” service, which will itself commission some services, such as the Repairs and Maintenance Service from “Home Services”, and provide other services directly, such as tenancy management. The Council will deliver new homes and estate regeneration through the Council’s own new Regeneration company, Be First. This will have a profound impact on the organisation of the Council budgets, including the Housing Revenue Account.

Rents and service charges are set, and savings are proposed, that will enable the Council to continue its investment programme and ensure there are sufficient resources now and in the future to meet all known financial obligations.

The HRA Business Plan shows how the HRA assets are managed and maintained over the longer term (30 years) and what action is required in the short and medium term to ensure that the position is improved. The Business Plan enables the Council to plan for future housing policies, and to understand their financial implications.

1. Introduction and Background

1.1 The Local Government and Housing Act 1989 requires the Council to manage its housing stock, and to balance its accounts for the housing stock as a ring-fenced account. This means that the Housing Revenue Account (HRA) does not receive any subsidy from the Government, or from Council Tax, and nor is it allowed to subsidise the General Fund. The legislation sets out those items that can be charged to the HRA.

1.2 The Localism Act 2011 introduced a new method of managing the HRA – called self-financing whereby in return for taking on a share of the national housing debt, local authorities could retain any rental surpluses, and manage their HRAs over a 30- year period.

1.3 The level of debt taken on was calculated in accordance with several assumptions about rent, inflation, sales, and stock investment requirements. The Government has made changes in areas of policy, such as the Right to Buy, and rent. These changes adversely affect those assumptions and have an impact on the Council's ability to meet its obligations to maintain the stock, and to repay debt. There are additional threats, which have not yet materialised, which may put the Council's assumptions in greater jeopardy in the future. For this reason, and as a matter of good practice, the Council reviews its Business Plan annually to ensure that the resources needed continue to be available to meet its obligations. This also enables the Council to take timely decisions to ensure that it can fund its plans.

1.4 The Housing and Planning Act 2016 also proposes the introduction of measures that will have an impact on the Housing Revenue Account. Whilst the Government have announced their intention of abandoning the policy of introducing higher rents for higher income households, they are continuing to press ahead with the proposal to introduce Fixed Term Tenancies, and they are encouraging local authorities to look at tenants' incomes, when reviewing a Fixed Term Tenancy to ensure that social housing is occupied by those most in need. Fixed Term Tenancies however do not have direct impact on the Council's budget, other than a requirement to ensure that there are sufficient resources in place to undertake reviews of tenancies, when they fall due.

1.5 The second major provision that will have an impact when it is implemented, is that local authorities will be required to pay a levy annually, that represents the value of their "higher value" empty homes. The information provided informally by civil servants is that they have been looking at the top third of properties, by value. This could be a very large sum that the Local Authority would be required to pay to Central Government annually, and the impact of the loss of empty homes would also have a very serious impact on the local authority's ability to meet the needs of homeless households and others in housing need.

1.6 However, Regulations to clarify these two aspects of the legislation have been seriously delayed – the legislation was passed in May 2016, and no regulations have yet been published. The Government have informed local authorities that they will not be requiring a payment under the Higher Value Voids Levy in 2017/18. The date for the implementation of Fixed Term Tenancies has not yet been set. These delays also mean that it is not necessary to make provision for these measures in the Budget for 2017/18. The Council does not know when they will be introduced, or exactly what the impact will be. The Budget (and the Council's HRA Business Plan) will be set based on the best available knowledge at the time of writing.

2. Rents and Service Charges

2.1 Rents for secure affordable and sheltered housing tenancies are now directly in Government control. In July 2015, the Government introduced a requirement (Welfare Reform and Work Act 2016) for social housing landlords to reduce their rents by 1% a year, for four years. In the past, the Government have influenced rents through its financial regimes such as rent restructuring, but this is the first time that the Government have decided to take complete control of social housing rents. This has caused a significant financial loss to Barking and Dagenham, and compared to what it expected to receive under the previous rent policy, this is a loss of £33.6m over the four years of the rent reduction programme, when compared to the anticipated income. This change of rent policy hit Barking and Dagenham particularly hard, as the rents were already low; and were set below the "target" rent for each property, which is the rent calculated under the previous policy which reflected local incomes, and local capital values. Currently, average local actual rents for the Council's 18,120 secure tenants are only 39% of local market rents. The actual reduction in the income between 2016/17 to 2017/18 is £1.267m.

2.2 The implementation arrangements for the rent reduction does allow local authorities to re-set rents for empty properties back up to the target rent (and then reduce that rent by 1% for each appropriate year during the four-year rent reduction programme.) Average actual rents in LBBD are around £3.50pw below the target rent; and therefore, re-setting the rents back up to target rent when the property is empty will bring in only a small amount of additional money in year 1 (£118,000) but this will increase exponentially in each subsequent year. For this reason, the Council will take advantage of this option to re-set rents on empty properties back up to target rents in line with this guidance.

2.3 The level of income collected from rents is also affected by the number of homes that the Council has. When the initial self-financing settlement was made, the Council had 18,894 homes, which meant that the Council carried an average of £14,074 of debt for each property. However, shortly after the Self-Financing settlement was made, the Government increased the discount on Right to Buy properties, which caused the numbers of sales to rise above expectations. In the year before the change, 97 homes were sold under the RTB in 2012/13 and then after the change, this rose to 226 sales in 2013/14, and sales have continued at this level since that date.

2.4 There are currently 326 properties which are in Regeneration Schemes, which are being used as temporary accommodation after the property has been decanted but before it is demolished. Rents for these properties, used as temporary accommodation have rents which are set at the maximum recoverable under the current Temporary Accommodation Subsidy Limit rules – 90% of the Local Housing Allowance with an added management charge of £40pw. These rules are being changed in 2017, as the grant for managing temporary accommodation is being removed, and due to be paid to local authorities as a single lump sum; and the only rent payable for temporary accommodation will be the Local Housing Allowance (LHA). Charges for rents on Temporary accommodation will therefore have to be changed in line with the new subsidy regime. This means that the maximum that the Council will be able to charge, will be 90% of the appropriate LHA rate for the size of property involved. This will generate a loss of income to the Housing Revenue Account in 2017/18 of £687,000.

2.5 The Council also has a stock of hostel accommodation, which is held in the General Fund. Authorities are expected to set a reasonable charge for the provision of additional services which reflects the cost of providing the service. A recent review of utility costs incurred in hostels revealed that the £1 a night currently being charged to hostel tenants is no longer sufficient to cover the costs attributable to the hostels. As such, a more realistic service charge of £10 a week (or £1.43 a night) and £14 a week (or £2 a night) is being proposed for single and family rooms respectively.

2.6 It is proposed that the hostels nightly rent charges should be increased to £33 a night and £38 a night for single and family rooms respectively. The purpose of this increase is also to meet the rising running costs of the hostels including higher costs of staff and security provision, cleaning and grounds maintenance costs. Though these costs have continued to increase over time, this has not yet been reflected in the charge to the tenant. This proposed increase in charges will generate additional rent and service charge income of approximately £300K which will serve to meet the rising cost of the hostel service provision. The table below illustrates the charges that will be required.

Hostels Rent & Service Charges Increase

Hostels Rent & Service Charges						
Site	**Daily Rent 16/17**	**Daily Rent 17/18**	**Change in Rent**	**Daily Service Charge 16/17**	**Daily Service Charge 17/18**	**Change in Service Charge**
	£	£		£	£	
Riverside	35.00	38.00	3.00	1.00	2.00	1.00
Butler	35.00	38.00	3.00	1.00	2.00	1.00
Brocklebank	27.00	33.00	6.00	1.00	1.43	0.43
Boundary	28.00	33.00	5.00	1.00	1.43	0.43

2.7 Tenant Service Charges are specific charges for services that some tenants receive and others do not. The list of charges which are identified separately are set out below. Landlords may not charge more than the actual cost of the service, plus a reasonable management fee. Barking and Dagenham charges the full cost of services provided in most services, but there are three services where the Council does not recover the full cost of the service from those who receive it. These are Grounds Maintenance, Caretaking, and Estate Cleaning. Although the Council does not recover the full cost, the Council has decided to freeze the charges in 2017/18. The re-organisation of the service into the commissioned services, My Place and Community Solutions means that there will be a requirement to specify the standard of service required and to set the quality of service expected. The service charges will not be raised until a further review of organisation, performance and quality of the services is undertaken during the next 12 months.

Service	Current Charge 2016/17	Proposed charges for 2017/18	Shortfall
Grounds Maintenance	£2.93	£2.93	£1.12
Caretaking	£7.65	£7.65	£0.39
Cleaning	£3.68	£3.68	£2.01
Estate Lighting	£1.87	£1.87	0
Concierge (12 hours)	£10.06	£10.06	0
Concierge (24 hours)	£20.13	£20.13	0
CCTV (SAMS)	£6.17	£6.17	0
Safer Neighbourhood Charge	£0.50	£0.50	0

The charges for heating and hot water are already based on full cost recovery, and these are also frozen:

Heating and Hot water charge

Property size	Current Charge 2016/17	Charge 2017/18
Bedsit	£10.50	£10.50
1 BR	£12.79	£12.79
2 BR	£15.91	£15.91
3 BR	£16.26	£16.26
4 BR	£16.65	£16.65

2.8 Garage income will continue to increase, as more garages are refurbished. The current policy is to charge £11.00 pw for garages that are not yet refurbished, and £15.00 for refurbished ones. This policy will continue in 2017/18. However, the rate of garage improvements is slow, and no additional income has been built into the budget for 2017/18 to reflect this.

2.9 Other income increases include Leaseholder Service Charges, where the bills are calculated based on the previous year's costs, and are forecast to bring in additional income of £0.566m. This is in part due to the increase in the number of leaseholders.

2.10 The costs of water and energy have increased, and these are passed on in full to tenants and leaseholders.

2.11 The Housing Revenue Account receives interest on its balances, and although the interest rate is low, the level of balances is such that the income anticipated in 2017/18 from interest on balances is £64,000 higher than budgeted for 2016/17. The income from interest on balances is estimated to be £400,000 in 2017/18.

2.12 There are savings in two budgets: bad debt, and other income. Bad debt provision was increased last year because of expected problems in rent collection following reductions in Welfare Benefits. However, the bad debt write off has not increased as anticipated, and therefore this additional provision is no longer required. The bad debt provision for 2017/18 has been set at £1.046m, a budget reduction of £1.726m. Other income relates to anticipated expenditure on Council Tax where properties remain empty. This item of expenditure has been lower than anticipated in the budget; and this budget therefore has been reduced by £350,000 for 2017/18.

3. Expenditure - Management and Maintenance costs

3.1 In 2014 a major review of the housing service was carried out by HQN. This identified many shortcomings in the housing service performance, and levels of tenant satisfaction. A major Housing Transformation Programme was established, with five work strands: Strategic maintenance, customer management, income and debt collection, workforce management and strategic housing (about the non-HRA services provided, such as housing options, homelessness, and housing advice.) These work strands have subsequently been subsumed into the Council transformation programme, which is leading to a new way of commissioning the housing service and the establishment of My Place, Community Solutions, and the maintenance service, Home Services. The aims of the Transformation Programme are to radically improve the quality and cost effectiveness of the housing service.

3.2 In the budget report for the financial year 2016/17, annual savings were identified over a period of five years, funded by a transformation programme of £6.06m made up of a combination of capital (£1.750m) and revenue (£4.319m).

3.3 The Transformation Programme has been subsumed into the Ambition 2020 programme, and these savings are due to be delivered by the Council's wider strategy to deliver services, through the "My Place" and "Community Solutions" programmes. Services that deal with the property aspects of housing such as tenancy management will be included within the over-arching new service of property management in "My Place" and services provided for tenants, such as welfare advice, and tenancy support will be included within the new department of "Community Solutions". My Place itself will commission services from other Council companies. The most significant of these, for the HRA will be the Repairs and Maintenance Service, which will be commissioned from a new Council company, Home Services. The spending on the Transformation Programme has slipped, and of the £1.750m capital provision, £1.2m has been spent, and therefore a budget of £0.5m will be carried forward for 2017/18. Additional transformation costs are due to be incurred in 2017/18 and therefore an additional provision of £2.4m has been added to the budget. The savings have also been slower to deliver than anticipated. In effect the savings have been slipped forward one year, but are still on course to deliver. Of the savings anticipated in 2016/17, net savings of £0.7m have been delivered from the Repairs and Maintenance service. Savings in 2017/18 budget amount to £0.612m, and are apportioned between a range of services.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
A2020 HRA Savings	(achieved)	(planned)	(planned)	(planned)	(planned)	(planned)	(planned)	(£m)
Budget Savings	0.7	0.612	2.884	2.254	2.528	1.781	1.8	12.559

3.4 There are a few items identified in the HRA Budget for 2017/18 that should be noted. As part of the restructure of the housing service, pending the new My Place arrangements, the new Asset Management structure, has been separated out from the Repairs and Maintenance Service. This is identified as a cost of £1.7m. In addition, the Council proposes to undertake a new Stock Condition Survey. The last stock condition survey was carried out in 2011, and there is a need to refresh stock condition information on a regular basis, to ensure that the Council understands the condition of the stock, and can plan for expenditure to maintain its assets at its desired standard. £500,000 has therefore been included as a growth item in the Revenue budget for 2017/18 to carry out a stock condition survey. This is a one-off item and should not be required in the following year's budget.

4. Housing Revenue Account Summary

4.1 In the light of these changes, the proposed HRA Budget for 2017/18 is set out below:

HOUSING REVENUE ACCOUNT				
	2016-17 £000	**2017-18 £000**	**Change £000**	**% Increase**
INCOME				
Rents of dwelling	(90,538)	(89,271)	1,267	-1.40%
Non-Dwelling rents	(807)	(807)	0	0.00%
Charges for services and facilities	(19,285)	(19,624)	(339)	1.76%
Interest and investment income	(336)	(400)	(64)	19.05%
	(110,966)	**(110,102)**	**864**	-0.78%
EXPENDITURE				
Repairs and maintenance	17,093	16,481	(612)	-3.58%
Supervision and management	42,767	42,523	(244)	-0.57%
Rent, rates, taxes and other charges	700	350	(350)	-50.00%
Provision for bad debts	2,772	1,046	(1,726)	-62.27%
Interest charges payable	10,059	10,059	0	0.00%
TOTAL EXPENDITURE	**73,391**	**70,459**	**(2,932)**	-4.00%
Revenue Investment in capital	**(37,575)**	**(39,643)**	**(2,068)**	**(0)**

5 Capital Programme

5.1 There are three main programmes of work funded through resources in the HRA. These are the stock investment programme, the Estate Regeneration Programme and the New Build Programme.

5.2 The Stock investment programme remains focussed on the target of achieving Decent Homes for all the housing stock by 1st April 2020. The Decent Homes work planned include kitchens, bathrooms, rewiring and heating improvements. The Programme has been divided into three areas, with the Central Area Decent Homes Programme being delivered by Small and Medium Sized local contractors, (SME) to encourage and enable local contractors to expand and deliver more of the Council's capital programme. Other significant elements of the Stock Investment Programme will include compliance programmes including water tanks and rewiring.

5.3 The original budget for stock investment set in the Budget report in January 2016, proposed a stock investment programme of £39.7m for 2016/17. The estimated outturn for 2016/17 will be £36.9m. The underspend of £1.75m has been approved to be carried forward to 2017/18. Given the proposal to seek new and better information about stock condition, it is recommended that the new programme for 2017/18 should be set at £38.95m, which with the £1.75m carry forward will make a total stock investment programme for 2017/18 of £40.7m. This will be targeted at Decent Homes work, and compliance programmes as set out in Appendix 7. This will include a budget of £2m in this capital programme, to undertake a specific project "Green Street" to develop an exemplar project that will deliver exceptional energy savings in existing housing.

6. Estate Regeneration and New Build programme

6.1 The Estate Regeneration programme started in July 2010. The aims of the programme were to improve the quality of the environment, the economic prosperity of the area, and the quality of life for the residents. Since that date, the Council has demolished 861 homes on the Gascoigne Estate East, Goresbrook Village and The Leys. These homes have either been replaced or are in the process of being replaced by mixed tenure developments of 728 homes. There is a mixture of rented accommodation at a range of different rents, as well as shared ownership homes. Some of these homes have been rebuilt and are retained within the Housing Revenue Account, at a range of rents, and others have been passed into the ownership of the Council's wholly owned housing company, Reside. In addition, the new build programme overall is delivering 197 homes within the Housing Revenue Account, and 807 homes to be owned and managed by Reside.

6.2 This highly successful programme is continuing, and with the redevelopment of Gascoigne West, Sebastian Court and Marks Gate will have addressed the major poor quality estates in the borough. In 2016/17 a budget of £4.335m was established for estate renewal and £33.221m for the new build programme. The estate renewal programme has been accelerated during the year, and the outturn in 2016/17 will be £8.0m. The new build programme was initially set at £33.221m but delays in the programme mean that the outturn for 2016/17 will be £17.2m.

6.3 The programme for 2017/18 will address the new projects of Gascoigne West, Sebastian Court and Marks Gate as well as the continuation of projects as set out above. This will involve the demolition of a further 339 homes, and the construction of new homes for rent, and shared ownership to be distributed between the Council's own ownership, and the Reside Company. Exact numbers are still subject to development financial appraisals. The budgets proposed for 2017/18, set out in Appendix 7 are £8.00m for Estate Renewal, and £39.1m for new build homes.

6.4 The Housing Investment Programme will be funded through a combination of capital receipts, Revenue Contributions to Capital Outlay (RCCO), the Leasehold Reserve and borrowing. Not all of these funding sources can be used for all these expenditure items, and the funding will be appropriately profiled to the projects.

7. The 30-year Business Plan

7.1 The Government introduced the new financial regime of Self Financing in 2012, and on 20th March 2012 Cabinet considered the first full HRA Business Plan. This set out the anticipated income and expenditure on the Council's housing stock over the forthcoming thirty years, and this information has been regularly used in the light of changes in Government policy on rents, Right to Buy and other financial metrics as part of the budget setting process. A Stock condition survey commissioned in 2011 supported the development of the stock investment programme which is one of the key items within the overall Business Plan.

7.2 Since 2012, there have been significant developments affecting the Business Plan: changes to Government policy, changes to local market conditions, and local performance on key financial measures such as rent collection and empty homes which have had an impact on the Business Plan. Expenditure plans have also developed and changed: an increased new build and estate regeneration programme has been built into the Business Plan to make the best use of the resources available. This Business Plan is therefore a narrative and financial description of the current position of the Council's housing stock.

7.3 The current HRA Business Plan demonstrates that over the forecast 30 years of the Plan, the HRA can fund its current planned expenditure requirements. This is based upon £110m of rent and other income at 2017/18, falling over the next three years and rising after 2019/20 if the Government delivers on its promised rent policy of rent increases of CPI + 1% after the current period of rent reduction. Management and maintenance costs are set to absorb inflation for the next four years and then rise by 3% thereafter. This generates a healthy net revenue surplus, which after meeting interest costs of £10.06m a year for the life of the Plan can fund the current stock investment, estate renewal and new build requirements.

7.4 The Business Plan assumes that there is no additional borrowing (as the current level of borrowing is at the Government defined cap) but also assumes that there is no provision for reduction of debt. It is assumed that no external grant is received, either for stock investment or for new build. Provision for stock investment is set in the region of £40m for the first four years, and then falls to £30m a year, after the completion of the Decent Homes Programme. A programme of new build is funded from the HRA for the life of the plan; it fluctuates in the first four years in line with anticipated pipeline schemes, and then is estimated at £20m a year from 2020 onwards. Estate Regeneration is also funded in the HRA Business Plan at an indicative level of £6m a year from 2018/19. With this level of expenditure, cash balances remain adequate during the early period of stock investment activity, and when the Decent Homes Programme is complete, start to rise from 2023/24 onwards. There are therefore investment opportunities after 2023 which have not been planned for at this stage, although the Government's proposed higher value void levy may reduce this. Some of the resources within the HRA Business Plan are restricted in their use – the RTB receipts that have been generated in line with the Government's agreement on one for one replacement of homes. In addition, consideration should be given to the level of debt which is sustainable, given the regular loss of properties, which are not being replaced within the HRA.

7.5 One of the key purposes of the HRA Business Plan is to enable the authority to plan for its housing expenditure over the medium and long term. The plans for stock investment will be refreshed once the analysis of the new Stock Condition Survey has been obtained; and it is likely that this will be available in October 2017. In the meantime, the level of stock investment provided for within the HRA Business Plan has been set with the previous Stock Condition Survey data in mind, until the completion of the Decent Homes Programme, at which point the stock investment provision falls to a level which is considered sufficient to maintain the stock at a reasonable standard.

7.6 The Estate Regeneration programme has been funded from a variety of sources, depending upon the specific estate needs, and the proposed replacement proposals. In the current programme, the HRA has largely funded the compensation packages required for tenants and leaseholders who are displaced because of estate renewal, and also the cost of buying out leasehold interests on those properties which are due to be demolished. The overall package of demolition, and replacement has been funded through a mix of market sales, and borrowing within the General Fund. The current HRA Business Plan provides for £8.0m in 2017/18, £7.0m in 2018/19 and £6.0m a year thereafter, and this will be reviewed during the year, as the development of the forward programme advances.

7.7 The New Build Programme is related to the Estate Regeneration Programme, where there are sites available within estates that can be utilised more effectively. However, there is also a separate new build programme using opportunities that arise outside of the Estate Regeneration Programme. The current Business Plan provides for £39.1m in 2017/18 and a further £11.5m in 2018/19 to support the use of Right to Buy receipts in the capital programme. However, whether the HRA will continue to fund the New Build Programme, after 2019/20 needs to be reviewed, since the new homes built will be built and managed on behalf of the arm's length company, Reside and not the HRA. There is currently provision of £20m a year from 2020/21 onwards through the life of the Plan, for this purpose. In view of the decision that new build properties will be owned by the Council's company, Reside this decision may require review.

7.8 The emerging housing policy framework in Barking and Dagenham, is in the development of three rights: The Right to Rent, the Right to Move, and the Right to Invest. Barking and Dagenham currently has a geographical spread of housing that forms concentrations of different kinds of housing, in different areas. Some areas are virtually all social housing, whilst others are mainly market housing. The Council wants to see more geographically balanced and mixed communities, and will be developing homes appropriate to the different areas through its new housing policies. In areas where housing concentrations of Council housing currently exist, the Council will be introducing a range of mixed tenure options where housing of different rent levels and ownership types will provide a more mixed community and vice versa. The Right to Rent will be developed in five forms of *infrastructure* housing:

- Social housing rents, for those with the lowest incomes;
- Homes at the London Living Rent, as promoted by the Mayor of London in his manifesto;
- Benchmark rents in the mid-market range, housing for the aspiring households who want to move up the housing ladder;
- Affordable rented housing at 65% market rents and
- Housing for those on higher incomes, at 80% to 100% of market rents.

The Council further proposes to develop a Right to Move: an incentive scheme for tenants who qualify financially, to enable them to move out of Council housing with the assistance of a substantial deposit and free up much needed social housing. Finally, there is a Right to Invest, which enables tenants should they wish to do so, to part purchase their homes and take on ownership of a share of their home, and pay a percentage of the rent on the remainder. This is designed to give low income working households the opportunity of stepping up into home ownership gradually.

8 Conclusion

8.1 2017/18 will be a transitional year. The Council is embarked upon a major transformation programme, and it is anticipated that the establishment of the two new major departments, My Place and Community Solutions will take place half way through the year. This will necessitate a complete review of all budgets, including recharges to ensure that the right budgets support the right activities in different places. This budget has been set without being able to take account of these changes at this stage; as the detailed work on the assignment of budgets to activities has not yet been completed at the time when the annual budget and rent setting process needs to take place. The new budget in 2018/19 will be adjusted in line with the transformation programme, when this work is complete.

8.2 Not just for this reason, 2017/18 will be a challenging year. Government legislation on the statute book does threaten a major change to the resources within the HRA, but delays in Government on the publication of the Regulations mean that these changes cannot yet be fully assessed.

8.3 The Borough’s policy however is not to be diverted from its overall commitments to improving the quality of the housing stock, and ensuring that a supply of new homes, at a range of different price points, become available for the residents of Barking and Dagenham.

9. Consultation

9.1 Consultation with tenants and residents will take place at the next round of Housing Forum Meetings after the Cabinet meeting. This will include presentations on both the budget, and the HRA Business Plan, inviting tenants to participate in discussions about overall priorities for expenditure within the HRA.

10. Financial Implications

Implications completed by: Katherine Heffernan, Group Manager, Finance and Investment, Service Finance Team

10.1 The statutory format of the Housing Revenue Account is included at Appendix 6. The analysis below refers to the summary format in paragraph 4.1, as this is easier to understand and presents key issues for Members and tenants more clearly.

10.2 **Tenant Dwelling Rents**

The report proposes to reduce social housing rents by 1% in line with Government policy. This applies to all council stock, including affordable rent properties, and equates to an average reduction for social housing tenants of £0.98 per week, after also incorporating changes in the stock mix the overall reduction in average rents is £1.67 per week. The impact on the original business plan was a loss of income of £33.6m over 4 years, with a £3m loss in 2016/17. This would have equated to a loss of income in the region of £450m over the 30-year business plan. As part of budget setting a review has enabled some of this loss to be mitigated, although further work is required to ensure the HRA continues to be sustainable over the longer term.

There are over 300 properties within the HRA that have been decanted as part of the ongoing estate renewal programme which are being used within the temporary accommodation portfolio. The rent levels have been set at a higher amount than the current average levels to cover the additional costs related to this type of placement. As the estate renewal and new build programme progress, the number of decant units available for temporary accommodation will reduce. As a result, this income is not sustainable over the long term but provides a short-term benefit to the HRA.

The number of Right to Buy sales has increased in recent years with 224 in 2015/16 and a similar level expected in 2016/17 and 2017/18. With the abolition of the "Pay to stay" scheme and delays in the introduction of the required sale of high value void properties, the reduction in stock levels will be lower than previously anticipated. The table below shows the net expected rental income from the above changes:

Rental Income	**£'000**
2016/17 Budget	**(90,538)**
Rent decrease	905
Right to Buy Sales	551
New Build	(188)
2017/18 Budget	**(89,270)**

10.3 **Non-Dwelling Rents**

It is proposed to maintain Garage rents at £15 per week for those units that have been refurbished to a decent let-able standard and the remaining garages at £12 per week.

10.4 **Charges for services and facilities**

Authorities are expected to set a reasonable charge for the provision of additional services which reflects the cost of providing the service. It is currently proposed to maintain service charges at current levels pending a review of all services provided. This has resulted in a budgeted loss of income to the HRA of £0.32m

Leasehold charges are based on actual costs incurred for the above services as directed by the Tenant and Leasehold Act 1985 and in accordance with the terms of the lease. The 2017/18 has therefore used the 2015/16 actuals as the basis for the 2017/18 budget. This has resulted in a budget increase of £0.566m

The council collects water and sewerage charges to tenants on behalf of the Essex and Suffolk Water Board in return for a commission. The council currently receives commission of 13% plus a 2% void allowance. The current contract is subject to a review and will also consider any budget implications of the recent court decision relating to the reselling of water.

10.5 **Interest and investment income**

The HRA treasury management function will form a key component of the business plan and HRA budgets. The two main aspects of this will be to ensure interest payments servicing the final debt allocation are minimised whilst cash flow management allows housing stock investment to progress as required. The budgeted figure for investment returns is £0.400m, in accordance with the current cash flow.

10.6 **Repairs & Maintenance**

The HRA provides a repairs and maintenance service to tenants as part of its duty as a social landlord. The revenue budget is to reduce by £0.6m from £17.1m to £16.5m in 2017/18 primarily due to savings expected to be delivered through the A2020 programme.

10.7 **Supervision & Management**

The budget consists of both direct expenditure and recharged spend from services provided by departments outside of the HRA. In 2017/18, the budget will decrease in 2017/18 primarily due to removal of a one-off budget for Redundancy costs and the staffing budget savings following a staffing restructure. HRA expenditure on A2020 is included in the 2017/18, whilst the associated budget savings expected to be delivered from 2018/19 onwards.

Recharges to the HRA have broadly been maintained at current levels pending a review of services provided and the associated costs. This review will need to be closely linked to the service charge review highlighted above.

10.8 **Rents rates & other charges**

This includes the budget for council tax on empty properties, property insurance and rent of office premises. A budgeted review has allowed a budget saving £0.350m to be included in the 2017/18 budget.

10.9 **Provision for bad debt**

Significant changes to welfare benefits, including Housing Benefit, are being implemented on a phased basis across the country. The introduction of the benefit cap and occupancy criteria continue to impact many Council tenants. The introduction of Universal Credit, including direct payments of benefits to claimants, is expected to have an even greater impact on income levels.

Currently the impact on the HRA has been lower than previously anticipated therefore the budget level of revenue contribution to the budget debt provision will be set at a lower level in 2017/18, at 1% of collectable in year debt.

The changing circumstances of tenants and revised Government timescales will continue to be monitored to ensure a prudent provision is made within the Business Plan to manage the changing magnitude of the risk.

10.10 **Interest charges payable**

The borrowing costs attached to the debt settlement in March 2012 represent a significant cost to the HRA, although the Public Works and Loans Board (PWLB) provided preferential rates for settlement debt. The self-financing settlement required the authority to undertake additional borrowing of £267m within a debt cap of £277m.

The Council was successful in applying for an increase to the debt cap of £3.2m in 2015/16 and a further £10.75m in 2016/17 increasing the overall cap to £291m. The additional borrowing was agreed specifically to fund additional new build but delays in these new build schemes means this borrowing will be drawn down later.

The HRA includes a budget of £10m to fund the ongoing borrowing costs of HRA debt. As part of a wider Treasury management strategy the additional borrowing headroom has been drawn down in 2016/17, the interest charges against this borrowing are containable within the existing budget provision. Current policy is to maintain debt and not reduce the level of borrowing, however, any decision to actively reduce the level of borrowing would place additional pressure on the HRA as repayment is not currently budgeted for.

10.11 **Revenue Contribution to Capital**

The level of Revenue resources available for partial funding of HRA capital expenditure is £2.068m higher than the 2016-17 budget this is primarily due to reductions in the Bad Debt Provision in-year contributions and the removal of one off budget provisions (e.g. Voluntary Redundancy).

10.12 **HRA Capital Programme**

The 2017/18 HRA capital programme has been set at £89.70m, this includes budget provisions for Investment in Stock (£40.75m), Estate Renewal (£8m), New Build (£39.2m) and HRA IT system (£1.75m). The funding of this expenditure is from revenue contributions, HRA borrowing, Right to Buy and other capital receipts.

10.13 The HRA Business Plan outlined in this report draws its financial base from the Annual Housing Revenue Account Estimates contained within this report.

10.14 The HRA Business Plan outlines the surpluses generated from in-year operational activities together with a broad outline of how those surpluses will be allocated to meet the Council's investment needs, both in terms of maintaining its existing stock and the provision of new build units.

10.15 At the core of the HRA Business Plan is a series of 30 year financial projections. The key financial issues are dealt within the body of this report. There are several variables and assumptions in the current projections which may be subject to change. The business plan will be updated accordingly as further information and clarification is provided.

11. Legal Implications

Implications completed by: Martin Hall, Housing Solicitor / Team Leader

11.1 Section 24 of the Housing Act 1985 provides that a local housing authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Authority must review rents from time to time and make such changes as circumstances require. Within this there is discretion to look at any reasonable option.

11.2 Section 76 Local Government and Housing Act 1989 places a duty on local housing authorities to: (i) to produce and make available for public inspection, an annual budget for their HRA, which avoids a deficit; (ii) to review and if necessary, revise that budget from time to time and (iii) to take all reasonably practical steps to avoid an end of year deficit.

11.3 Sections 167 to 175 of the Localism Act 2011 gives the statutory basis for the HRA self-financing arrangements set out in this report.

11.4 The provision, maintenance and improvement of social housing by local authorities is authorised by various Housing Acts and other legislation.

11.5 The HRA Business Plan will need to be kept under review as further legislative and policy changes are implemented under the Housing and Planning Act 2016.

12. Other Implications

12.1 **Risk Management –** The Council maintains a separate Risk Register detailing those risks posed to the Council's Housing Revenue Account Business Plan and Budget. These risks include:

Changes to Government Policy: This risk is identified as Probable, with a high impact. We already know that legislation to require the local authority to make annual payments to Government reflecting the market value of our higher value empty properties is in place: Regulations are awaited. There are mitigation strategies under consideration but further work on this is on hold, until the Regulations are published. In addition, a White Paper on Housing is promised in January 2017 which may have a further impact on the Council's HRA budget. Early analysis of this will be undertaken to ensure that the Council is fully prepared for any further change.

Stock condition data: A significant item of expenditure within the budget and Business Plan is the maintenance of the stock in a reasonable condition. There are provisions within the budget to refresh and update the stock condition information to ensure that the financial planning to meet the stock maintenance requirements are realistic.

Financial savings: A key risk in the budget is that transformation savings are not realised. This would have the impact of meaning that the service would remain high cost, and not competitive. Close monitoring of the savings programmes will be maintained to ensure that anticipated savings are realised.

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

12.3 **Corporate Policy and Customer Impact –** The Corporate Plan sets out a vision of a well-run Council, including the aspiration to manage our finances effectively, looking for ways to make savings, generate income and be innovative in service delivery. The HRA is an important budget, collecting the rent and service charges of tenants, and re-distributing them in the form of services, and housing investment. It is the aim of the annual budget to ensure that costs are examined, and reduced where possible, and that savings generated are re-investment in cost effective projects that deliver the Council's priorities for housing growth and quality services.

12.4 **Health Issues –** Housing has an important part of play in assisting to provide a healthy environment in which residents can live. The stock investment programme funds the improvement of the housing stock in terms of affordable warmth, through its energy efficiency programme. The Aids and Adaptions Budget enables older and disabled residents to live in greater comfort within their own homes, and enables them to retain independence for longer.

12.5 **Crime and Disorder Issues –** The HRA Budget does provide funding for initiatives that support the reduction of crime and antisocial behaviour within areas of Council housing stock. One of these is the Safer Neighbourhood Charge, which provides funding for additional policing staff across the Borough's housing estates. In addition, service charges are levied to pay for the cost of CCTV cameras which contribute to surveillance of areas of potential concern. Physical programmes to reduce poor environmental layout on estates through regeneration programmes also contribute to an overall reduction in crime and antisocial behaviour.

12.6 **Property / Asset Issues -** The HRA Budget is key to ensuring that the Council's assets held within the HRA are managed and maintained well, to ensure that they are available and fit for Barking & Dagenham's current and future residents. The HRA budget also supports the regeneration of council housing, and communities through a programme of estate renewal, and new building.

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

List of appendices:

1 HRA Working Balances
2 Rent Income Analysis
3 Average rent analysis
4 Rental Income Debtor Account
5 Budget assumptions
6 HRA Estimate 2016/17
7 HRA Capital Programme
8 Housing Revenue Account 30 Year Business Plan narrative
9 Housing Revenue Account 10-year financial extract

APPENDIX 1

HRA WORKING BALANCE 2017-18	
	£'000
Working Balance 1st April 2016	8,736
Projected Surplus /(Deficit) 2016/17	2,370
Working Balance 1st April 2017	11,106
Projected Surplus /(Deficit) 2017/18	-
Working Balance 31st March 2018	11,106

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APPENDIX 2

RENTAL INCOME ANALYSIS

RENTAL INCOME ANALYSIS				
	2016-17 £000	**2017-18 £000**	**Change £000**	**% Change**
Rents of dwelling	(90,538)	(89,270)	1,268	-1.40%
Tenants Service Charges	(6,312)	(5,992)	320	-5.07%
TOTAL INCOME	(96,850)	(95,262)	1,588	-1.64%

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APPENDIX 3

AVERAGE RENT ANALYSIS

AVERAGE RENT ANALYSIS			
	2016-17	2017-18	Change
	per week	per week	per week
	£. pp	£. pp	£. pp
Average Rent	98.02	96.35	(1.67)
Amenity Green	2.93	2.93	0.00
Caretaking	7.65	7.65	0.00
CCTV	6.17	6.17	0.00
Concierge	10.06	10.06	0.00
Estate Cleaning	3.68	3.68	0.00
Estate Lighting	1.87	1.87	0.00
Safer Neighbourhood	0.5	0.5	0.00
Tenants Service Charges	32.86	32.86	0.00

APPENDIX 4

RENT DEBTOR ANALYSIS

RENTAL INCOME DEBTOR ACCOUNT			
	Current Tenant Debtors £000	Former Tenant Debtors £000	Total Debtors £000
Debtor Balance - 1st April 2016	3,516	1,302	4,818
Projected Change in 2016/17	639	305	944
Debtor Balance - 31st March 2017	4,155	1,607	5,762
Projected Increase in 2017/18	- 52	376	324
Debtor Balance - 31st March 2018	4,103	1,983	6,086
Annual Increase in Arrears	-1.25%	23.40%	5.62%
Proportion of Annual Rent & Service Charges Debit	3.73%	1.80%	5.53%
Bad debt contribution			1,046

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APPENDIX 5

BUDGET ASSUMPTIONS

BUDGET ASSUMPTIONS				
Rent				
Average Rent Decrease		-1.00%		
Average Rent Decrease Houses		-1.00%		
Average Rent Decrease Flats		-1.00%		
Voids (Percentage of Gross Rent)		1.00%		
Rent Policy				
In Accordance with Government policy		-1.00%		
Stock Assumptions				
Right to Buy Sales in year		220		
Tenants Service Charges	**2016-17 Charge**	**2017-18 Charge**	**Change**	**Change**
	£ p.w	£ p.w	£ p.w	%
				23.6
Amenity Green / Grounds Maintenance	2.93	2.93	0.00	
Estate Lighting	1.87	1.87	0.00	0
Caretaking	7.65	7.65	0.00	11.4
Cleaning	3.68	3.68	0.00	37.3
Safer Neighbourhood	0.50	0.50	0.00	100
SAMS	6.17	6.17	0.00	0
Concierge	10.06	10.06	0.00	0
	32.86	32.86	0.00	8.1
Energy				No increase
Interest				
Debt Interest				3.52%

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APPENDIX 6

HRA BUDGET SUMMARY

HOUSING REVENUE ACCOUNT - SUMMARY FORMAT				
	2016-17 £000	**2017-18 £000**	**Change £000**	**% Increase**
INCOME				
Rents of dwelling	(90,538)	(89,271)	1,267	-1.40%
Non-Dwelling rents	(807)	(807)	0	0.00%
Charges for services and facilities	(19,285)	(19,624)	(339)	1.76%
Interest and investment income	(336)	(400)	(64)	19.05%
	(110,966)	(110,102)	864	-0.78%
EXPENDITURE				
Repairs and maintenance	17,093	16,481	(612)	-3.58%
Supervision and management	42,767	42,523	(244)	-0.57%
Rent, rates, taxes and other charges	700	350	(350)	-50.00%
Provision for bad debts	2,772	1,046	(1,726)	-62.27%
Interest charges payable	10,059	10,059	0	0.00%
TOTAL EXPENDITURE	73,391	70,459	(2,932)	-4.00%
Revenue Investment in capital	(37,575)	(39,643)	(2,068)	(0)

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APPENDIX 7

CAPITAL PROGRAMME

Work Stream	2017-18	2018-19	2019-20	2020-21	2021-22	5year Total
INVESTMENT IN STOCK						
Estate Environment Improvement	125,100	1,000,000	6,950,000	8,250,000	8,250,000	24,575,100
External Fabric inc EWI - Blocks	3,282,900	4,000,000	9,000,000	9,000,000	9,000,000	34,282,900
Communal Roof Replacements	500,000	500,000	1,500,000	1,500,000	1,500,000	5,500,000
Conversions	700,000	700,000	700,000	700,000	700,000	3,500,000
Window and Door Replacements	50,000	500,000	500,000	500,000	500,000	2,050,000
Energy Efficiency inc Green Street	2,000,000	500,000	500,000	500,000	500,000	4,000,000
Estate Roads re-surfacing	850,000	892,000				1,742,000
Electrical Lateral Replacement	1,000,000	1,000,000	1,430,000	1,180,000	1,180,000	5,790,000
Decent Homes (North) 2017/19 Programme.	7,400,000	7,900,000				15,300,000
Decent Homes (South) 2017/19 Programme.	7,400,000	7,900,000				15,300,000
Decent Homes (Central) 2017/19 Programme.	7,500,000	6,000,000				13,500,000
Fire Safety Improvement Works	1,742,000	2,400,000	1,500,000			5,642,000
Lift Replacement Programme	50,000	750,000	1,000,000	1,000,000	1,000,000	3,800,000
Disabled Adaptations - HRA						

	950,000	950,000	950,000	950,000	950,000	4,750,000
Voids	3,000,000	2,000,000	1,500,000	1,180,000	1,180,000	8,860,000
Decent Homes 2019/22 Programme			2,000,000	2,000,000	2,000,000	6,000,000
Compliance (Asbestos, Tanks, Re-wires)	900,000	900,000	900,200	900,000	900,000	4,500,200
Communal Heating Replacement	1,200,000	1,000,000	700,000	700,000	700,000	4,300,000
Domestic Heating Replacement	900,000	900,000	900,000	900,000	900,000	4,500,000
Box-Bathroom Refurbs (Apprenticeships)	50,000	1,000,000	1,300,000			2,350,000
Garages	450,000	350,000				800,000
Public Realm Improvements	500,000					500,000
Door Entry Systems	50,000	50,000	50,000	50,000	50,000	250,000
Minor works and replacements	150,000	150,000	300,000	300,000	300,000	1,200,000
TOTAL INVESTMENT IN STOCK	40,750,000	41,342,000	31,680,200	29,610,000	29,610,000	172,992,200
HRA BP investment envelope	40,750,000	41,342,000	31,680,200	29,610,000	29,610,000	172,992,200
Estate Renewal	8,000,000	7,000,000	6,000,000	6,000,000	6,000,000	
Total	8,000,000	7,000,000	6,000,000	6,000,000	6,000,000	

New Build						
Leys New Build Dev (HRA)	232,000	-				
Leys Phase II	17,000,000	300,000				
Modular Programme	3,000,000	1,000,000				
Marks Gate Open Gateway Regen Scheme	-	-				
Infill Sites	4,000,000	10,200,000				
Ilchester Road / North Street New Build	4,750,000					
North St		-				
Burford Close	1,200,000	-	-	-	-	
Kingsbridge Shared Ownership	8,600,000	-				
To Be Allocated	415,864		20,000,000	20,000,000	20,000,000	
	39,197,864	11,500,000	20,000,000	20,000,000	20,000,000	
Housing IT system	1,750,000	-	-	-		
Total	1,750,000	-	-	-	-	
HRA Total	89,697,864	59,842,000	57,680,200	55,610,000	55,610,000	

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Appendix 8

Barking and Dagenham Housing Revenue Account (HRA) Business Plan 2017 – 2047 – Executive Summary

The first HRA Business Plan was presented to Cabinet in March 2012, in preparation for the introduction of Self Financing in April 2012. This is an update of that Plan, and provides a statement of the current HRA position. It is a holding Plan, and does not represent a radical change from what has gone before. Rather, it represents a summary of where we are now as a result of the Council's policies on investment, estate regeneration and the introduction of the new build programme. The next iteration of the HRA Business Plan will be a full Housing Commissioning Plan, which will set out the way forward for the Council's housing framework for Barking and Dagenham. The emerging policy will be framed around three housing rights: The Right to Rent, the Right to Move, and the Right to Invest. The Council wants to see more geographically balanced and mixed communities, and will be developing homes appropriate to the different areas through its new housing policies. In areas where housing concentrations of Council housing currently exist, the Council will be introducing a range of mixed tenure options where housing of different rent levels and ownership types will provide a more mixed community and vice versa. The Right to Rent will be developed in five forms of *infrastructure* housing:

- Social housing rents, for those with the lowest incomes;
- Homes at the London Living Rent, as promoted by the Mayor of London in his manifesto;
- Benchmark rents in the mid-market range, housing for the aspiring households who want to move up the housing ladder;
- Affordable rented housing at 65% market rents and
- Housing for those on higher incomes, at 80% to 100% of market rents.

The Council further proposes to develop a Right to Move: an incentive scheme for tenants who qualify financially, to enable them to move out of Council housing with the assistance of a substantial deposit and free up much needed social housing. Finally, there is a Right to Invest, which enables tenants should they wish to do so, to part purchase their homes and take on ownership of a share of their home, and pay a percentage of the rent on the remainder. This is designed to give low income working households the opportunity of stepping up into home ownership gradually.

The Barking and Dagenahm HRA Business Plan sets out the financial position of the Council's 18,120 general needs properties, as well as the 3,456 leasehold properties, the 559 properties let at affordable rents, and the 336 properties which are let as temporary accommodation, pending demolitoin. This Plan shows that the properties generate annual income of £110m and this income is due to fall over the next three years, because of the Government's policy of reducing social housing rents, and also due to the annual loss of stock through the Right to Buy.

However, despite this adverse policy, the Plan shows that the Council has adequate resources to meet the costs of management, maintenance, stock investment and a steady programme of new build and estate regeneration.

In 2014, the Council commissioned a review of the service from Housing Quality Network (HQN), and this identified a number of shortcomings in the housing service, both in the performance indicators, costs and tenant satisfaction. A transformation programme was started, and is currently underway. This programme has been subsumed into the Council's Ambtion 2020 programme which will transform the way in which services are delivered.

The Council took on additional housing debt of £277.6m in April 2012 as part of a settlement with Central Government, known as Self Financing in which Councils took a share of the national housing debt, in return for additional financial freedoms. However, the benefits of this deal have been eroded since that date by changes of policy on the part of Government, such as the increase in the RTB discount, and the imposition of a four year rent reduction. The Council has borrowed additional funds to take forward its estate regeneration and new build programme, and this additional debt means that the Council's debt is now £291.6m, which is the maximum that the Council is allowed to borrow against its assets. This amounts to debt of £16,093 per property, which is manageable as the interest costs of £10.06m a year can be met from the income stream. However the Plan currently makes no provision for the repayment of debt, and as the stock reduces and other income pressures arise, this decision may need to be reviewed in the medium term.

The management and maintenance of the Council's housing stock is moving into a new structure, affecting the whole Council and new relationships will need to be built in order to ensure that tenants and leaseholders receive the level of service that they pay for.

There are a number of threats to the Business Plan going forward. These are: the Government policy which has not yet been implemented, of seeking to levy a sum of money from each local authority representing the value of its higher value void properties. This could be a substantial sum. In addition, the Council needs to refresh its stock condition data, and this improved information may unearth additional financial commitments to the maintenance and improvement of the stock. The Business Plan will require a review once these two items have been clarified.

There are also a number key decisions built into the Business Plan that will need to be reviewed, as circumstances do change. These include the decision not to apply inflation to management and maintenance costs over the next four years. Finally, the relationship between the stock owned by the HRA, and the stock held by the Council's wholly owned company needs to be clarified. This is likely to be made clear as Reside develops its own Business Plan and sets out its expections of itself, and the services provided to manage and maintain its housing stock.

The Business Plan is a snap shot in time, based on the best available information. It requires regular review, as the economic, market and social and technical environment is constantly changing. This Plan sets out where the Council's housing stock is now, and indicates the key issues that need to be addressed in the short term.

Barking and Dagenham Housing Revenue Account Business Plan 2017 – 2047 (Full Version)

1. Introduction

The Council adopted its first Housing Revenue Acount Business Plan in March 2012, in preparation for the introduction of the new financial regime, Self Financing, in April 2012. This Business Plan updates that first Plan and sets out the current position of the Council's housing stock. It is not a radical change of direction; it is is a holding Plan, setting out where we are now, and starts to look to the future about where we hope to be. It looks at the current position of the stock, its condition, its financial performance and all the factors that influence the use, management and maintenance of it. It is also an opportunity to review its role, and set out the Council's intentions on the way forward for its use and improvement, and to test those plans against the financial metrics that influence or constrain those choices. It includes a statement of what plans the Council has in the short and medium term to ensure that the assets perform well, and deliver against the Council's stated objectives.

2. Context

2.1 Barking & Dagenham Corporate Plan

The Barking & Dagenham Corporate Plan sets out an expectation that the Borough will grow. From a population of 164,000 in 2001 the population has grown to an estimated 201,979 in 2015, and is expected to grow further to an estimated 220,000 by 2020. This population is young, rapidly growing and increasingly diverse. But in many areas, the Council is at the bottom of the London league – in unemployment, in qualitications and in earnings. The Council expects, and intends to change this. One of the Council's principles, set out in the Plan is that the housing offer in the borough will reflect London's diversity, with widening housing choice to include social housing for rent, affordable sub market rent, and seeking to maintain a well regulated private rented sector, and increased opportunities for households to access home ownership. The Council seeks to shape the Borough into a place that people choose to live in.

The Council's housing stock comprises 25% of the homes in Barking & Dagenham, and the HRA has a role to play in supporting the development of first steps home ownership products, intermediate rented housing and delivering new homes at a range of different price points.

The Corporate Plan also sets out the Council's ambition to provide excellent cost effective services. The Council wants to maximise income, and use it well. These aspirations are an important part of the HRA Business Plan, to ensure that resources are spent wisely, and that the financial performance of the Council's assets supports this aim.

The emerging housing policy framework in Barking and Dagenham, is in the development of three rights: The Right to Rent, the Right to Move, and the Right to Invest. Barking and Dagenham currently has a geographical spread of housing that forms concentrations of different kinds of housing, in different areas. Some areas are virtually all social housing, whilst others are mainly market housing. The Council wants to see more geographically balanced and mixed communities, and will be developing homes appropriate to the different areas through its new housing policies. In areas where housing concentrations of Council housing currently exist, the Council will be introducing a range of mixed tenure options where housing of different rent levels and ownership types will provide a more mixed community and vice versa. The Right to Rent will be developed in five forms of *infrastructure* housing:

- Social housing rents, for those with the lowest incomes;
- Homes at the London Living Rent, as promoted by the Mayor of London in his manifesto;
- Benchmark rents in the mid-market range, housing for the aspiring households who want to move up the housing ladder;
- Affordable rented housing at 65% market rents and
- Housing for those on higher incomes, at 80% to 100% of market rents.

The Council further proposes to develop a Right to Move: an incentive scheme for tenants who qualify financially, to enable them to move out of Council housing with the assistance of a substantial deposit and free up much needed social housing. Finally, there is a Right to Invest, which enables tenants should they wish to do so, to part purchase their homes and take on ownership of a share of their home, and pay a percentage of the rent on the remainder. This is designed to give low income working households the opportunity of stepping up into home ownership gradually.

2.2 **Barking & Dagenham Housing Strategy**

Barking and Dagenham's current Housing Strategy was written in 2012, and expires in 2017. The overall context remains relevant, but many of the plans set out in the Housing Strategy are well underway, and some have been completed. The four major priorities in the Housing Strategy 2012 are:

- Objective 1: Delivering social and economic regeneration through building high quality homes and thriving communities
- Objective 2: Investing in new council homes and establishing new ways to deliver affordable housing
- Objective 3: Good quality services
- Objective 4: Sustainable communities

These objectives remain relevant to the refreshed HRA Business Plan as overall objectives, but new plans to deliver these objectives are required. Under Objective 1, the Council committed to demolish 1790 homes on three estates: Gascoigne East, Goresbrook Village, and The Leys. These plans are now either complete, or well underway; and attention in this Business Plan will move on to review the achievements of the Estate Renewal Strategy, and consider what next steps are required.

The Council has made good progress in the other Housing Strategy objectives and the Business Plan will look at what are the lessons learned from this work, and what next needs to be done, to ensure that these objectives can be sustained. For example, the Housing Strategy refers to the need to explore project finance based solutions to deliver new homes in innovative affordable housing solutions. The Council now has a record of accomplishment in delivering a variety of types of housing and tenures at a range of rents, and from experience can select the best delivery models and solutions to meet housing needs in the Borough.

The objective of delivering good quality services also remains relevant to the new Business Plan, but the context has changed. The Council has the intention of bringing all its property based services together in one place – My Place, and new structures, budgets and performance indicators are required to deliver excellent services within the new arrangements.

Overall the HRA Business Plan remains an important key element of the Council's Housing Strategy, as expressed in that document:

"The Housing Revenue Account (HRA) Business Plan sets out the route to enable the council to develop a housing business that is able to enhance the services it offers together with wider housing tenure options that better meet the needs of local people within the context of changing market conditions at the local, sub-regional and regional level."

3. History of Self Financing and what has changed since

A new financial regime for Council housing was introduced in April 2012. Instead of a national housing subsidy system, each local authority took on a portion of the national housing debt, and in return received new financial freedoms to retain rental surpluses and plan their spending on a 30-year basis. The level of debt each local authority took on, related not to their historic building programmes, but to their ability to pay off the debt. Each local authority developed its Financial Business Plan based on their income and expenditure over 30 years, with assumptions contained in it, which of course have been subject to changes; some of them market driven (such as inflation factors) and some of them driven by changes in Government policy.

The London Borough of Barking and Dagenham settlement in April 2012 was that it had to take on additional debt of £265.912m with an opening stock level of 18,894 properties. This represented an average debt per property of £14,074.

Factors which have changed since the introduction of Self Financing, which have had a significant impact on the Plan are:

- Changes to the Right to Buy discount
- Rent Policy

3.1 Right to Buy Discount

On 2nd April 2012, The Government raised the Right to Buy discount, which was limited to £36,000 in London to a maximum of first, £75,000 and subsequently on 25th March 2013 to £100,000. Sales under the Right to Buy which had fallen began to increase rapidly, and this caused significant changes to the level of sales that each local authority had been predicting. In Barking and Dagenham, the sales rose from 97 sales in the year before the change to an estimated 220 sales a year going forward. The Government recognised that this would have a detrimental impact on Local Authority's Business Plans, and offered local authorities a "deal" which consisted of a complex formula for sharing the receipts on the increased Right to Buy sales, over above those that had originally been forecast at the start of the Self-Financing regime. This formula allowed Local authorities to take a fixed administration fee on sales, and then share the receipts between a portion attributable to the debt of the property sold, which was retained by the local authority, and then the remainder shared between the local authority and the Government, on condition that the local authority used the receipts towards to the cost of building new homes. Local authorities were given the freedom to use the portion of the RTB receipt which related to debt. The Council is not required to repay the debt. The portion that had to be used for new homes was allowed only to contribute towards 30% of the cost of each new home, and to be spent within 3 years of receipt.

Barking and Dagenham have received £16.897m in RTB receipts under this agreement up to September 2016, and have spent £5.189m to date. By the end of 2016/17 it is anticipated that there will be £28.186m RTB receipts remaining to be used. The deadline for using these capital receipts is staggered, depending upon the quarter in which each sale was completed.

3.2 Rent Policy

Government policy on rents has also changed twice since the introduction of Self Financing with serious consequences to the finances of the HRA Business Plan. Rent restructuring was introduced in 2002, and was at that time designed to bring Housing Association and local authority rents closer together (“rent convergence”), to improve mobility throughout the social housing sector. Each property had a target rent calculated for it, based on a formula which was 70% related to local incomes, and 30% related to local capital values, adjusted for bedroom size. Rents were then assumed to move in the direction of their target (or formula) rent, but by no more than a formula set by Government, which was RPI + 0.5% + £2. The restriction on increases was put in place, to smooth the transition between the rent before the introduction of rent restructuring, and the move towards the target rent. Rents which were particularly low, took a long time to move towards target rents, and therefore when the Government announced a change in the formula, in 2014, their proposal was based on the false assumption that most social rents were already at target rents.

The new formula, to be applied from April 2015, was CPI + 1%. The Government promised stability in rent policy, and indicated that this formula would be applied for the next ten years. Whilst the change between RPI + 0.5% to CPI + 1% did not make a great deal of difference to the rental income stream, the loss of the transitional £2 a week, made a great deal of difference for local authorities where rents were still well below target rents. Barking and Dagenham was one of these authorities.

But further detrimental change was to come. On 8 July 2015, the Government announced that they would require social landlords to reduce their rent by 1% a year for four years, thus cutting the Housing benefit bill. The change represents a transfer of funds from social landlords to the Exchequer, without a significant benefit to most social housing tenants. In Barking and Dagenham 64.4% of tenants are on Housing benefit, and those tenants not on benefit will of course benefit from the rent reduction, but this does not outweigh the serious consequences of the loss of income to the Council. We have calculated the loss of income to Barking and Dagenham, from this proposal. The impact on the original business plan was a loss of income of £33.6m over 4 years, with a £3m loss in 2016/17. This would have equated to a loss of income in the region of £450m over the 30-year business plan

It should be noted that the average rent for our secure tenancies in 2015/16 in Barking and Dagenham is £98.02, which is already below the target rent by £3.50pw. This will get worse over the next two years. A measure to mitigate this in part, by moving all new lettings to target rents as they become empty is included within the Business Plan.

4. Demography and Local Housing Market

The London Borough of Barking and Dagenham is at the heart of the Thames Gateway area. It is a relatively small (3,611 hectares) outer London Borough and has a population of 164,572 which is estimated to rise to 220,000 by 2020. It is predominately residential in character but also has significant areas of employment land, a major town centre at Barking, district centres at Dagenham Heathway and Chadwell Heath and a network of smaller neighbourhood centres. There are significant areas of undeveloped land in two areas. These are the marshes bordering the Thames and the agricultural land to the north east at Marks Gate. The River Roding, River Beam and River Thames form the Borough’s westerly, easterly, and southern boundaries respectively. Currently there are growing proportions of under 16 year olds and over 85 year olds and a rapid increase in the proportion of ethnic minority residents. The Borough is one of the four most deprived boroughs in London, as set out in the New Policy Institute analysis of London's poverty profile. Barking and Dagenham scores particularly badly across the four indicators of health. 14% of adults in Barking & Dagenham are living with a long-term illness or disability compared to 11% across London. 6.9 underage women become pregnant per 1,000 population, compared to a rate of 4.8 in London overall; Male life expectancy in Barking and Dagenham is on average 77.7 years, compared to 80 across London. There is a childhood obesity rate of 26% compared with 22% across the whole of London.

East London and the Thames Gateway is described as "the priority area" for development in the London Plan and Barking and Dagenham lies at the heart of this region. The Borough has substantial opportunities for regeneration, including having the potential for up to 25,000 additional homes which will be located mainly in the south of the Borough. The population is scheduled to rise from 164,000 in 2001 to an estimated 220,000 in 2020.

5. Local Housing Market

At the last Census, the stock of housing was 69,000 in 2001. Net additional homes built in the Borough amount to 2,779 from 2011/12 to 2014/15, which falls short of the annual targets for new homes set both by the Borough and by the Mayor's Housing Plan for London. The stock of housing in the census of 2011 shows the following composition:

<table>
<tr><th>Tenure</th><th>Numbers</th><th>Percentage</th><th>England %</th></tr>
<tr><td>Social Rented</td><td>23,459</td><td rowspan="3">33.7</td><td rowspan="3">17.7</td></tr>
<tr><td>Local authority rented</td><td>19,782</td></tr>
<tr><td>RSL rented</td><td>3,677</td></tr>
<tr><td>Private Rented Sector</td><td>12,328</td><td>17.7</td><td>16.8</td></tr>
<tr><td>Owner Occupied</td><td>33,324</td><td>46</td><td>63.4</td></tr>
<tr><td>Shared Ownership</td><td>906</td><td>1.3</td><td>0.8</td></tr>
<tr><td>Other, including rent free</td><td>663</td><td>1</td><td>1.3</td></tr>
</table>

Since the 2011 Census, the private rented sector has increased by 7% up to 17.7% and the ownership occupation sector has fallen. The Council rented stock has fallen to 18,120 dwellings, and 25% of the housing stock in the Borough.

6. Local Authority role

The Council has an important role as the largest provider of housing within the borough. The Council now manages 25% of the Borough's housing stock, at low rents and to a reasonable standard of management and maintenance. There is an overwhelming demand for social housing, at rents affordable to those on the lowest wages in the Borough. This demand greatly exceeds the supply of homes; and therefore, the Council has a significant role in assessing the needs of households for housing, and providing advice and assistance to households about other forms of housing that they may be able to access. The Council also wishes to shape the borough geographically in a more balanced way, by introducing within the supply side, the five levels of infrastructure housing at different rent levels, as set out in Paragraph 2.1. In addition to the role of being a good landlord, the housing services within the HRA provides alternative housing at different price points for a range of households in work; through its affordable housing programme, and by the establishment and management of its wholly owned housing company, Reside. The HRA Business Plan supports all these activities.

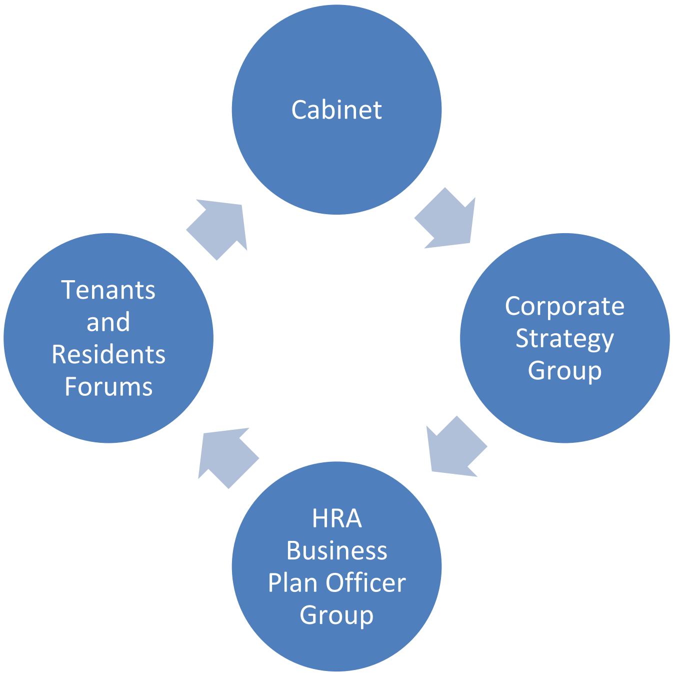
7. Objectives

The HRA Business Plan has the following objectives:

- To provide housing services of good quality to the tenants and leaseholders of the London Borough of Barking & Dagenham, and Reside
- To maintain and improve the housing stock to modern standards of comfort
- To retain the stock, and to replace housing units within the Borough, either within the Housing Revenue Account at a range of rent levels to meet the needs of residents in the borough or within the Council's wholly owned company, Reside
- To improve standards of thermal comfort within the housing stock, and to reduce fuel poverty affecting tenants and leaseholders
- To understand and maximise the efficient financial performance of the housing stock
- To support the regeneration of the Council's housing and communities
- To assist in meeting the housing needs of current and future housing customers.

8. Governance

The HRA Business Plan is reported to Cabinet on an *annual* basis. The HRA Business Plan Governance is as set out in the Chart below:



The cycle of the Business Plan is iterative; tenants have been consulted on the Budget annually in the past; and on the Business Plan when this was introduced. It is anticipated that the Business Plan and Budget will continue to be considered by Tenant and Leaseholder Forums annually and their comments reflected as part of the review process. A Residents' Survey is also conducted biennially, to review the level of satisfaction with residents' services, and to plan for areas of concern in the forthcoming year.

The HRA Officer Group reviews the Business Plan *quarterly*, and brings all the assumptions up to date with actual performance data; identifies issues of policy for the annual consideration of the Business Plan by the Corporate Management Team, and Cabinet. The officer group comprises a team of officers from Strategy, Policy, Finance, and Housing Management.

9. Resident Satisfaction

In 2014, the Housing Quality Network (HQN) conducted a Landlord Health check and 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. The review 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 relet performance one of the worst measured.
- Tenant satisfaction with the Landlord service was also well below the London average.

In the last Satisfaction Survey carried out in 2014, the headline results were:

- 75% of general needs tenants were satisfied overall with their services, which was a slight improvement on 2013, although not a statistically significant one. However, this change means that when compared with the benchmark group, Barking & Dagenham have now moved to the median score on this measure.
- 71% of tenants were satisfied with the Value for money of their rent; and 63% were satisfied with their service charge
- 68% of tenants were happy with the quality of their home, which is 6 percentage points below the median for this measure. This measure varied by ward, with tenants in Gascoigne ward being only 50% satisfied with the quality of their home, in contrast to 75% of tenants in Abbey, Village, Maybrook and Becontree Wards being satisfied with the quality of their homes.
- 65% of tenants were happy with their Repairs and Maintenance Service which although it is an improvement on the last survey, is still below the median benchmark for this service (73%)
- 52% of tenants were satisfied with their resident involvement, which was an improvement on the performance in 2013, and means that on this measure, Barking & Dagenham have moved from the fourth to the third quartile
- 70% of tenants were satisfied with their neighbourhood, which was 6 percentage points below the median for this measure

Tenants were asked about whether they felt safe in their area, during the day and after dark.

- 81% of tenants felt safe in their area during the day, only 13% felt unsafe
- 47% of tenants felt safe in their area after dark, and 42% felt unsafe.

Levels of satisfaction have improved since the last survey in 2013, although not by statistically significant amounts. The levels of satisfaction also remain below the benchmark median in quality of home, neighbourhood, resident involvement and repairs and maintenance. A new Satisfaction Survey is being commissioned, and the results will be available in the summer of 2017.

10. Service Delivery

The Barking and Dagenham performance data available in the Housemark Benchmarking Club is from 2014/15.

a. Rent collection

Rent collection in 2015/16 ended the year at 99.02% of income collected. The median performance in the Benchmark Group of large organisations owning over 10,000 was 99.4% in 2014/15. 7.41% of tenants had arrears over seven weeks; 43.2% of tenants had Notices served on them. 64 tenants were evicted during the year.

Only 8.04% of Former tenant arrears were collected; and £0.7m was written off. There remains £1.6m of outstanding Former Tenant Arrears to be collected. Gross arrears written off in 2014/15 was 1.28% of the rent due; whilst the median performance on this measure was 0.5%.

The Spare Room Subsidy (“the Bedroom Tax”) continues to affect a significant number of tenants. 986 working age tenants were under occupying their homes by one bedroom and 421 (43%) of these were in arrears. 258 tenants were under occupying their homes by two bedrooms, and 105 (40%) of these were in arrears of rent. The number of tenants affected by the Bedroom Tax overall however has fallen in 2016; in August, the number of tenants under occupying by one bed was 855 and those under occupying by two beds had fallen to 221. However, this remains a significant problem for the Council, and the tenants affected.

b. Voids

Rent loss due to voids in 2014/15 was 1.5%; median performance in that year was 1.25%. Average days to relet homes by Barking & Dagenham in that year was 43 days against a median performance of 28.9 days. Performance currently, at September 2016 is 25.7 days and therefore much improved. The average days to relet in 2015/16 was 32. The annual rent loss in 2015/16 amounted to 2.28% of debit – although this includes some properties which are awaiting demolition and have not yet been removed from the housing system.

c. Service Charge collection

The Annual Service charges due to the Council in 20151/6 were £3.6m; of which 96.86% was collected. When compared with the benchmark performance of the peer group, the collection rate in 2014/15 was 99.55% against a median performance of 102%. Collection of the major works contributions was 13.3% of the £1m due from leaseholders in that year; this will reflect the agreement to allow leaseholders to stagger payments of major works bills.

d **Repairs Performance**

Data on Repairs complete on time, and days taken to complete repairs is not available in Housemark currently. Satisfaction with Repairs is reported as 69.9% in 2014/15, whilst the median on this performance indicator is 80.7%.

Following on from the HQN report in 2014, it was important that the Housing service 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**: transforming the way we manage our building assets to ensure we have an integrated approach to investing in and maintaining our housing portfolio. This includes both capital investment and repairs and maintenance.

- **Customer Management**: transforming the way we interact with residents as customers of the Housing service. It's about improving the customer experience and about knowing our customer and supporting households to be independent and successful

- **Income & Debt Collection**: ensuring we generate the income we need as a service through better rent and income collection and through preventing debt from arising in the first place. It is also about sustaining tenancies to optimise asset return and realising value for money.

- **Workforce Management**: creating a high productivity environment by retaining and rewarding a skilled, flexible and highly motivated workforce to deliver high levels of performance and professional behaviour at all times;

- **Strategic Housing**: improving the statutory non-landlord services we provide including housing advice, homelessness and temporary accommodation and having a coherent suite of our housing strategies and policies, promoting and monitoring compliance with these, and supporting responsible private landlords making Barking and Dagenham a place where working families want to put down roots.

This programme was absorbed in to the development of Home Services and My Place where the improvements envisaged will be built upon to create these new service delivery blocks.

11. Understanding the assets

11.1 General needs

The Council owns 18,120 units of general needs stock and 3,456 leasehold properties. Within the General Needs stock 17,235 are let at rents which are "social" rents. They were previously subject to the rent restructuring regime, and were therefore moving towards target rents, but before they could reach target rents, the Government imposed the 1% rent reduction. The rents on these properties are on average 39% of market rents. 559 properties are let at Affordable rents – rents between 50% and 80% of market rents. These properties are also subject to the 1% rent reduction until 2019/20; after this date, it is assumed that both these and the social rented properties will move back up in line with CPI + 1%. All the social housing rents, and those at 50% MR are let via the Council's Housing Register. Those properties whose rents are 65% or 80% MR, are let in accordable with the Allocations Policy for Affordable rental properties – which are set out in Paragraph 32 of the Allocations Policy.

The largest proportion of the general needs stock, nearly half (8,878 homes) were built between the wars – between 1918 and 1940. Of the remainder, 25% of the stock was built between 1965 and 1990; 21% between 1940 and 1965, only 1.7% is pre-WW1, and 4% built since 1991.

Consequently, 52.5% of Barking & Dagenham's homes are houses or bungalows; an unusually high proportion of this type of building. 12.1% are high rise flats, 12.7 low rise flats and 22.6% medium rise flats and maisonettes. There is also therefore a reasonable proportion of family sized homes, although very few larger homes. Only 1% of the stock has four bedrooms; 0.1% has five bedrooms and the Council only own one six-bed property.

Size	Stock Numbers	Percentage
0	427	2.4
1	4202	23.2
2	7684	42.4
3	5565	30.7
4	225	1
5	10	0.1
6	1	0
Grand Total	**18114**	

Households on the Housing Register need the following bedroom sizes:

Size	Households on Register	Percentage
1	2693	32
2	2950	35
3	2320	28
4	42	5
5 BR +	48	0.6
Grand Total	8365	

This shows that there is a reasonable match between the housing stock analysed by size, and the housing need as expressed by the Housing Register. There is a greater need for more one bed homes than the Borough currently holds; and a slightly greater need for larger homes (4BR+) that the Borough current holds; but for other sizes there is a reasonable match of stock to need.

This does not address the overall level of need for all sizes of homes. It demonstrates that shortages are evenly distributed across all bedroom size requirements.

11.2 Community halls

Some Tenant Groups have the use of facilities on estates, to encourage and support community and tenant activities. The following Tenants Groups have the use of the following facilities:

Tenants Group	Facilities
Tenant Federation	Former Warden's office, Whyhill Walk
Scrattons Tenants & Residents Association	Farr Avenue, Shop – shared with the community.
Millard Terrace	Community Centre – limited use with agreement
Reede Road Tenants and Residents Association	Land for storage and community events
Thames Tenants and Residents Association	Community Garden at Bastable Avenue

No rent or charges are made for the use of these facilities. In addition, most groups have access to councils meeting rooms for free.

11.3 Sheltered

The Council has 607 units of Sheltered Housing, with a variety of house types and support levels. These have been recently subject to a comprehensive review and during 2017 the recommendations of the review will be considered and those which are accepted will be implemented. The current stock is set out in the table below:

Scheme	Numbers of units	Build date	Type
Bennets Castle Lane	12	1974	Sheltered 1 BR
Berryman close	12	1974	Sheltered 1BR
Birch Gardens	5	1951	Sheltered bungalows
Burford Close	16	1974	Sheltered 1BR
Catherine Godfrey House	34	1990	Sheltered 1BR
Dewey Court	48	1971	Sheltered 1BR
Dunchurch House	38	1976	Sheltered 1BR
Earls Walk	20	1970	Sheltered 1BR
Ely Gardens	5	1948	1BR Bungalows
Forsters Close	54	1971	Sheltered 1BR
Hook Hall Drive	8	1949	Sheltered 1 & 2BR Bungalows
Humphries Close	31	1979	Sheltered 1BR
Inskip Road	35	1973	Sheltered 1BR
Kidd House	19	1988	Sheltered 1BR
Kilsby Walk	42	1972	Sheltered 1BR
Maxby Road	30	1979	Sheltered 1BR
Padnell Road	17	1955	1 BR Sheltered Bungalows
Park Drive	8	1948	1BR Sheltered Bungalows
Pembroke Gardens	29	1937	1BR Sheltered Bungalows
Rainham Road	8	1977	1BR Sheltered
Rosehatch Avenue	15	1955	1BR Sheltered Bungalows

Seabrook Road	10	1966	Sheltered 1BR
Shipton Close	25	1971	Sheltered 1BR
Stone Close	20	1976	Sheltered 1BR
Vicars Walk	24	1970	Sheltered 1BR
Wyhill Walk	22	1975	Sheltered 1BR
Turner Court	20	1988	Sheltered 1 BR
Total	607		

11.4 Stock condition

The Council has a Housing Asset Management Strategy that was adopted in 2015 and runs to 2020. It sets out the aspiration of the Council to achieve Decent Homes compliance by 1st April 2019. When the Council was awarded £42m in 2011/12 62% of Barking and Dagenham homes were non-Decent. The funding profile is set out below.

2011/12	2012/13	2013/14	2014/15	Total
£2.0m	£9.5m	£15.0m	£15.5m	£42m

The Council also matched this backlog funding with its own resources and has invested in delivering the Decent Homes Programme. As at 31st March 2016, non-Decency had fallen to 48%. The Council is investing £0.5m in a refreshed stock condition survey in 2017 and this will enable the Council both to verify the level of non-Decency and develop a new programme of works to complete the programme by 1st April 2019. The Stock Condition Survey will be tendered in March 2017 and fieldwork will be carried out between May and September. It is anticipated that the results will be available in time to set the new capital programme for 2018/19 onwards.

The Borough has 716 homes of non-traditional construction which will require refurbishment to bring them up to mortgageable standard; this is a very expensive programme. The Borough has the following types of non-traditional construction:

Belfy	9
Bison	76
Fidler	606
Orlitt	20
Wates	5

The Business Plan makes provision for £200m to be invested in the Housing stock until 2019, when the Decent Homes Programme will be complete. The investment then falls to £30m annually, and a total of £335m over the ten-year period from 2017/18 to 2027/28.

Stock Investment

The Business Plan also considers what the council's investment strategy is to be following the completion of the decent homes programme. The key proposals are to develop plans for improving the external environment of estates and the external fabric of blocks. The opportunities to improve thermal efficiency and to review the way in which residents and visitors circulate within the estate, its security and how parking and refuse is managed and to soften the hard landscapes prevalent on a significant number of estates are to be addressed in consultation and feasibility work during 2017/18.

In addition, new programmes for the replacement of lifts, windows and doors, roofs, electrical laterals, and communal heating will be developed in 2017/18 as well as capital replacement programmes for compliance related matters such as water tanks and rewiring homes.

The borough has been divided into three geographical regions to procure the delivery of the Decent Homes programme. A procurement process will be concluded for larger contractors to deliver the works required in the north and south regions. SME contractors are currently engaged to undertake works in the central region. The use of SME contractors is a strategic decision to engage the services of smaller, local contractors to encourage business growth and development within the borough.

A significant number of roads serving housing estates are classified as private and require investment to re-surface them including replacing paved areas and modifying parking arrangements.

There is a programme for the enlargement of existing homes and the conversions of unused space into homes. This programme will address several unused spaces such as Caretakers' stores located within blocks of flats that have been identified as feasible to be converted into new dwellings. The programme will also identify homes that are feasible for conversion to larger accommodation to assist tenants living in overcrowded conditions without having to re-house them during the works.

There are several garage sites that have been identified as requiring improvement works to return them to a lettable standard. These works will ensure the garages are wind, water tight and operational. In addition, the access roads leading to them will be refurbished as necessary. These works will return the garages to working use and be let at a higher rent to generate income for the HRA.

The HRA aids and adaptations budget is under significant pressure to meet the demand determined by Occupational Therapist assessments. The budget has been increased to support the management of that demand and provide aid to residents in the greatest need.

The Council has 18 estates where it is has responsibility for the maintenance and upkeep of communal boiler plant. The renewal of communal boiler systems has typically been undertaken in conjunction with regeneration work or in response to high levels of breakdown. This programme recognises the importance of this area of work with dedicated resources allocated accordingly over the coming years to ensure reliable communal heating service for residents.

The Lift Replacement Programme, a formal programme of planned lift refurbishments will be considered from 2018/19 onwards. This recognises the importance of providing safe and reliable access/egress for tenants and leaseholders to their homes located within blocks. Although lifts have previously been refurbished in conjunction with regeneration projects carried out to blocks, this new provision will enable timely renewal of aging lift equipment in a planned way.

The investment strategy provides the opportunity to develop the careers of apprentices on an interesting project to refurbish box-bathrooms involving carpentry, roofing, insulation, cladding, plumbing, electrics and customer care. The box-bathrooms have been identified because of their poor construction, low thermal efficiency, and difficulty to maintain and repair. This is a noteworthy project for tenants also and would enrich the skill-set and competency of apprentices who currently focus mainly on repairing and servicing activities.

The Housing Asset Management Strategy recognises that Barking & Dagenham tenants pay higher than average costs towards their fuel costs, and that the Borough is therefore committed to improving energy efficiency and reducing fuel poverty. £0.5m per year is set aside in the next three years to add energy efficiency measures. There is also a proposed innovative scheme to demonstrate excellent in energy efficiency in domestic housing – called "Green Street" which is due to start in 2017/18 funded by £2m from the HRA capital programme.

12 Estate Renewal Programme

The Estate Renewal Programme started in 2010 and was approved at the Cabinet meeting on 6th July 2010. At that meeting, three estates were identified which needed renewal: Gascoigne East, Goresbrook Village, and The Leys. These estates were considered to need attention to create an attractive and sustainable place to live, to improve the prosperity of the residents, and to address the quality of life issues affected by the poor environment. The three estates consisted of:

Estate	Blocks	Tenants	Leaseholders	Total residents
Gascoigne East	13	1035	127	1162
Goresbrook Village	3	282	6	288
The Leys	19	215	65	280
Total		1532	198	1730

The Estate Renewal Programme started because of the poor housing condition of the estates; and concern that a straightforward improvement and refurbishment programme would not be a cost-effective solution as there were issues of layout, environment, and reputation. These Estates included most of the Councils system built high rise and non-traditional build flatted blocks that had suffered from a variety of issues including dampness and condensation due the poor levels of insulation and original construction method and materials.

A programme of decanting tenants, and buying out the leaseholders began and the plans, funding and resources have been developed as the project has progressed. The impact of the regeneration programme on the needs of households on the Housing Register was analysed, and the concerns raised by this analysis were addressed by the development of the new build programme, and limiting the total number of lettings allocated to decants during the development programme. During the period of decanting, a new build programme of 474 units was already underway.

The replacement schemes will provide 421 new units in Phase 1 of the Gascoigne East development, 149 units at Goresbrook Village and 89 units at The Leys (Phase 1). Later phases of the Gascoigne Project will provide an additional 1100 units over the next 5 years.

Estate Renewal site	Rented @ 50%	Rented @ 53 – 80%	Shared Ownership	Private Sale	Total
Gascoigne Phase 1	100	100	221	Nil	421
The Leys Phase 1	35	35		19	89
The Leys Phase 2	17	17	34	Nil	69
Goresbrook	98	Nil	10	41	149
Total	250	152	265	60	728

Although the principle of regeneration was approved earlier, the plan for the Althorne Way tower block was not considered until 22nd October 2013 when demolition was approved, the identification of site proposals, and the proposals for private and affordable homes on the site agreed. Full details of the options on this site are yet to be agreed. Work on this scheme in underway, and will be presented to Cabinet early in the New Year 2017.

The Estate Renewal Programme was reviewed and refreshed by Cabinet on 27th January 2015. The focus for new estate renewal schemes remains with the completion and delivery of the initial approved estates, but attention is now also moving to consideration of other areas which may benefit from a similar approach. The following estates were approved for inclusion in the programme: Sebastian Court, Marks Gate, Roxwell Road, Oxlow Lane and Rainham Road North. Each scheme will be considered in turn, appraisals undertaken and funding put in place. The notable change between the first programme sites and the additional sites is that only one of these blocks, Sebastian Court is non-traditional construction. The others are sites that can deliver higher density development through unused land within their boundary or through their location in Growth areas.

The first of these new schemes to be considered was Sebastian Court. Proposals for Sebastian Court were approved on by Cabinet on 18th October 2016. There are 57 rented units on this site, 54 tenanted and 3 void properties, as well as 8 leaseholders. The replacement scheme will provide 57 affordable rented units and 33 shared ownership units. The rented units will all be owned and managed by Reside; 50% of these will be at 50% market rents and therefore let to households on the Housing Register whilst a further 50% will be let at 80% market rents and let through the Affordable Rented Lettings Policy. RTB receipts (£2.9m) and General Fund borrowing (5.8m) will fund this scheme.

Over the six years since this programme started, the Borough has carried out a review and is embedding the lessons of the early part of the programme into future projects. The Borough is seeking to consult residents at the earliest opportunity, and prior to planning applications are submitted. The ways in which consultation is undertaken needs to be updated, and greater use made of social media, websites and drop in surgeries, rather than large evening meetings. Decision making needs to be based on sound evidence and analysis, rather than subjective opinion. There are also important lessons to be learnt about the technical aspects of leaseholder buy-backs; which have the power to hold up estate regeneration if the needs of the leaseholders to maintain their financial and housing circumstances are not recognised.

The future of the Estate Renewal Programme beyond 2021 links to the Council's long term Investment Strategy and the Stock Condition Survey. This plan sets out the Councils intention to reach the Decent Homes Standard by 2020. However, Decent Homes work is expensive and all encompassing; it would not be a good use of resources where stock has been identified within a programme of estate renewal. Careful consideration will be given to the stock that whilst able to brought up to the Decent Homes Standard still suffers from issues relating to poor layout of communal areas, no private amenity space and sites that can deliver much higher density schemes.

The future of the Estate Renewal Programme is currently under review. A review of the current methodology of appraising estates is underway, and in the next 12 months, the metrics and evaluation system by which the Council decides which properties to include in the programme will be reported to Cabinet, with a view to updating the methodology, including a broader set of criteria to evaluate an estate. The current funding provision is set out using the current known commitments, but once plans are firmed up, more precise figures can be tested against the overall resource position.

13 New Build

An integral part of the estate renewal programme, is the new build programme. Whilst some of the Council new build programme is in part on individual standalone sites, others are part of the overall Regeneration Programme, making better use of sites and maximising development opportunities.

The new build programme is delivering 197 additional units of housing within the HRA, and 807 new homes to be managed by the Council's wholly owned housing company, Reside.

14 Reside

In 2011, Barking and Dagenham took the decision to establish a wholly owned company to let manage and maintain housing stock outside the Housing Revenue Account. The reason for establishing the company, was because the Council felt the need to diversify the housing stock within the borough, and to build mixed communities of housing and tenure at a range of different price points. The first company was renamed Reside in 2012, to take ownership and manage properties. The Board of Directors was composed of three Cabinet members, and the Company Secretary was the Director of Finance. Funded by private finance, it took on the letting and management of the first 477 properties in 2012. These were let at different prices: 20% at 50% of market rents, to households from the Housing Register, 6% of the homes at 65% of market rents, and 74% of the housing, at 80% market rents.

The company has since added a further 144 new homes, and is due to take on additional properties in the next few years. There are significant expansion plans, set out in the section on New Build. Firm plans for an additional 287 rented homes, and 79 Shared Ownership units are planned over the next 3 years at Gascoigne West and East, Kingsbridge and Sebastian Court. Numbers needs to be worked out in more detail, but there is potential for a further 391 homes at Marks Gate, and Becontree, which will all come under the Reside umbrella.

Reside performance is reasonable: rent collection in 2015/16 was 99.23% and the level of voids and bad debt was 2.68% of the rent roll.
Reside properties are allocated in two ways: the properties where the rents are set at 50% of market rents, are allocated under the Council's main Allocations Policy; and applicants may bid for the properties using the Council's Choice Based Lettings Scheme. Applicants must be working. Properties which are let at Affordable Rents (either 65% or 80% of market rents) are also let only to working households, under a Local Lettings Scheme within the overall Allocations Policy.

The Local Lettings Scheme sets out the hierarchy of priorities which will guide who is allocated the Affordable rented properties. These are:

1. Council or Housing Association tenants who are working
2. Applicants who are working on the Council's Housing Register
3. Residents in the Borough who are working
4. People working in the Borough;
5. Any other applicant.

Reside only let properties to applicants who can afford the rents. Affordability is defined as making sure that households do not spend more than 35% of their net income on rent.

The management and maintenance services provided by the Housing Service, are paid for by Reside, paying a management fee. This is treated as income to the HRA, as the HRA bears the costs of the management. The income under the Management Agreement is currently £608,000 pa. Part of this is variable. This should be reviewed as the number of properties managed by the Housing Service expands. Reside will have a choice of continuing to use the housing management service provided by the Council (through My Place) or deciding to tender the housing management service to ensure that the company obtains the best possible price and quality of service.

The forward plan for Reside is to continue to expand the number of social housing units that can be provided, to provide speed and certainty of delivery of new homes. The design quality and space of these homes will challenge the standards of the private rented market to provide better, and the focus of the company will remain locally accountable. The company has its own independent Business Plan, and it anticipated that it will continue to provide long term returns, for the Council.

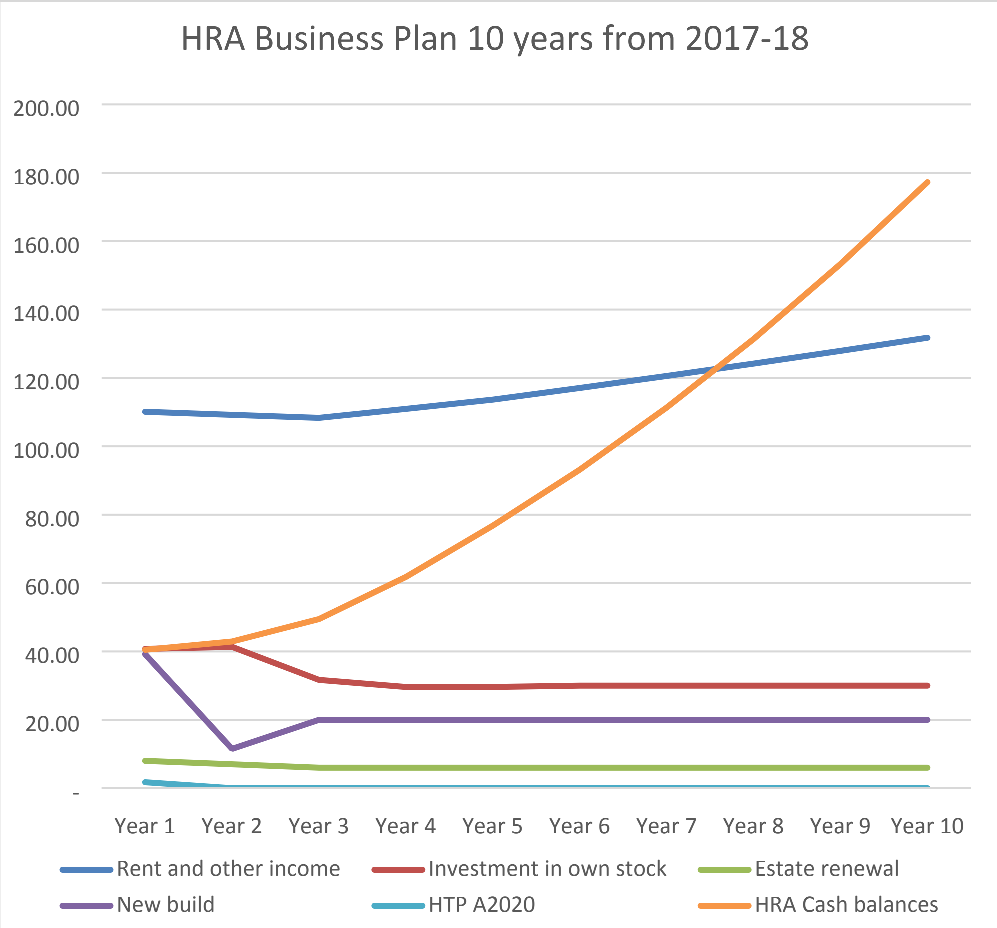
15 Business Plan- baseline forecast

The current HRA Business Plan demonstrates that over the forecast 30 years of the Plan, the HRA can fund its current planned expenditure requirements. This is based upon £110m of rent and other income at 2017/18, falling over the next three years and rising after 2019/20 if the Government delivers on its promised rent policy of CPI + 1% after the current period of rent reduction. Management and maintenance costs are set to absorb inflation for the first four years of the Plan, and then rise by 3% pa. This generates a healthy net revenue surplus, which after meeting interest costs of £10.06m a year for the life of the Plan can fund the stock investment, estate renewal and new build requirements. This assumes that there is no additional borrowing (as the current level of borrowing is at the Government defined cap) but also assumes that there is no provision for reduction of debt. It is assumed that no external grant is received, either for stock investment or for new build. Provision for stock investment is set in the region of £40m for the first four years, and then falls to £30m a year, after the completion of the

Decent Homes Programme. A programme of new build is funded from the HRA for the life of the plan; it fluctuates in the first four years in line with pipeline schemes, and then is estimated at £20m a year from 2020 onwards. Estate Regeneration is also funded in the HRA Business Plan at an indicative level of £6m a year from 2018/19.

With this level of expenditure, cash balances remain adequate during the early period of stock investment activity, and when the Decent Homes Programme is complete, start to rise from 2023/24 onwards. It is at this point consideration should be given to the repayment of debt.

The table below illustrates the next ten years. If the investment programmes remain constant as set out in the Plan, there will be a big increase in balances from Year 5 (2025/26). Thought needs to be given to how this funding is best used: investment or repayment of debt, or a combination of both. If the decision is to plan for investment, the question arises, what and where should this investment be directed.



16 Assumptions

These are the key assumptions on which this Business Plan is based. These assumptions need to be reviewed annually, to ensure that they are adjusted in line with any new information on actual performance, or changing markets. These assumptions are:

16.1 Stock numbers

The Business Plan is based on *opening* stock numbers:
18,120 properties, of which

336 are held as Temporary accommodation, and rents charged in 2017/18 at 90% of LHA. Average TA rents in 2017/18 are therefore: £207.04pw
559 properties are let at Affordable rents, with average rents of £145.11pw
17,235 properties are let at average rents of £96.35pw from 2017/18 onwards

16.2 **Sales**

Moving forward, RTB sales are assumed at 220 units per annum. There is a new build programme of properties within the HRA of 267 properties confirmed over the next three years, and therefore 89 units are added back for each of the first three years (2018/19 2019/20 and 2020/21). There is an expectation that no additional new build homes will be owned within the HRA after 2020.

16.3 **New Build additions**

There are currently 267 new homes under construction, or in the pipeline which will be delivered, owned, and managed within the HRA over the next two years. 62 of these are Modular Build properties, to be constructed on HRA garage sites, and will be used as temporary accommodation. The rents will therefore be set in line with the TA rent policy, and let at 90% of LHA rates. It is assumed that these will be delivered equally over the next three years, but after that date, no further new build properties will be owned and managed within the HRA; new build after this date will be owned and managed within the Council's wholly owned management company, Reside.

16.4 **Higher Value Void Levy**

No assumptions have been made about the Higher Value Void Levy contained within the Housing and Planning Act 2016. The Regulations have not yet been published, and therefore it is not possible to work out what impact this will have. This must be reviewed when the information is available, but the Government have confirmed that this will have no impact on the first year of the Business Plan (2017/18).

16.5 **Rent Policy**

Rents have been reduced by 1% a year since 2016/17. 2017/18 is the second year of the rent reduction policy, and this has been implemented appropriately, and it is assumed that 2018/19 and 2019/20 will follow the same policy, and rents will be reduced by 1% in each of these years. This applies both to secure rented properties, and affordable rented properties within the HRA. From 2020/21, it is assumed that rent policy will revert to increases of CPI + 1%.

It is assumed that 300 properties a year will continued to be used as Temporary accommodation, and that the rents on these properties will be set at 90% of the Local Housing Allowance (LHA) in 2017/18. Temporary accommodation rents do not need to be reduced under the rent reduction policy, and therefore have been assumed to remain constant at 90% LHA throughout the life of the Plan. LHA rates are frozen until 2020, but it is assumed that they will uprated by inflation after that date.

16.6 **Service Charge Policy**

Currently, all service costs are fully recovered through service charges to tenants and leaseholders apart from three services. These are Grounds Maintenance, Caretaking and

Cleaning where the charges do not recover the full cost. This Plan assumes that the Council continues to freeze these three service charges for the next year, until there is a review of the quality of the service. The Plan assumes that they will move towards full cost recovery by Year 3 (2019/20) and thereafter that these costs are fully recovered. There are three services not yet de-pooled. These are the services of TV aerials, lift maintenance and door entry maintenance. These costs are met through the general rental income, and these will continue to be met through the rent for the time being.

16.7 **Void rate**

It is assumed that the void rate throughout the life of the Plan remains at 1%. Current performance is at 1.2% of rental income, and therefore this assumption requires an improvement in performance to ensure that performance remains in line with assumptions.

16.8 **Bad debt**

Provision for Bad Debt in the Business Plan has been set at 1.2% of the rent due; a budgetary provision of £1.046m. Write offs of Former Tenant Arrears (FTAs) in the last three years have been within this estimate - £0.7m in 2015/16 with £1.6m FTAs outstanding at the end of the year; £1.2m in 2014/15 with £1.4m outstanding at the end of the year; and £0.9m written off in 2013/14 with £1.8m outstanding at the end of the year. This should be adequate for the current rent collection performance. The service charge collection rate in 2015/16 was 96.8%. No write offs of service charge debt have been made in 2015/16, and it is not policy to write off service charge debts, as they can be recovered through a recharge on the property concerned.

16.9 **Inflation**

No inflation has been built into the Business Plan either for staffing or other costs in the first four years of the Plan. It is assumed that the service will absorb all inflation pressures both in and inflation is then built into management and maintenance costs at 3% annually.

17 Revenue

17.1 Management costs

Barking and Dagenham participates in a benchmarking club with Housemark. The management costs are benchmarked against a club of 46 members all of whom own over 10,000 properties. This shows that the Management cost per property in 2015 was £343.27 against a median cost for the benchmark group of £338. Management costs are therefore higher than the median.

17.2 Maintenance costs

The maintenance costs in the same benchmarking arrangements are £782 per property for repairs and £2,417 for major works and cyclical maintenance. The median for the group for the same items are £783 per property for repairs and maintenance, and £2,035 for major works and cyclical maintenance. The R&M figure is therefore at the median for the group, and the major works and cyclical maintenance is above the median by £382 per property.

17.3 Conclusions on Management and Maintenance costs

The conclusion of the Benchmarking data therefore shows that the current performance is high cost, but low performance. The task of the new 12 months is to move the performance and cost of the service out of this quadrant.

18 Debt and Interest costs

As at 1st April 2017, the HRA will hold debt of £291.6m which is the maximum permitted debt ("the cap") which the Council is permitted to hold. This is formed of the original debt settlement (£277.6m) and two further borrowing approvals to enable the development of additional homes within the HRA. The original debt level amounted to £14,074 per property, but with the loss of stock since the settlement, and the increased level of borrowing, the average debt per property is now £16,093 per property.

The interest paid on this level of debt is £10.06m a year and this remains constant throughout the life of the 30-year plan, as there is no permitted additional borrowing.

The current Business Plan does not assume that the level of debt is reduced, but is maintained at the cap throughout the life of the Plan. This would be an acceptable financial plan, if the numbers of stock were to remain at roughly the same level, and that therefore the interest costs could be fully met from income. The assumed loss of 220 sales per year (around 1.2% of the stock) can be managed within this for a period with prudent financial control of the annual budget, but if there are significant losses of stock, either over a longer period or through forced sales, it may be necessary to consider whether the level of debt to be maintained is required. The effect of maintaining this level of borrowing whilst stock is reducing will increase the debt per unit.

Whilst the Council needs to maintain investment in its key housing projects, including stock investment and regeneration no provision for repayment of debt is proposed. However, at a future review of the Business Plan it will be necessary to consider the right point at which this issue should be addressed.

19 Resources

Resources are sufficient to support current plans. These are made up of a variety of sources which support different items of expenditure.

19.1 Major Repairs Reserve

Under the initial Self Financing housing system councils must put some of their income each year into the "Major Repairs Reserve" (MRR). This could only be used on major repairs; this was to ensure that Councils make appropriate provision for capital works.

The amount to be paid into the MRR was drawn from a local assessment of capital spending needs. The figure was based on setting aside for depreciation, namely the cost of replacing or renewing all the time-limited components of the stock plus an amount for the fabric of the building. The original provision in the HRA Business Plan in 2012 was £1,126 per property. The current Business Plan assumes that all resources after appropriate provision for any known revenue pressures are made as a Revenue Contribution to Capital Outlay (RCCO) and support the necessary capital programme and therefore there is no fixed minimum or maximum investment level. This is a matter for judgement based on stock condition, and available resources.

19.2 Surplus/balances

It is proposed that the minimum balance on the HRA should be maintained at 5% of income which provides a minimum requirement of £5.5m. Balances brought forward into 2016/17 were £37.43m together with forecast in-year surpluses of £12.62m mean that at the end of 2016/17 balances of £50.05m will be held within the HRA before the agreed level of RCCO is set in 2017/18.

19.3 Capital Receipts

Some Capital Receipts are restricted in their use. They will have derived from sales after the Government raised the discount on RTB sales to £100,000 and after retention of the transaction costs, and the debt portion, they may only be used for replacement affordable rented homes. They were subject to a specific signed agreement between each local authority and the GLA, to fund new build programmes. The use is further restricted by a rule which requires the receipt to fund no more than 30% of the costs of each unit. It is therefore essential that the so-called 1-4-1 receipts are applied first to the new build affordable rent programme, so that they are fully used. If not used, RTB receipts from the 1-4-1 fund must be repaid to Government, with 6% interest over the Base Rate.

However, there are some capital receipts which are unrestricted. These relate to the “debt portion” which is a notional debt per property sum, which the Council can deduct for each property sold. These unrestricted capital receipts can fund any part of the housing investment programme and can be used as match funding to 1-4-1 receipts. The debt portion can of course also be used to repay debt.

The level of 1-4-1 receipts has been set out at 3.1 above. The level of unrestricted capital receipts is estimated to be £7.05m in 2017/18 and the assumption is that this will continue annually as part of the RTB sales programme throughout the life of the Plan.

19.4 Leasehold reserve fund

Leaseholders are required to pay for the cost of improvements to their homes, in the form of major works charges. The Council can only recover this cost, if it has appropriately consulted the leaseholders, and given the required notice to leaseholders. As many improvement schemes are expensive, and leaseholders do not always have the resources to pay for these works when the work is carried out, the Council has payment options for leaseholders which enables them to spread the payments. The Council therefore can calculate the sums due from leaseholders in respect of works carried out to their homes, but does not expect to receive those sums in the year in which they are incurred. Payments are made into the Leasehold Reserve Fund, and contributions from the Leasehold Reserve Fund can be added to the sums that fund future capital programmes. As at the end of 2016/17, it is forecast that the Leasehold Reserve Fund will stand at £8.34m. A review of the current Leasehold Reserve Fund is currently underway and the level of contribution to the capital programme will be established in the next 12 months.

20 Programmes of work going forward

There are programmes of work underway which will impact on the Business Plan. These include programmes of physical work – like the stock investment, the new build, and the Regeneration Programme. But there are also programmes of which are identified through the Business Planning process, which seek to establish effective working relationships that can deliver effective and efficient services to tenants and leaseholders.

20.1 Governance

The working relationships between the Business Plan, My Place, Community Solutions, and Home Services are critical to the effective delivery of good services. The strategic core will be commissioning services to manage and maintain the housing stock from My Place and Community Solutions and the structure of these relationships is important to making sure that the roles are clear and the accountability of each area of work is transparent. The role of tenants and leaseholders, and members will also need to be established within the new working arrangements. During the next 12 months, the development of these relationships will be a key piece of work.

20.2 Performance and Satisfaction

As part of the commissioning strategy over the next 12 months, performance in key areas (Rent collection, service charge collection, voids, repairs and tenant and leaseholder satisfaction) will need to be improved. The Commissioning Strategy will establish current performance, targets for improvement and ways of monitoring the service on a regular basis.

20.3 Stock Investment

There is a five-year stock investment programme included within the annual budget which sets out the elements that need to be addressed in the short term. However, there is a need to refresh the data that supports the stock investment programme and this is one of the key priorities in the forthcoming twelve months. From the refreshed stock condition survey, a long-term plan for active asset management will be developed. The new stock condition survey will commission individual, block based, and estate based financial performance information to enable the Council to prioritise the active asset management programme.

20.4 New Build

The new build programme is clear in the short term, (next three years) where either certain, or potential schemes and funding have been developed (See Para 17.3). The current Plan identifies where the replacement homes will be brought into the HRA, and where they may be identified for intermediate housing of difference kinds, for a range of household incomes. However, there is a dilemma to be resolved which is what will the impact be of building most new general needs homes outside the HRA, and therefore not replacing the homes lost through the RTB. Once this decision is taken, further financial modelling for both Reside, and for the HRA will need to be undertaken which will show these consequences and enable the Council to resolve the way forward for its new build programme.

20.5 Estate Regeneration

The first phases of the Estate Regeneration programme are underway and progressing with great success. The financial model for new estate regeneration programmes has been established. Over the next twelve months a new matrix to assess estates which may require a more comprehensive approach will be developed and applied to other estates where physical layout, poor environment and building type require attention. Early consultation is the prime lesson from the first phases of regeneration, and this will be applied to all forthcoming proposals.

21 Conclusions

The Barking & Dagenham HRA Business Plan is in a reasonably comfortable position in 2017/18 but there are concerns which need to be addressed during the next 12 months. This Business Plan is a statement of where we are now; next year's Business Plan will be transformed into the Housing Commissioning Plan that will guide the relationship between Growth and Homes, and its commissioned services in My Place, Community Solutions, and Home Services.

The performance indicators in all areas of housing management, as well as tenant satisfaction need to be further improved through the Transformation Programme. Service charges for both tenants and leaseholders should be reviewed to ensure that there is confidence in the costs and service; and that the service charges can withstand scrutiny and challenge.

Stock condition data information needs to be regularly refreshed to ensure that the resources currently in place for the stock investment programme are sufficient to meet current and future needs.

Consideration needs to be given to the new financial model to support both estate regeneration and new build. Where new build properties are not being returned to replace housing stock loss, the Business Plan will need to be updated. Currently, in recent schemes, Right to Buy Receipts have been used, and the 70% match funding provided either by unrestricted capital receipts, private sales, or General Fund borrowing; this financial model has proved successful, and is therefore not dependent on limited and reducing HRA revenue resources. Currently there is continuing provision with the Business Plan to support the new build programme assumed; but this provision could be released if the new financial model continues to be implemented as set out above.

Clearly HRA resources supporting the Estate Renewal Programme addresses a housing stock need; and replaces investment which would otherwise be directed to improvement programmes for those estates.

The challenges of the next 12 months are particularly acute as there will be significant changes in the structure of the service, and what the service now needs is to focus strongly on the key basic management services, and the level of satisfaction that customers currently express.

Annex 1 sets out the key high level requirements that will be commissioned from the Housing Service and future My Place and Community Solutions departments.
Appendix 9 provides an extract of the first ten years of the Business Plan.

ANNEX 1

Commissioning Intentions 2017/18

The arrangements for the structure of the housing service will change radically in 2017/18. In October 2017, it is anticipated that the new structures for the delivery of Council Services will be established in the form of the Core*, Growth & Homes* and the delivery vehicles, *My Place* and *Community Solutions*. Growth and Homes will commission My Place to manage the housing stock in a way and to a standard that will be set following consultation with consumers, members, and stake holders. This new way of commissioning services will not be established immediately, but will develop as part of the implementation of the new structure. In the first year of commissioning therefore, Growth & Homes will propose a limited number of high level commissions.

Budget and Commissioning programme

The first task of the new approach, will be to establish the mechanisms, the governance, and the delivery of the new budget based commissioning. In future, programmes of work will be commissioned within an agreed budget. A service of asset management such as planned maintenance, or responsive repairs will be commissioned by Growth and Homes, and monitored against an agreed budget and to agreed standards. The process of developing how this will be done, will be rolled out over the range of services identified and agreed with a Commissioning Board, consisting of Lead Members for Housing and Finance, and lead officers from Growth and Homes.

Estate Management

The HRA Business Plan sets out the current level of Tenant Satisfaction, and Performance in key areas of rent collection, and void management. Currently, these are lower than the median in all areas. Growth and Homes wish to commission My Place to:

- Improve Tenant Satisfaction to the median by 2018 and to the upper quartile by 2020
- Improve Rent collection to the median by 2018 and to the upper quartile by 2020
- Improve void performance to the median by 2018 and to the upper quartile by 2020

The rent collection and void performance will be measured by the monitoring of Performance Indicators against the benchmark group of organisations with over 10,000 homes within the Housemark Benchmarking Club

Tenant and Leasehold Satisfaction will be measured by reference to the STAR Survey, to be conducted every two years.

Service Charges

Service charges are always contentious, both for tenants and leaseholders. Tenants and leaseholders have rights to information that will assure them that they are being charged the right costs for the right services, and that the Council is only charging the actual cost of the service back to them. The preparation of the service charge accounts is currently difficult, and the evidence that backs the charges can be improved. It is proposed that in 2017/18 a review of the service charge costs should be undertaken, involving tenants in order to be able to produce and validate service charge accounts promptly and cost effectively.

Social Value outcomes

Growth and Homes wish to measure the social value contributed by the Borough’s housing stock, and measures which My Place and Community Solutions will help to deliver outcomes of benefit to the wider aims of the Council. The Commissioning Strategy in 2017 will therefore be developed to consider how best to measure the following outcomes:

Improved social cohesion

Growth and Homes propose to consider ways in which the service can improve the strength and resilience of communities, and help communities to help themselves. It is a view that stronger ties between people who are neighbours will help to address a range of social problems: loneliness amongst older residents; reduction of antisocial behaviour amongst young people; the ability of different communities to get along with each other. It is proposed therefore to commission a baseline survey (possibly on a pilot basis) to find how well people know each other within a given community; and to set a target to improve the % of people who know their neighbours.

APPENDIX 9

Barking and Dagenham - HRA Business Plan - January 2017

£m	2017-18 to 2019-20	2020-21 to 2026-27	10 years	30 years	2016/17-2025/26	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Rent and other income	327.63	846.10	1,173.73	4,820.23	1,173.73	110.10	109.21	108.32	110.95	113.65	117.06	120.57	124.19	127.92	131.75
Management & maintenance	(175.66)	(411.92)	(587.58)	(2,357.31)	(587.58)	(60.40)	(59.06)	(56.20)	(55.13)	(55.16)	(56.81)	(58.52)	(60.27)	(62.08)	(63.94)
Net rental surplus	151.97	434.18	586.15	2,462.92	586.15	**49.70**	**50.15**	52.12	55.82	58.49	60.25	62.06	63.92	65.84	67.81
Interest	(30.18)	(70.41)	(100.59)	(301.77)	(100.59)	(10.06)	(10.06)	(10.06)	(10.06)	(10.06)	(10.06)	(10.06)	(10.06)	(10.06)	(10.06)
Transfer to HRA balances						(0.00)	(0.00)	(0.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Available HRA revenue funds (A)	**121.79**	**363.77**	**485.56**	**2,161.15**	**485.56**	**39.64**	**40.09**	**42.06**	**45.76**	**48.44**	**50.19**	**52.00**	**53.86**	**55.78**	**57.75**
New borrowing	10.75	0.00	10.75	10.75	10.75	10.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Leasehold Reserve Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Receipts (inc non-restricted RTB)	21.14	49.32	70.46	211.39	70.46	7.05	7.05	7.05	7.05	7.05	7.05	7.05	7.05	7.05	7.05
RTB New Build Re-provision (1-4-1)	45.39	105.91	151.31	453.92	151.31	15.13	15.13	15.13	15.13	15.13	15.13	15.13	15.13	15.13	15.13
Grant and new borrowing (B)	77.28	155.24	232.52	676.06	232.52	32.93	22.18	22.18	22.18	22.18	22.18	22.18	22.18	22.18	22.18
Total HRA funding (A+B)	**199.07**	**519.01**	**718.08**	**2,837.21**	**718.08**	**72.57**	**62.27**	**64.24**	**67.94**	**70.61**	**72.37**	**74.17**	**76.04**	**77.95**	**79.93**
Investment in own stock (a)	113.77	209.22	322.99	929.89	322.99	40.75	41.34	31.68	29.61	29.61	30.00	30.00	30.00	30.00	30.00
Estate renewal (c)	21.00	42.00	63.00	185.00	63.00	8.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
New Build (b)	70.70	140.00	210.70	608.00	210.70	39.20	11.50	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Housing Transformation (d)	1.75	0.00	1.75	1.75	1.75	1.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Applied spend (a+b+c)	**207.22**	**391.22**	**598.44**	**1,724.64**	**598.44**	**89.70**	**59.84**	**57.68**	**55.61**	**55.61**	**56.00**	**56.00**	**56.00**	**56.00**	**56.00**
HRA Cash balances b/f						57.61	40.49	42.91	49.47	61.79	76.79	93.16	111.34	131.37	153.33
in year change						(17.13)	2.42	6.56	12.33	15.00	16.37	18.17	20.04	21.95	23.93
HRA Cash balances c/f						**40.49**	**42.91**	**49.47**	**61.79**	**76.79**	**93.16**	**111.34**	**131.37**	**153.33**	**177.26**
Reserves Breakdown:															
HRA Balances						11.11	11.11	11.11	11.11	11.11	11.11	11.11	11.11	11.11	11.11
Major Repairs Reserve						1.97	0.06	4.44	14.59	27.42	41.61	52.60	65.46	80.24	96.99
RTB and Other Receipts						19.20	23.54	25.71	27.89	30.07	32.24	39.42	46.60	53.77	60.95
Capital Works Dispute Reserve						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Leasehold Reserve Fund						8.21	8.21	8.21	8.21	8.21	8.21	8.21	8.21	8.21	8.21
Leasehold Major Works						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
						40.49	**42.91**	**49.47**	**61.79**	**76.79**	**93.16**	**111.34**	**131.37**	**153.33**	**177.26**

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CABINET

13 February 2017

Title: Heritage Lottery Fund Bid for the Abbey Green and Barking Town Centre Conservation Area Townscape Heritage Project	
Report of the Cabinet Member for Economic and Social Development	
Open Report	**For Decision**
Wards Affected: Abbey	**Key Decision**: Yes
Report Author: Alex Jeremy – Regeneration Officer	Contact Details: Tel: 020 8227 5243 E-mail: alex.jeremy@lbbd.gov.uk
Accountable Director: David Harley - Acting Head of Regeneration and Planning (Regeneration), Growth and Homes	
Accountable Strategic Director: John East – Strategic Director, Growth and Homes	

Summary

This report seeks Cabinet approval for a second-round funding application to the Heritage Lottery Fund's (HLF) Townscape Heritage initiative. The purpose of the application is to deliver a heritage-led shopfront and building improvement project across the Abbey and Barking Town Centre Conservation Area, which includes locally listed properties across East Street and Station Parade. In doing so, the project proposes a major step change in the way in which heritage is preserved and enhanced both physically and culturally in the Abbey and Barking Town Centre Conservation Area, by addressing the steadily declining condition of historic spaces in the conservation area and architecturally important buildings across Barking's principal high street. The project also includes an extensive outreach and education programme for local school children, students and residents.

The Council received a first-round pass from HLF in March 2015 to develop its proposal for the Abbey and Barking Town Centre Conservation Area in more detail. If the Council is successful with its second-round submission, it will have access to £1.151m HLF funding to deliver the scheme in full. A decision is expected in June 2017.

Recommendation(s)

The Cabinet is recommended to:

(i) Support a second-round funding application to the Heritage Lottery Fund's Townscape Heritage programme in the sum of £1.151m for a heritage building improvement scheme and educational project in the Abbey and Barking Town Centre Conservation Area on the terms set out in the report; and

(ii) Agree that the Council contributes up to £407,500 of match funding towards the total project cost of £1.712m.

Reason(s)

This funding application supports the Council's vision for the borough 'One borough; One community; London's growth opportunity' and the Council's corporate priorities, in particular:

'Encouraging civic pride', by:

- Building pride, respect and cohesion across our borough
- Building civic responsibility and help residents shape their quality of life
- Promoting and protecting our green and public open spaces

'Growing our borough', by:

- Supporting investment in housing, leisure, the creative industries and public spaces to enhance our environment
- Enhancing the borough's image to attract investment and business growth

1. Introduction and Background

1.1 Since 2013, the Council has been investing in public realm improvements across East Street, Barking's principal high street. Phase 1 of the improvement scheme, which consisted of new paving and street furniture around the former Magistrates Court, completed in September 2016. Phase 2 will see a new 'catenary' lighting scheme (suspended between buildings) installed by the end of March 2017, followed by a smarter and more organised layout of market stalls and associated infrastructure such as feeder pillars, recycling and storage facilities. The aim of these works is to bring the high street up to the same high quality standard of nearby public spaces such as Short Blue Place and Barking Town Square, as well as strengthen pedestrian links between Barking Station, the high street and the historic Abbey Green.

1.2 In contrast to the improvement works taking place at street level, the external appearance and condition of many commercial properties and shopfronts across East Street and Station Parade has been steadily declining, presenting a poor first impression of Barking as well as undermining the investment being made in the public realm. East Street and Station Parade fall within the Abbey and Barking Town Centre Conservation Area and include a diverse and interesting mix of locally-listed and architecturally significant buildings, yet many are increasingly suffering from inappropriate commercial shop signage, lost architectural features, plant growth, water damage and long-term wear and tear, all of which detract from the historic character of the high street and wider conservation area.

1.3 To ensure a holistic approach is taken to the high street regeneration taking place in Barking Town Centre, the Council has applied to the Heritage Lottery Fund's (HLF) Townscape Heritage programme. This funding sources helps 'to reverse the decline of our best-loved historic townscapes' in which stakeholders 'work together to repair buildings in conservation areas and bring them back to life'. In March 2015, the Council secured a first-round pass from HLF for an extensive high street building improvement programme and educational scheme in the Abbey and Barking Town

Centre Conservation Area. This included a budget of up £172,500 to assist the preparation of a second-round submission.

1.4 If successful, up to £1.151m grant funding will be available by HLF to carry out the Abbey and Barking Town Centre Townscape Heritage project. The project is expected to be delivered in phases over 3-4 years and consists of the following key priorities:

- **Shopfront and Building Improvements**

  Architectural improvements and renovations to 12 high priority and 15 medium priority buildings across East Street and Station Parade, as well as 25 reserve priority buildings which could be brought forward where appropriate.

- **Enhancing Heritage Spaces and Settings**

  Delivering a high quality landscaped entrance to the Abbey Green Ruins and t Margaret's Church, sensitively links the commercial and historic parts of the conservation area.

  Colleagues in Heritage Services are also preparing a first-round application to the HLF for various restorations and improvements to the Scheduled Ancient Monument in Abbey Green, in partnership with St Margaret's Church. Officers from both projects are working closely on the two schemes to ensure the two respective bids compliment and strengthen each other's case for HLF investment in the Abbey and BTC Conservation Area.

- **Improved Conservation Management and Maintenance**

  The development of long-term sustainable planning tools and practices to maintain building improvements and standards across the conservation area, including opportunities for Local Development Orders (LDOs), Article 4 directives, as well as a refreshed Conservation Management and Maintenance Plan with user-guides for town centre businesses and stakeholders.

- **Increased engagement in local heritage**

  Through an extensive skills-based heritage engagement programme in partnership with the Technical Skills Academy (B&D College), providing work experience and projects for students specialising in construction, business, digital media etc. This will also be supported by history workshops with local schools focusing on the high street and built environment, as well as opportunities for residents through Creative Barking and Dagenham and Valence House.

2. Proposal and Issues

2.1 Following a successful first-round pass, the Council's Townscape Heritage proposal has been scoped and costed in more detail, with support from appointed consultants including heritage specialists, estimators, surveyors and architects.

2.2 The table below outlines the Council's final bid position:

Item	**Budget**
Capital costs (works) for building and landscape improvements to high and medium priority properties	£860,273
Capital costs (professional fees)	£222,555
Educational and activity programme costs	£236,500
Further development costs (contingency, marketing, new staff costs)	£393,023
Total Project Cost	**£1,712,351**
Income/Match Funding	**£561,438**
HLF Round 2 Grant Request	**£1,150,913**
HLF Delivery Grant %	**67%**

2.3 The total budget for the project is £1.712m, consisting of £1.151m funding from HLF and £561k match funding contribution. The Council intends to make a contribution of £390k (although up to £407,500 has been set aside in the event that HLF require its delivery grant contribution to be reduced slightly):

Funding Source	**Amount**	**Comments**
LBBD Section 106	£140,000	£157,500 available from Barking Town Centre S106 contributions. £17,500 Retained by LBBD.
TfL LIP Funding 17/18	£250,000	From £350k allocated for works in Barking Town Centre through the TfL LIP programme 17/18
Property owners/Landlord contribution	£157,900	A 15% contribution to be collected from each participating property owner for the works being carried out to their property.
In-kind contribution	£3,538	Professional support from Historic England (10 days)
In-kind volunteer time	£10,000	
Total	**£561,438**	

2.4 The scheme includes one Council-owned property, 35 East Street, also known as Fawley House. This property is designated as a high priority building, given its local listing and historic connection to the borough's former fishing heritage. As a separate project, the Council is working with a charity called Habitat for Humanity to bring the upper floors back into residential use to house and support vulnerable adults. Habitat plans to invest circa. £200k into the property, which includes provision for external renovations, in exchange for a 14 year lease. Officers from Regeneration and Housing Strategy are working closely to maximise the opportunities presented by both funding sources for the property.

2.5 It should be noted that, as the landlord to this property, the Council will be required to make a 15% contribution towards any HLF-funded works carried out. However, this is expected to be offset by the value of the external works Habitat would have been required to make to the property in order to bring it up to a suitable standard for habitation.

2.6 If the scheme receives a second-round pass, two funded job posts will be created to help deliver the project. A full-time post for the role of 'Townscape Heritage Officer' will be created from the outset for a minimum of three years to project manage the delivery phase of the scheme in full, as well as support and advise officers and other town centre stakeholders on projects and issues relating specifically to the Abbey and Barking Town Centre Conservation Area. A second part-time post will be created for the role of 'Community Engagement Officer', who will deliver the education and activity progamme. Both posts are expected to sit within the Regeneration and Economic Development department and Growth and Homes division.

2.7 The building improvement programme will require individual grant and licence agreements between the Council and private landlords. A third-party grant agreements has been drafted for the purpose of the funding bid, however, formal sign up of property owners to the programme will take place only if the scheme is approved, with landlord contributions collected in advance of any works commencing. To ensure the works are carried out to a consistently high standard across the lifetime of the project, the Council will procure and contract manage a single building contractor to carry out the building improvements in phases.

3. Options Appraisal

3.1 Not to proceed with the Townscape Heritage second-round application

This option is rejected as it would render most of the work carried out in the project's development phase as redundant, although the architectural and landscape drawings produced could still be used to deliver elements of the proposed scheme in the future. However, given that LBBD is a designated 'priority borough' for HLF and the scheme achieved a successful first-round pass, failure to proceed with the second-round bid at this late stage would have reputational consequences for the Council in leveraging funding from HLF in the future.

3.2 Seek a higher grant funding contribution from HLF

HLF awards Townscape Heritage grants for schemes with a maximum value of £2m, providing there is an appropriate level of match funding. The total budget for this project is £1.712m with HLF contributing 67% of the total cost (£1.151m). The Council could seek additional funding up to £2m, but it would either need to increase its own financial contribution to the scheme at the expense of other town centre regeneration projects currently underway, or increase the HLF grant contribution request and weaken the strength of the bid.

HLF has indicated during the project's development phase that the current project budget demonstrates an appropriate balance between its contribution and match funding sources, therefore the option to seek a higher level of grant funding is rejected.

4. Consultation

4.1 Consultation has taken place with the following key stakeholders, both prior to and since the first-round bid:

- Barking Town Team, including the Cabinet Member for Economic and Social Regeneration and Ward Members
- The Technical Skills Academy/Barking and Dagenham College
- St Margaret's Church
- Historic England
- Valence House Museum
- Barking and District Historical Society
- Local primary schools
- Businesses and property owners across East Street and Station Parade

4.2 If the Council is successful with its second-round bid, further consultation will be required with businesses and property owners regarding scope of works, grant agreements and licences to carry out the works.

4.3 To support the second-round application, a short survey was produced to gauge public opinion on the importance of the conservation area, perceptions about its current condition and how these could be improved. 168 responses were received and a selection of the results are highlighted below, which arguably justify the importance and relevance of this project to the borough:

- 98.5% of respondents thought it was either very important or quite important to ensure that high street buildings are enhanced, repaired and looked after better.
- 66.2% did not know that Station Parade and East Street are part of a historic conservation area.
- When asked to rate the general appearance and maintenance of buildings across East Street and Station Parade from 1 to 5 (with 1 being low and 5 being high), only 5% of respondents rated them at 4 or 5, with 65.7% rating them at just 1 or 2.

5. Financial Implications

Implications completed by: Katherine Heffernan – Finance Group Manager

5.1 It is proposed that a bid for funding from the Heritage Lottery Fund for the amount of £1,150,913 is submitted on the understanding that the Authority allocates match funding of £561,438 for the project. The whole project cost will, therefore, be £1,712,351. This cost will be spread over 3 to 4 financial years.

5.2 As far as the match funding is concerned, the Section 106 moneys were received some months ago and are currently being held for this specific purpose. The LIP funding has been provisionally agreed by TfL and a report with respect to the whole

2017/18 LIP funding submission is elsewhere on this agenda. There are no financial implications for the Authority in respect of the “In Kind” contributions.

5.3 It is also proposed that, as the Council does not own the majority of the buildings in Barking Town Centre where improvements and refurbishments are proposed, landlords make a combined contribution of £157,900 towards the cost of the works. Formal sign up of property owners to the programme will take place only if the scheme is approved, with landlord contributions collected in advance of any works commencing. It is, however, important that the risk of non-recovery of this money is mitigated through the formal third party grant agreements mentioned in paragraph 2.5.

5.4 The two new posts mentioned in paragraph 2.4, that will be created should the bid be successful, will be funded by the HLF Grant with no financial implications for the Authority. The posts will remain until funding for the project ceases unless further grant or stakeholder contributions for the Town Centre can be secured.

5.5 The cost of submitting the bid to the Heritage Lottery Fund will be funded from existing Regeneration and Economic Development budgets.

5.6 As there are a number of stakeholders involved, it is not clear at this stage if there will be any additional ongoing maintenance costs for the Authority as a result of the proposed improvement works. If additional ongoing revenue costs do occur, these will need to be absorbed by existing budgets if further external funding is not available.

6. Legal Implications

Implications completed by: Ann Towndrow, Major Projects Solicitor - Property

6.1 The Council has power to enter into a funding agreement with the Heritage Lottery Fund under s1 of the Localism Act 2011. It also has the power to enter into grants and/or licence agreements with the owners of properties included in the improvement programme to enable works to be undertaken under the Localism Act and the Local Government Act 1972.

7. Other Implications

7.1 **Risk Management –** There are no perceived risks of submitting the second-round funding bid.

7.2 **Contractual Issues –** If the second-round bid is successful, the Council will enter into a funding agreement with HLF. As financial contributions are required from participating property owners, the Council will also need to enter into third-party grant and licence agreements to deliver the works.

7.3 **Staffing Issues** – The Townscape Heritage project will create 1x FT and 1x PT post for a minimum of three years each.

7.4 **Corporate Policy and Customer Impact –** In addition to supporting the Council’s vision and corporate priorities, this Townscape Heritage project supports the recommendations of the Growth Commission by ‘intensify[ing] community outreach combining heritage and cultural activities' as well as 'connecting key features such as Barking Station, the heritage areas around the Abbey and the riverside'. The project is also a key priority in the Barking Town Centre Strategy 2015-18 and is in keeping with the policies of the Local Plan.

Consideration has been given as to whether the Townscape Heritage project raises any equalities issues. The project is expected to benefit and be inclusive to all residents and is not considered to have an adverse impact on any protected group.

7.5 **Property / Asset Issues –** The scheme includes one Council-owned property, 35 East Street, as detailed in Section 2.5.

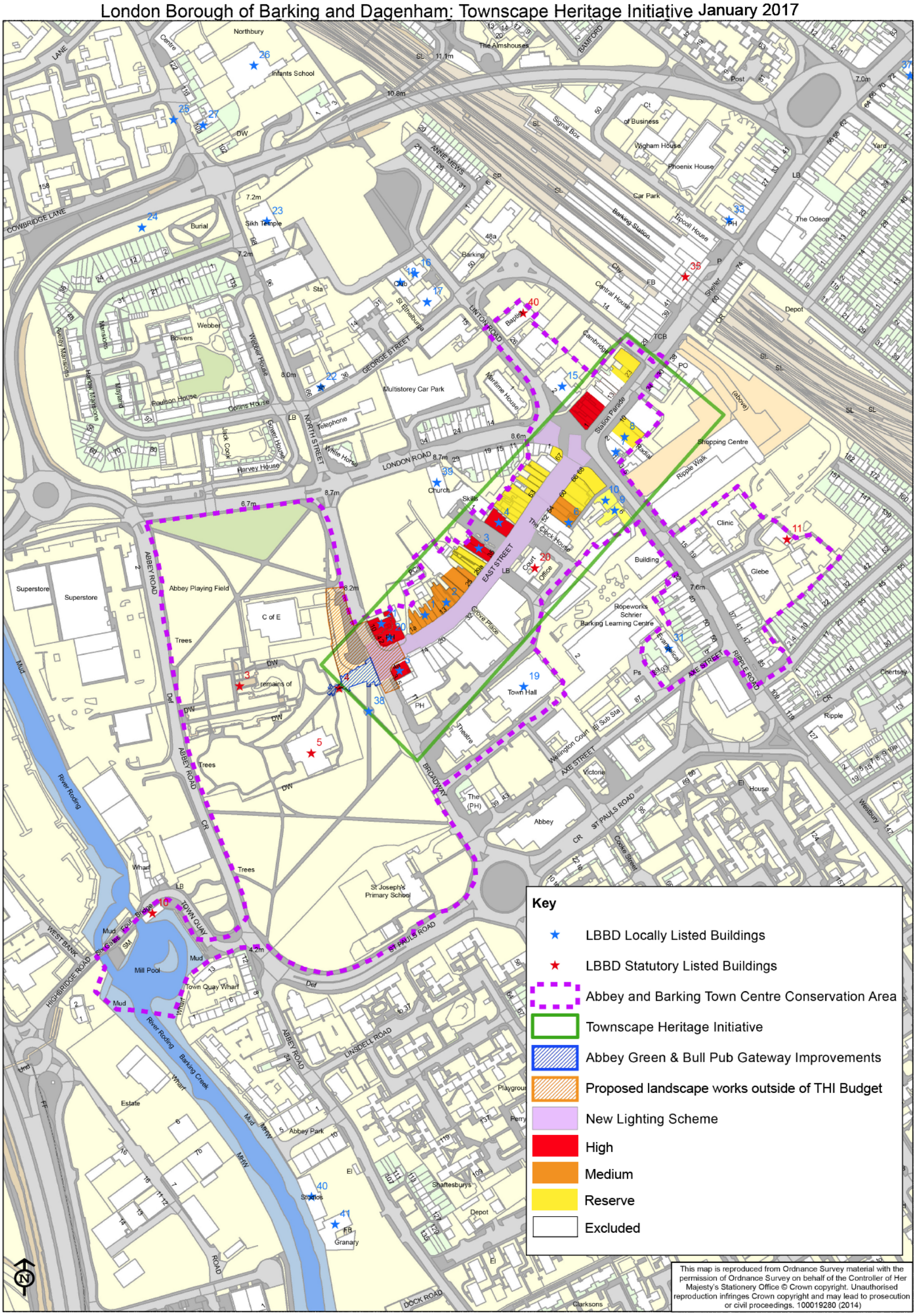
Public Background Papers Used in the Preparation of the Report: None

List of Appendices:

- **Appendix A** – Plan showing the Townscape Heritage project including high, medium and reserve buildings.
- **Appendix B** – Examples of high priority buildings provisionally included in the Townscape Heritage Project with proposed improvements.

Appendix A

Plan showing the Townscape Heritage project including high, medium and reserve buildings included in the scheme



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Appendix B

Examples of high priority buildings provisionally included in the Townscape Heritage project with indicative elevation drawings.

1-9 Station Parade – High Priority

6-12 North Street – High Priority

Early ideas for landscaping improvements and interventions outside the entrance to the Curfew Tower, creating better connections between fragmented spaces around North Street and East Street.

CABINET

13 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 borough'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.

Recommendation(s) The Cabinet is asked to recommend the Assembly 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 approved by Cabinet in September 2013 (Minute 36 refers).

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.

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 agreed by the Cabinet.

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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CABINET

13 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 report also seeks Cabinet’s approval 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.

Recommendation(s)

The Cabinet is recommended to:

(i) Agree the implementation of the London Living Wage increase from £9.40 to £9.75 per hour with effect from 31 October 2016; and

(ii) Recommend the Assembly 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. This policy is timetabled to go to the Assembly on 22 February 2017.

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. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

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

5. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

5.1 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.

6. Other Implications

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

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

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

6.4 **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.

6.5 **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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CABINET

13 February 2017

Title: Former Sacred Heart Convent – Conversion and Redevelopment Proposals	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report with Exempt Appendix 3 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972)	**For Decision**
Wards Affected: Goresbrook	**Key Decision**: Yes
Report Authors: Jennie Coombs, Regeneration Manager Growth and Homes Wayne Samuel, Accommodation Project Team Leader, Growth and Homes	**Contact Details:** Tel: 020 (8227 5736) E-mail: jennie.coombs@lbbd.gov.uk Tel: 020 (8227 5082) E-mail: wayne.samuels@lbbd.gov.uk
Accountable Director: David Harley, Acting Head of Regeneration and Planning (Regeneration)	
Accountable Strategic Director: John East, Strategic Director of Growth and Homes	

Summary

By Minute 127 (19 April 2016), the Cabinet approved the purchase of the former Sacred Heart Convent, 191 Goresbrook Road, Dagenham RM9 6XD. Cabinet resolved to agree the appropriate financial provision within the 2016/17 Capital Programme for the purchase and delegated the agreement of the final terms for the purchase. The Council completed the purchase on 13 May 2016.

The original report noted that a further report would be presented to Cabinet if the land purchase is secured setting out proposals for the future use of the site and the revenue funding arrangements associated with the cost of borrowing.

This report sets out the proposals along with the capital and revenue funding requirements for the future use of the existing building and adjacent garden areas including;

- The conversion of the upper two floors and part of the ground floor of the existing building to provide 17 units of temporary accommodation provision with associated resident facilities, reception, administration, and management areas.

- The occupation of the remaining ground floor areas by a Creative Industries or Arts Company to ensure that the unique existing features of the building including the staircase, panelled rooms and chapel are retained and preserved.

- The development of the garden areas adjacent to the main building for a new build residential scheme comprising between 53 – 63 self-contained units (dependant

on planning and detailed design) for families and couples in need of temporary accommodation.

A full financial appraisal has been completed to evidence the viability of the both the refurbishment and new build elements of the project including the likely savings to the General Fund and a summary of that appraisal is set out at Appendix 3 - this document is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The Council's Assets and Capital Board has reviewed this to ensure that the proposals maximised the density, income and savings to the General Fund. In addition, an analysis of the available options for the procurement of contractors and professional services is set out with recommendations for Procurement Board sign off.

The building is locally listed and has several features on the ground floor that merit protection, including several panelled rooms, the main staircase and chapel. The outline design work for this project has been completed by Peter Barber Architects a practice that has completed projects in the borough including infill sites where careful consideration was required to ensure that the schemes fit into the existing fabric. They received a Housing Design Award for a similar project at St Mungo's in Camden earlier this year.

Recommendation(s)

The Cabinet is recommended to:

(i) Agree the scope of renovations to the upper two floors of the former Sacred Heart Convent to provide 17 units of temporary accommodation with associated amenity and reception areas utilising part of the ground floor;

(ii) Agree the proposal to redevelop the surrounding garden and car park area to provide between 53 - 63 units (subject to planning and further detailed design) as specifically designed temporary accommodation in a courtyard arrangement, as contained in the outline design document in Appendix 2 to the report;

(iii) Agree to seek a commercial occupier for the remainder of the ground floor space at the maximum rent achievable and at no net ongoing revenue cost, in accordance with the Borough's focus on creating opportunities to encourage Creative and Arts industries to move to the Borough;

(iv) Agree that the cost of the works be met from the General Fund, at between £7.3 and £8.4m depending on the confirmed unit numbers;

(v) Delegate authority to the Strategic Director of Growth and Homes, in consultation with the Cabinet Member for Finance, Growth and Investment, to sign off the final Procurement Strategy for the appointment of a main contractor and associated consultants for the project following its endorsement by the Procurement Board, in accordance with the Council's Contract Rules, the European Tendering Regime and Public Contract Regulations; and

(vi) Delegate authority to the Strategic Director for Growth and Homes, in consultation with the Chief Operating Officer and the Director of Law and Governance, to procure the projects and award the respective project contracts.

Reason(s)

The programme aims to contribute to dual Council Priorities of ‘Growing the Borough’. and ‘Encouraging civic pride’. The initiative is congruent with the specific objectives of (i) building new housing and sustainable communities; (ii) supporting investment in housing and open spaces to enhance the environment and (iii) helping residents shape their quality of life.

1. Introduction and Background

1.1. The site (shown in Appendix 1) consists of a local listed 1930s three-storey neo-Georgian constructed building set within a 40,000 sq foot landscaped site. Benefiting from distinct features including two large Mock Doric framed entrance doors, a hip tiled roof crowned by a cupola and chapel located to the ground floor, Sacred Heart is one of only 133 buildings of local architectural or historic interest within the borough.

1.2. In view of the above any future use of the building and adjacent garden areas must ensure it respects the key heritage features of the building and its wider setting within the streetscape.

1.3. Over two years ago, the Council considered purchasing the site for temporary accommodation. Throughout this time the Council were made aware temporary accommodation providers (potentially including other boroughs) were also considering purchasing the site for temporary accommodation.

1.4. The local authority currently manages and maintains four council owned hostel sites located throughout the borough. The hostels primarily provide emergency interim accommodation for families to whom the Local Authority has a statutory duty under the Homeless Act 1996 (as amended) to assist.

1.5. Socioeconomic factors including ongoing reforms to welfare, rising unemployment and private rental sector costs exceeding the level of Housing benefit assistance (Local Housing Allowance) have resulted in significant increases from residents for assistance with re-housing as a result of homelessness. Consequently, this has resulted in an increase in demand for emergency accommodation.

1.6. Sequentially fiscal consolidation at a national level has led to reduced funding for local authorities. As a consequence, additional pressures have been placed upon the budget for Homeless Services within the General fund.

1.7. For the period commencing December 2015 – March 2016 Council owned hostel accommodation provided emergency interim provision for a total of 176 families and eligible single applicants. The intake of customers presenting as homeless during this period totalled 522. Of these, 405 customers were offered interim emergency accommodation pending completion of enquiries. Where customers are unable to be provided with council owned emergency hostel accommodation, the local authority currently utilizes private sector Bed and Breakfast provision to fulfil its statutory duty. The average cost per night of Bed and Breakfast accommodation is £102.25 (£80 net), for 2015/2016 the annual net cost equated to £2m.

2. Proposal and Issues

2.1 On 15 November 2016 (Minute 63), the Cabinet approved the Councils Homelessness Strategy this report asked Cabinet to note the severity of the current position regarding demand, supply, and costs of dealing with the Council's statutory duties regarding homelessness in the Borough. It further approved the proposed strategic approach and corresponding actions outlined in the report, aimed both at reducing homelessness demand in the Borough and at improving the Council's capacity and capability to manage the needs of those who are accepted as homeless.

2.2 The proposals for Sacred Heart along with the other major Hostel expansion projects are the Councils response to facilitating more cost-effective ways to reduce the increasing financial burden upon the local authority and improving the quality of accommodation available to families requiring assistance with re-housing. It is proposed a programme of renovation works and new build provision are undertaken at Sacred Heart to provide singles, couples and family accommodation in a mix of refurbished units within the main building and a new build scheme on the adjacent garden areas that is sensitive to the existing building and street scape.

2.3 The proposals (shown in Appendix 2) include sympathetic renovation and refurbishment of the existing rooms located on the first and second floors of the building to create 17 units of accommodation and demonstrate how small new build units can be arranged in a mews and courtyard configuration around the existing building.

2.4 The scheme shown in Appendix 2 shows 45 new units, this has been reviewed to confirm that this number can be increased subject to further detailed design work and planning to between 53 and 63 by adding a second storey to parts of the Courtyard design where higher development would be acceptable within the context of the site. Adding between 8 and 10 additional units to the new build scheme will improve the viability without incurring a large increase in staffing costs.

2.5 The refurbished areas of the existing building will have fire safety/detection systems fitted in accordance with existing and appropriate fire safety regulations and it is proposed that digital CCTV cameras are installed both internal and external to the building and connected to a network video recorder (NVR).

2.6 The refurbishment will also overhaul existing utilities (including lighting, heating, and water drainage and ventilation systems) to create bathrooms, toilets and kitchens to each floor. Onsite laundry/ dryer facilities accessible to residents will be located on the ground floor.

2.7 External proposals include creating a dedicated refuse area to satisfy BP8 and BP11 of the borough wide development policy. Off street parking will also be created as well as means of cycle parking to encourage the use of cycling (sustainable transport) in accordance with policies BR10 and BP8 of the borough wide development policies.

2.8 The new build proposals have been drawn up to be sensitive to the existing building and site layout, minimising overlooking by keeping the development at no more than two storeys in courtyard blocks and mews style terraces. A large rear communal garden is retained for shared use and two smaller landscaped areas within the Courtyard blocks.

2.9 The design for the new build units allows access through the main reception area into the landscaped gardens and courtyards that have individual entrances/street doors to the units between approx. 14 sqm and 35 sqm with self-contained facilities. These units will have open plan living and kitchen areas with separate shower, WC and bedrooms.

2.10 The previous applications for a 60 bed Care Home on the site attracted several objections from residents in the surrounding properties. These were mainly around issues relating to loss of light, trees and traffic concerns. Initial meetings with the Planning team have flagged up these issues and guidance has been given to avoid future objections.

2.11 A full programme of consultation with residents will be undertaken during the detailed design phase and prior to the planning application being submitted to ensuring that any concerns regarding the future use of the site, overlooking etc. can be addressed.

2.12 In order to provide services that are proactive and which act as a gateway to a wider range of support across education and health the proposals also include provision of an area located to the ground floor whereby residents and the community are able to access consulting, interview and training from outreach and strategic partners of the council. A key benefit of this proposal is the access to education and development skills which are critical to ending the cycle of homelessness and poverty. It is envisaged this will also promote a welcoming, safe and resilient environment for the community.

2.13 Given the site location, the proposed use for the site and the size, layout and character of the ground floor space it is likely to be extremely difficult to secure a commercial user for the remaining space. The Council has a strong focus on creating accommodation for artists and there is potential that this space could be utilised as workspace for one or more artists. Discussions will take place with organisations such as Bow Arts, Create London, Studio 3 Arts and Barking Enterprise Centres Community Interest Company who also have space in the borough whether they would be interested in managing the space.

2.14 It is unlikely to generate much income but should be able to cover running costs and would fulfil broader objectives laid out in the Growth Commission report. The financial model includes no on-going income or costs associated with the space however initial capital costs to enable the space to be independently occupied have been included.

2.15 An option appraisal for the use of the site for the provision of temporary housing is set out below:

Option	Description	Comments
1	Do nothing –	• The scale of both the fiscal challenge and demand for housing faced by the local authority is such that alternative and decisive approaches must be considered. The Council owns the site/building.
2 (The preferred option)	Develop the site in accordance with the proposals to provide increased units of interim accommodation	• It is considered the renovation, modernisation and development of this site would provide key benefits which are in line with the Council's corporate plan including 'creating thriving communities by maintaining and investing high quality homes' and 'improving health and wellbeing of residents through all stages of life via access to clean, modern, safe units of accommodation'. Development of the site would also provide economic benefits within the area. Construction workers and those working within the building will be, where possible sourced locally.
3	Procuring out of borough emergency accommodation	• The council's Accommodation Services Team currently procure both emergency and interim units of temporary accommodation within areas outside of the host borough. Whilst this method can resolve some requests for emergency housing, the widespread practice of utilizing out of borough emergency accommodation has proven impractical for large swathes of LBBD customers eligible for Housing assistance primarily because the local authority are required to consider the adverse impact of procuring out of borough accommodation on various client groups. This primarily includes families with school aged children attending school within the borough who are adversely affected by substantially increased travelling times and costs, customers in employment who are adversely affected by substantially increased travelling cost

3. Proposed Procurement Strategy

3.1 It is intended that both the refurbishment and the new build development be undertaken as one project, let to one contractor but delivered in two phases. The successful contractor will be required to deliver the refurbishment project first and hand this over for occupation whilst proceeding with the new build as phase 2. The table below details the proposed procurement route for the refurbishment and development programme that form part of this report and reasons for the approach.

Procurement Route	Reason	Other Options Considered
New Build Housing Framework Agreement (Single stage tendered using Design and Build JCT contract).	It is recommended this scheme is procured through the Current New Build Housing Framework Agreement as the works required to both the new build and the existing building can be delivered using this framework	To tender the works outside of the Housing Framework Agreement. This option was discounted due to the additional time required which would affect the delivery programme for the delivery of the programme which is required to respond to urgent need for temporary accommodation within the borough.

3.2 **Estimated Contract Value, including the value of any uplift or extension period**

The table below has been prepared to indicate the cost of the final scheme, showing the originally designed 62-unit scheme (17 refurbished and 45 new build) and the costs for the increased unit numbers at a minimum of 53 and maximum of 63 units

	Opt 1 – 62 units	Opt 2 – 70 units	Opt 3 – 80 units
17 Refurb Units	£2.172,000	£2.172,000	£2.172,000
45 New Build Units	£3.558,000	N/A	N/A
53 New Build Units	N/A	£4,927,251	N/A
63 New Build Units	N/A	N/A	£5,980,716
Refurbishment of Commercial space	£275,000	£275,000	£275,000
Total	£6,005,000	£7,374,251	£8,427,716

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

- **Sacred Heart refurbishment** – Nine months
- **Sacred Heart New Build extension** – Fifteen months

3.4 **Recommended procurement procedure and reasons for the recommendation**

Sacred Heart Refurbishment and New Build – The refurbishment will be delivered using JCT (D & B) 2011 via the Council's current New Build Housing Construction Framework Agreement. The procurement on both will be based on a single stage tender process which is suited to this type of work and requires the contractor to assume responsibility for the detail design of all elements of work in line with overall employer's requirements.

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

The project will be delivered by a project team within the Capital Delivery Unit project management team, in-house & external architects, and Quality inspector with support from external consultants including Principal Designer, Surveyor and Main Contractor to undertake the works.

Work Stage	Sacred Heart Refurbishment & New Build Extension
Feasibility study, Surveys and Scoping Options appraisal- presentation and selection	July – November 2016
Further assessment of Assets and Capital Board comments – increasing unit numbers etc.	November 2016– December 2017
Cabinet/ Procurement Approval	February 2017
Planning Application (Change of Use)	March 2017
Planning Approval	May 2017
Production & Dispatch of Tender	March 2017
Tender Period	April – May 2017
Tender Evaluation	May – 2017
Approval & Appointment of Contractor	June – 2017
Delivery of Refurbishment	July 2017 – January 2018
Commencement of New Build on site	November 2017

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

Significantly reduced expenditure allocated towards procurement of private sector bed and breakfast accommodation; increased income generated by the local authority, improved standard and a wider scope of emergency accommodation to accommodate a spectrum of client requirements.

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

Tenders will be assessed on a Quality/Price ratio as set out below.

Specific areas to be included in the qualitative aspect of these tenders are:

- experience in similar work
- resident liaison support
- experience and qualifications of site team
- use of sub-contractors and local labour/suppliers
- cost
- quality based on outcome measures
- customer care arrangements

Quality/Cost ratios vary dependant on the value and complexity of each project. On this project, it is recommended that a 40/60 Quality/Cost Ratio is used; there will be an emphasis on achieving value for money in view of the significant budgetary pressures faced by the local authority. Build quality is an important factor primarily in respect of durability throughout the buildings lifecycle.

3.8 **How the procurement will address and implement the Council's Social Value policies**

Tenders will require the successful contractor to demonstrate use of local labour and suppliers along with the appointment, where practical, of apprentices.

Works will contribute to the wellbeing of residents in housing need and contribute to the improvement of emergency accommodation available within the borough.

3.9 **Procurement Option Appraisal**

1	Do nothing	The scale of both the fiscal challenge and demand for housing faced by the local authority is such that alternative and decisive approaches must be considered. Also the site requires urgent attention in order to modernize the buildings infrastructure to current standards.
2 (The preferred option)	Utilising capital delivery to appoint and manage an external contractor to undertake program of works	It is considered this method would provide increased benefits in terms of swiftness of completion/delivery and value for money, these elements are key factors in assisting the local authority in alleviating the significant budgetary pressures.
3	Utilising the DLO to carry out the works 'in house' within the Council	Consideration has been given to commissioning the councils Maintenance Division to undertake works however the service is not currently in a position to carry out this level of works in house within the timescale. Where the scope of works and timescale are appropriate, this is the preferred option.

4. Financial Appraisal

4.1 A full financial appraisal for the both the refurbished and new build units has been undertaken and a summary is attached at Appendix 3 in the exempt section of the agenda. The appraisal was prepared using the following assumptions on cost and income:

Appraisal Assumptions	62 Units	70 units	80 Units
Purchase Price (inc Stamp duty)	2,790,000	2,790,000	2,790,000
Construction inc fees & contingency	6,531,480	7,374,251	8,427,716
Grant	0	0	0
Development interest	139,822	152,464	168,266
Total Scheme Costs	**9,461,302**	**10,316,715**	**11,385,982**

Financial & economic	**Rate**
Development cost of finance (developer)	1.50%
Operational cost of finance	2.50%
RPI	2.00%
Rental uplift (in addition to RPI)	0.00%
Discount rate (for discounted cash flow)	6.09%
Appraisal Term	50 Years

Costs	
Staff Costs per annum	£121,257
Premises Costs per annum-62 units	£311,514
Premises Costs per annum-70 units	£331,435
Premises Costs per annum-80 units	£356,336
Major Works allowance from year 5 @ 720 per unit-62 units	£44,640
Major Works allowance from year 5 @ 720 per unit-70 units	£50,400
Major Works allowance from year 5 @ 720 per unit-80 units	£57,600

Years/Units	
62 units Contribution required from General Fund per year to year 42	£227,000
70 units Contribution required from General Fund per year to year 30	£184,000
80 units Contribution required from General Fund per year to year 20	£130,000

4.2 The key out puts from the Sacred Heart Appraisal are summarised below, this includes the original purchase costs. The Service Charge provisions have also been reviewed and it is estimated some additional charges can be levied at £3 per week for the refurbished units and £5 per week for the new build unit which results in an approximately an additional £15,000 per year but this has not been included into the revised appraisal until more work is completed to review the exact charges.

All Properties at Temporary Accommodation Rates	62 units
NPV	£7,907
First Year Net Cashflow	£17,104
Highest Cumulative Negative Cashflow (Nominal)	NA
In Year	NA
Cashflow Positive from year	1
Net Savings to General Fund per annum	£54,882

All Properties at Temporary Accommodation Rates	70 units
NPV	£6,232
First Year Net Cashflow	£13,868
Highest Cumulative Negative Cashflow (Nominal)	NA
In Year	NA
Cashflow Positive from year	1
Net Savings to General Fund per annum	£107,996

All Properties at Temporary Accommodation Rates	80 units
NPV	£118,185
First Year Net Cashflow	£9,577
Highest Cumulative Negative Cashflow (Nominal)	NA
In Year	NA
Cashflow Positive from year	1
Net Savings to General Fund per annum	£172,362

5. Consultation

5.1 The Consultation has taken place with internal stakeholders including directors, senior management and senior officers within Housing Advice, Capital Delivery Housing Strategy and finance in order to establish the projects viability, feasibility and to progress both the design brief and specification of works.

5.2 The proposals in this report were taken to the Asset and Capital Board in November 2016 for review. Whilst the Board totally supported the aims of the project to meet the very pressing requirement to provide more hostel accommodation for current and predicted levels of need they were concerned that the financial appraisal only resulted in a very small £55,000 saving to the General fund per year and asked for additional work to be completed to look at options that would make the project more financially viable whilst still meeting its key objectives.

5.3 The project team looked at the following to address the Boards concerns:

- Maximising income through service charges and driving down revenue costs.
- Increasing the number of new build units from the planned 45 to between 53 and 63, this is considered achievable without over developing if planned sensitively to the context of the site.
- Looking at the overall viability of the Hostel Expansion Programme in the forthcoming Cabinet Report to illustrate how whole programme will make significant savings to the General Fund.

- Complete market research to assess an achievable commercial market rent for the space on the Ground floor to contribute to the viability of the project.

5.4 In addition to the above the project group has initiated a dialogue with DCLG to confirm if they will allow any contribution from the restricted Right to Buy Receipts reserved for one for one rented housing replacement. As this is dialogue is in the early stages no contribution has been assumed in the financial modelling completed for this report.

5.5 The further design development will be subject to further Ward Member, stakeholder and community consultation. The planning consent gained by the previous owners of the property was subject to several objections from local residents and in order to mitigate this for future applications the intention would be for early intervention with the community prior to the formal planning consultation.

6. Corporate Procurement

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

6.1 The proposed procurement route for the project is a single stage procurement using the Councils “New Build Housing Construction Framework”. The project will be combining the refurbishment works with the new build to form a single project. The aggregation of the works whilst allowing a more fluid project may not deliver value for money in terms of the end costs, but would save cost in terms of only one procurement process conducted.

6.2 The proposed evaluation criteria is 60% cost and 40% quality, I would agree to this level of criteria for this project due to the requirement to maintain some of the listed provisions. The Value for money aspect has not been outlined in the report against the alternative options appraisal with time being stated as the main factor to ensure delivery of the project.

6.3 Based on the details of the report, the recommendations are supported although it should be noted that the costs outlined in section 4.1 include contingency but do not state how much. It should be noted that there could be a risk of costs exceeding the figures and what contingency does the Council have to conclude the project.

6.4 The use of the Housing Framework is a compliant route to market; however, justification on best value cannot be established. In this instance and due to the commencement of the first element has commenced the route to market being proposed is compliant and should be approved, but with the caveat that best value cannot be validated.

7. Financial Implications

Implications completed by: Katherine Heffernan, Finance Group Manager

7.1 This report is seeking authority to

- approve and authorise the proposed renovation works to the upper two floors of Sacred Heart Convert Building to provide 17 units of temporary accommodation

- approve and authorise the redevelopment of the surrounding garden and car park area to provide between 53-63 additional units of temporary accommodation, subject to funding being identify and agreed as part of the capital programme,
- approval to seek a commercial occupier for the remainder of the ground floor space to maximise income and at no net ongoing revenue cost to the general fund and
- agree between £7.3m and £8.4m funding from the general fund capital programme for the development depending on confirmed number of routes

7.2 Cabinet approved the purchase of Sacred Heart Convert Building in April 2016 at a total cost of £2.790m inclusive of Stamp duty. The proposed renovation works, depending on units taken forward, will cost between £7.374m and £8.428m and development interest of £152k and £168k respectively giving a total capital investment of between £10.317m and £11.386m.

7.3 If Cabinet approve the proposed renovation works, this will add interest costs to the Council of between £363k and £401k per year and will require the total capital investment to be repaid over the agreed period. Revenue budgets will need to be identified to meet this cost until the site becomes operational. The loan interest and the repayment costs will need to form part of the ongoing revenue budget for the site once open.

7.4 The Authority is under considerable financial pressure with regard to containing the cost homelessness within existing budgets. The temporary accommodation options available to the Council are the use of private sector landlords, bed and breakfast, nightly lets or the use of the Council's own homeless hostels.

7.5 Of the options available, the only one which now does not place a burden of cost on the Council is the use of homeless hostels. As detailed in the report, the Council does have a number of these establishments, however, these are always full to capacity due to the very high level of demand and, therefore, the more expensive options frequently have to be used to provide temporary accommodation for the homeless.

7.6 The opportunity to increase the number of hostels through the refurbishment and expansion of the Sacred Heart site has been seen as a way of increasing capacity of the hostel provision. This project, however, in view of the relatively high cost of the proposed building works needs to be financially viable in the longer term without placing a further financial pressure on the Authority.

7.7 The proposal is as follows:

Total Units	70	80
Capital Outlay:	£m	£m
Purchase cost	2.790	2.790
Development costs	7.374	8.428
Development interest	0.152	0.168
Annual running costs:		
Staffing	0.121	0.121
Premises	0.331	0.356

Loan & Interest repayments	0.364	0.401
Total Running Costs:	**0.867**	**0.936**
Annual Rental Income	**(0.659)**	**(0.772)**
Annual deficit	0,208	0.164
Current Cost of TA provision	0.291	0.302
Net Saving to G Fund/Annum	**0.108**	**0.172**

7.8 The income that would be forthcoming if, as expected, all 70 to 80 rooms are fully occupied is between £659k and £772k. On the basis of these figures, the redeveloped site would operate with an annual deficit of between £208k and £164k and not be viable.

7.9 A further saving would, however, be forthcoming as a result of the Authority having a further 70 to 80 units of hostel accommodation available and, therefore, not being required to provide more expensive alternative temporary accommodation for these families. The exact amount of this saving is difficult to accurately estimate as it would depend on the format of the temporary accommodation provided, however, if bed and breakfast and PSLs were used for these 70-80 families, at current rates, this would cost the Authority between £291k to £302k per annum. Therefore, when factoring in this cost avoidance, the project is financially viable.

8. Legal Implications

Implications completed by: Bimpe Onafuwa, Contracts and Procurement Lawyer

8.1 This report is seeking authorisation to undertake the procurement of a works contract for the renovation of the Sacred Heart Convent Building.

8.2 The procuring directorate sets out in this report that the contract will be procured from the Council’s Housing Framework Agreement.

8.3 Under the Public Contract Regulations public bodies are permitted to set up and call off valid framework agreements. In doing so, there is a requirement that the process be transparent, non-discriminatory and fair.

8.4 This report sets out the procurement strategy for this contract in clause 3 and notes in clause 3.5 that the evaluation criteria shall be on a 40:60 quality: price ratio. The report explains that a mini competition will be undertaken amongst the framework contractors, while clause 3.3 provides a timetable for the procurement exercise. All the above are indication of a fair tender exercise in accordance with the PCR 2015.

9. Other Issues

9.1 **Risk Management** - Risks associated with the construction of the new development fully scoped and managed through the building contracts.

9.2 **Staffing issues**- The full operation of the project once open will require a Hostel Manager at 0.17 FTE, a full-time Team Leader and 2 full-time Housing Support Officers. These staff costs, along with associated security costs, have been included in the financial appraisal.

9.3 **Contractual Issues** - The LBBD Housing Contractor Framework would be used to Tender for and appoint a main contractor and all associated design consultants via a Design and Build contract arrangement.

9.4 **Corporate Policy and Customer Impact** – The development of this under-utilised site will contribute to the Council Priorities of 'Encouraging Civic Pride' and 'Growing the Borough'. Regarding the latter, the proposals in this report are consistent with the objectives for building new housing and sustainable communities.

Current and future projects concerning the council's hostel accommodation stock require contractors, suppliers and other project team members to be cognisant of, and responsive to the needs of all residents regardless of background and circumstances. This will range from timing works and undertaking active steps to prevent disruption to neighbouring residents to provision of translation services where appropriate; this is of course not an exclusive list but representative. Contractors are required to demonstrate a commitment to supporting the Council's own teams in implementation of high quality customer care.

9.5 **Safeguarding Children** - The project plan and detailed designs for the scheme has taken into consideration the needs of the local community and has focused on creating accessible and safe spaces that will benefit the local community including children.

9.6 **Health Issues** - There is a large body of evidence that improvements to housing quality can improve health and wellbeing outcomes for its residents. The link between poor housing and ill health has long been established and this is now clearly acknowledged by central government in their vision for the future of Public Health in England. This regeneration plan will help improve access to primary care services as well as to help improve the health, safety and wellbeing of residents that are affected by poor housing standards, particularly if they are disadvantaged through social deprivation, disability, age, vulnerability or infirmity. Poor access to and quality of primary care services as well as unsuitable housing conditions, overcrowding or unaffordable housing will all have an adverse effect on public health in an area of the borough experiencing significant demographic change.

The plan will help to remove the risk of ill health or injury to an individual or household. Making modifications to improve a home can lead to an enhanced health and wellbeing that not only benefits the individual but also brings wider social and economic benefits and reduces the cost burden for the NHS.

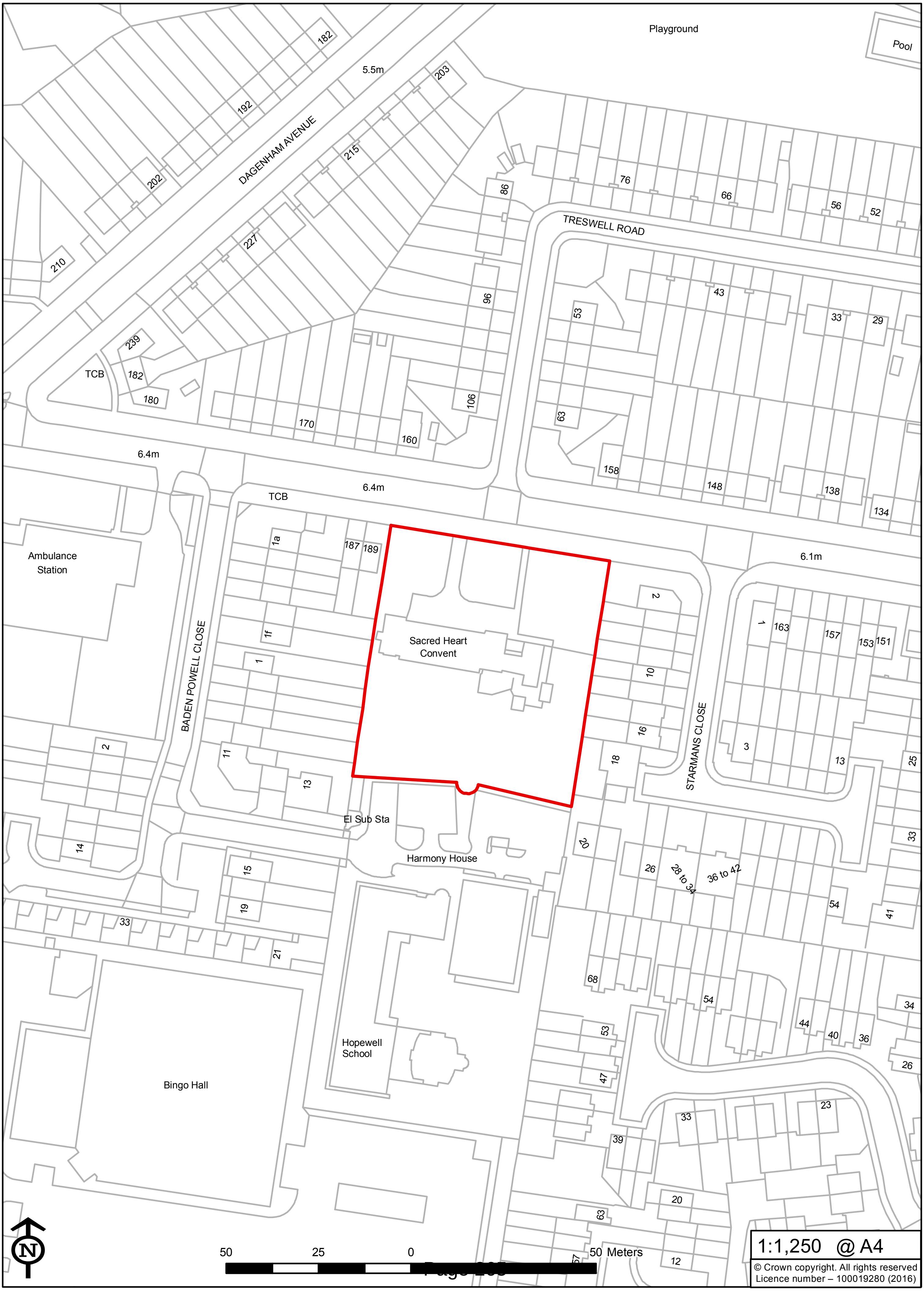
9.7 **Crime and Disorder Issues** - Section 17 of the Crime and Disorder Act 1998 places a responsibility on councils to consider the crime and disorder implications of any proposals. The development of the site will help make the areas safer by improving the quality of the environment. It is proposed the building will operate 24 hour on site security for the purposes of crime prevention. Security staff will have access to closed circuit television providing coverage to both internal and external areas of the site.

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

List of appendices:

- **Appendix 1 -** Site red line plan
- **Appendix 2 -** Sacred Heart Design Study (Peter Barber Architects, Sept '16)
- **Appendix 3 -** Financial Appraisal (exempt document)

Appendix 1: Former Sacred Heart Convent, 191 Goresbrook Road



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APPENDIX 2

Sacred Heart Convent

London Borough of Barking and Dagenham

Design Study

September 2016

PETER BARBER ARCHITECTS

For London Borough of Barking and Dagenham

1.0 Contacts

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"….The passion for improvisation, which demands that space and opportunity be at any price preserved. Buildings are used as a popular stage. They are all divided into innumerable, simultaneously animated theatres. Balcony, courtyard window gateway, staircase, roof are at the same time stages and boxes."

Walter Benjamin 'One way Street' 1924

2.0 Contents

3.0 Design Development

Aerial view of site with red line indicating site boundary.

3.1 Sacred Heart Vision

The proposed scheme for Sacred Heart is for a beautiful building which meets the aspirations of the London Borough of Barking and Dagenham in providing temporary accommodation for at need families and individual s who have been affected by homelessness.

The existing building sits on a very large site with vast amounts of open space which is poorly defined. The strategy for the whole site is to have accommodation devolved around the site in order to minimise what the institutional feel of similarly programmed schemes.

The site's open space allows for the use of a series of buildings to create a secure and protected environment for residents through the use of gardens and courtyards. These would greatly simplify circulation and improve the outlook and quality of light for the accommodation itself. We envisage light and open reception areas, training and counselling spaces, and pleasant living accommodation configured as self-contained studio units, en suite bedrooms and shared kitchens.

Our objective is to create an inspiring and uplifting environment, offering a pleasant and relaxed atmosphere appropriate to the needs of this vulnerable client group.

3.0 Design Development

3.2 Context

Main view of Sacred heart from Goresbrook road.

Aerial view of site indicated with red boundary line

The Sacred Heart Convent is located on the Goresbrook Road opposite Treswell Road and next to the Becontree Ambulance Station. Located in Zone 5, inner London, and is served by Bacontree station and Dagenham Heathway as well as local transport links.

The existing building dates back to the early 1930's shortly after the Ford Motor works was built. It's built in a neo - Georgian style in a mixture of red and plum coloured brick in English bond with a hipped roof and chimneys. It also has a Cupola that is affixed with a crucifix. It is surrounded to the East and West by residential dwellings and to the south by Harmony house; a local community interest and civic centre. The property is not Listed, but is considered to contribute heritage significance to the area. To the south west of the site lies Baden Powell close, another Peter Barber Architects scheme.

Internally the building was originally laid out to provide a Chapel, dining room, meeting rooms, kitchen, bathroom facilities at ground floor and twenty single bedrooms with shared kitchens and bathrooms on the second and third floors. Externally, the building is set within approximately 0.91 lawn acre plot.

3.3 External Appearance

- Large and formal entrance sequence through front gate and lawn. General appearance is unkept.

- Boundary line is immediately adjacent to the western edge of the building and far removed from the eastern edge. . Consequentially, the frontage appears markedly lopsided.

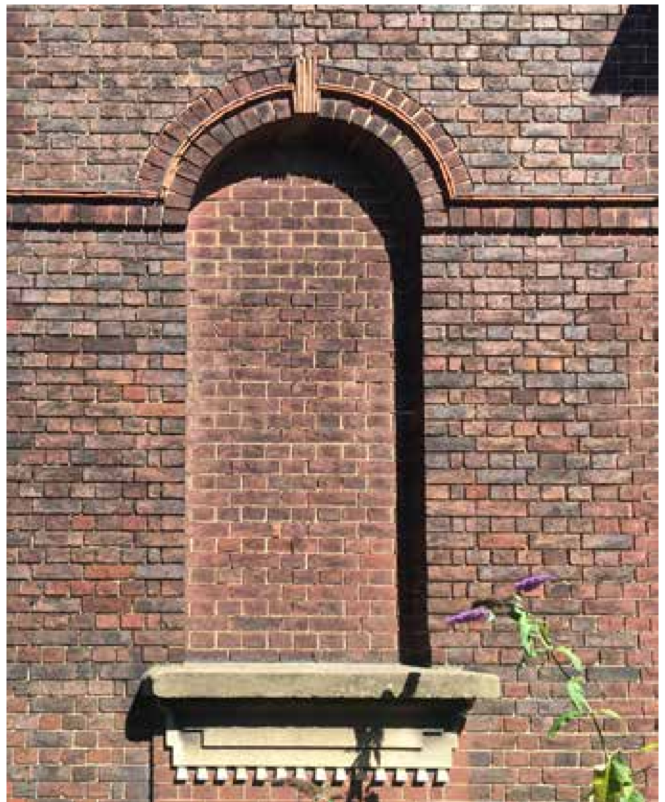
- Dormer windows on the roof that were extended during the 1960’s appear overly large uncharacteristic.

View from Goresbrook road looking South

View from Goresbrook road looking South East

View from Goresbrook road looking West towards Sacred Heart

Main entrance



Rear view of Chapel wing

3.4 Summary of Opportunities & Constraints


Rear view looking North


View of lift tower.


View from the roof showing cupola and chimneys

- The opportunity to safeguard a locally significant historic building as well as provide accommodation for homeless people within the local community, for future generations to come.

- The building is currently entered through a cramped and unwelcoming reception space. Circulation within the building mainly relies on long, dark corridors and air-locks, two primary staircases and a lift to the rear of the building.

- Bedrooms are small and share inadequate kitchen and bathroom facilities.

- Refurbishment of the existing building will create a welcoming, light, open and airy reception, with multi-purpose spaces, and a mixture of self-contained studio units and en suite rooms arranged in clusters with shared kitchens. It will further future-proof the building so that, if appropriate, it could be put to some other use in years to come.

- The existing building presents really well, however the site is a missed opportunity . Demolition of the rear ancillary buildings on the site will enable new buildings to be created around the perimeter of the site looking into a delightful, communal courtyards and pleasant garden space - which would form the heart of the new accommodation.

- Further to this, creating terraces of self-contained studio units surrounding the courtyards which provide the residents with their own front door, kitchen and en-suite bathroom; giving them an opportunity to develop independent living skills whilst still within the reach of the support system provided by the staff.

- Creating an inspiring and uplifting environment, offering a pleasant and relaxed atmosphere appropriate to the needs of the vulnerable client group and for the benefit of staff.

- The new development on the site would re-frame a beautiful view of the existing building. It would markedly rationalise and improve the entrance sequence. The entrance area would further be enhanced by adding trees and planting and increasing visibility into reception.

- The tree screen to the east of the site will be maintained however, the shrubs and lower quality bushes which follow the western boundary will be replaced with newly planted trees.

View of the Courtyard at Holmes Road Studios

Three storey apartment block at Holmes Road Studios

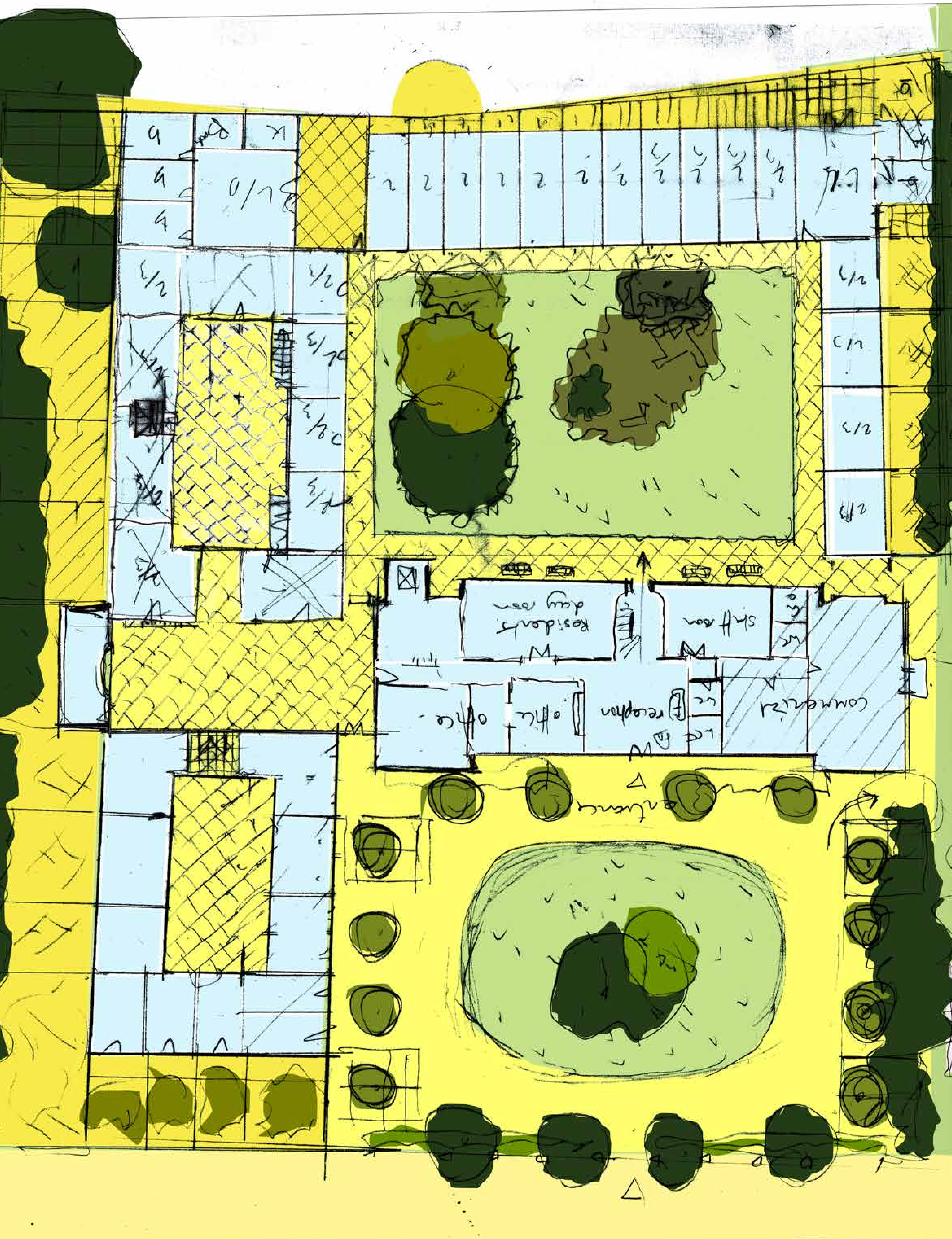
Sketch of the proposed kitchen garden that becomes the heart of the scheme at Holmes Road

Courtyard Gardens forming the heart of Redbridge Night Shelter

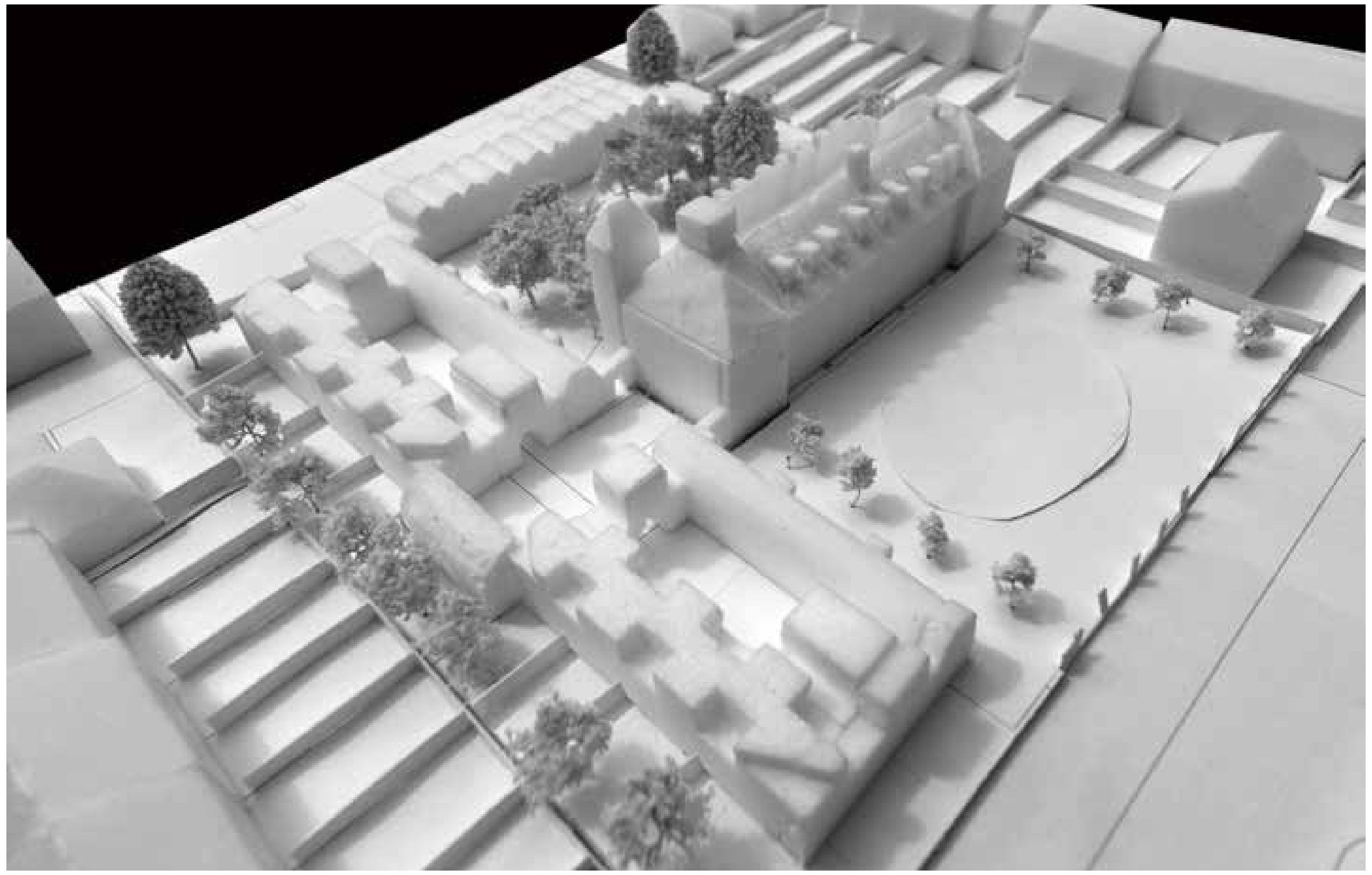
Light filled and spacious open plan reception area for Endell street.

Axonometric drawing showing existing refurbished building and extension of the new scheme.

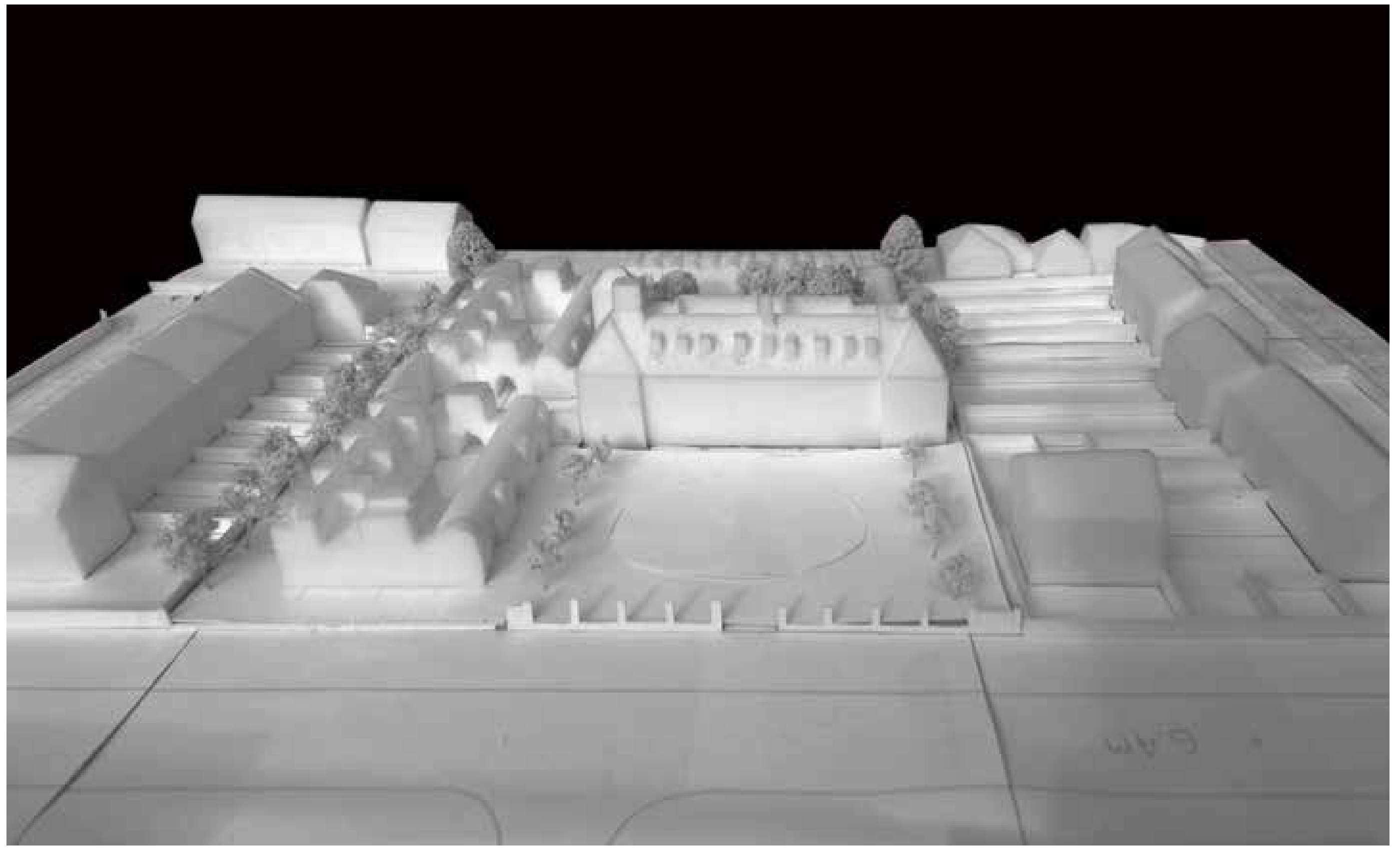
Light filled Courtyard at Employment Academy that becomes the primary amenity space.


office
office
reception
Residents day room
staff room
commercial
entrance

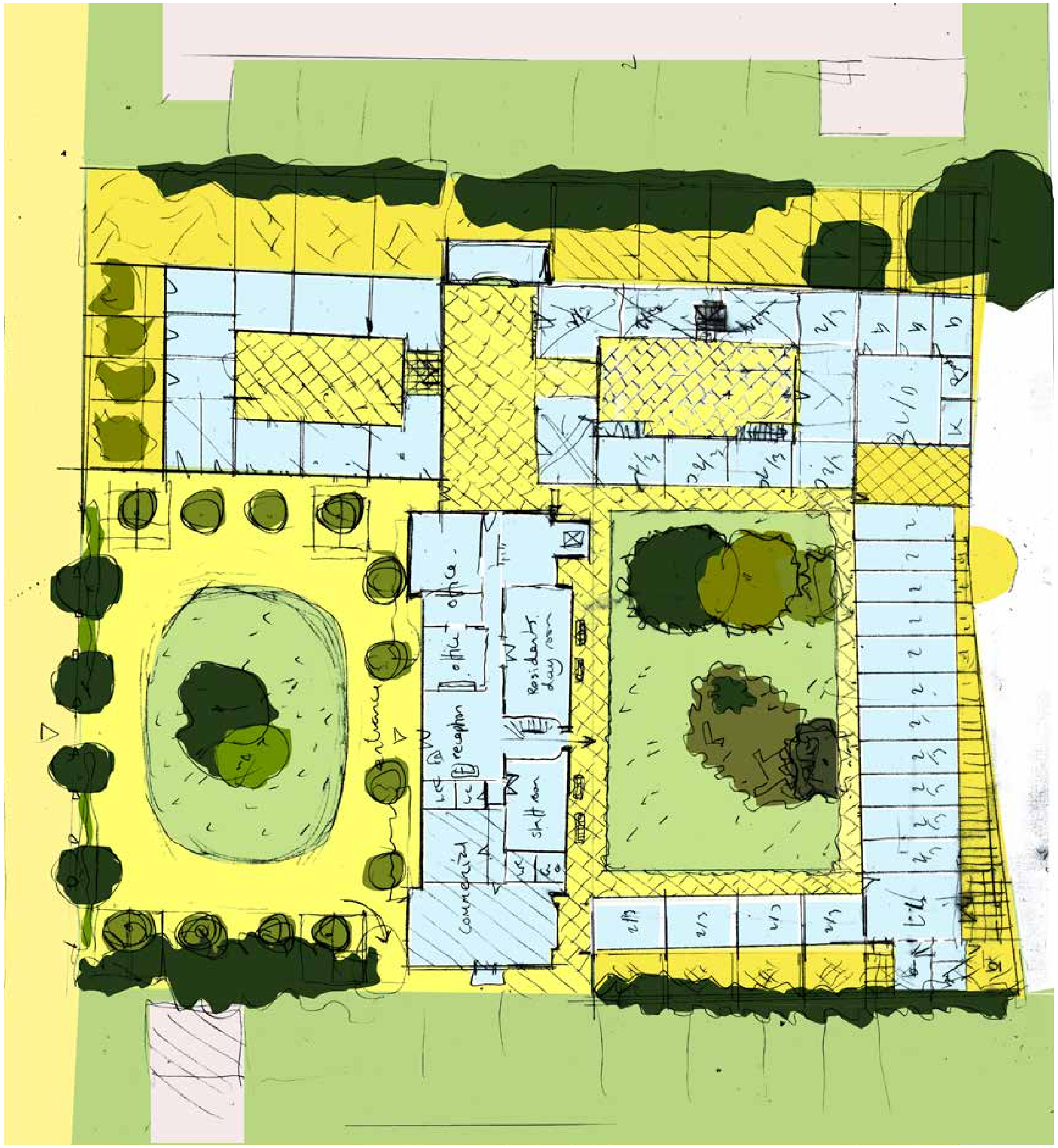
Sacred Heart


Working model showing aerial view of front courtyard

Plan view of model


Working model showing aerial view of front courtyard


Working model showing aerial view of rear courtyard


Plan sketch showing the proposed arrangement of new build accommodation around a series of courtyards and a communal garden

3.6 Design proposal

Sacred Heart is to be a beautiful new facility that provides high quality temporary residential accommodation all laid out around a series of delightful new courtyards and gardens.

Previous examples of Peter Barber Architects schemes for similarly programmed proposals illustrate a good enthusiasm and positive reception for quadrangular buildings. This is exemplified in the precedent images of Red bridge Night shelter and Holmes Road Studios. The plan thus positions three new buildings to the east and to the south of the existing and these start to clearly define gardens, and quadrangles.

Option C proposal

New Build	31 Units
Refurbished Existing	21 Units
TOTAL	52 Units

PBA

New Build	**45 Units**
Refurbished Existing	**17 Units**
TOTAL	**62 Units**


Courtyard arrangement of Holmes road studios


Almhouse typology arranged around a communal courtyard

3.6 Design proposal

Axonometric development sketch showing the proposed arrangement of new build accommodation around the communal garden

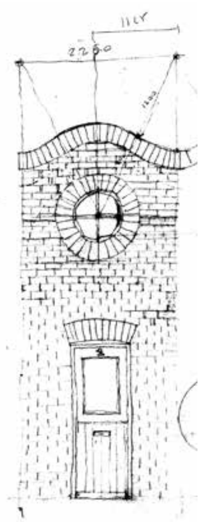
Sacred Heart

3.7 Development of Elevational design

The design of the front elevation seeks to mediate the lopsidedness of the existing layout by rationalising the entrance courtyard, making for a beautiful picturesque view. The oversized and incongruent dorma window is replaced by more suitably sized dorma windows in keeping with the neo-Georgian style of the existing building. A red rustic brick is used throughout the scheme to compliment that of the existing.

3.0 Design Development

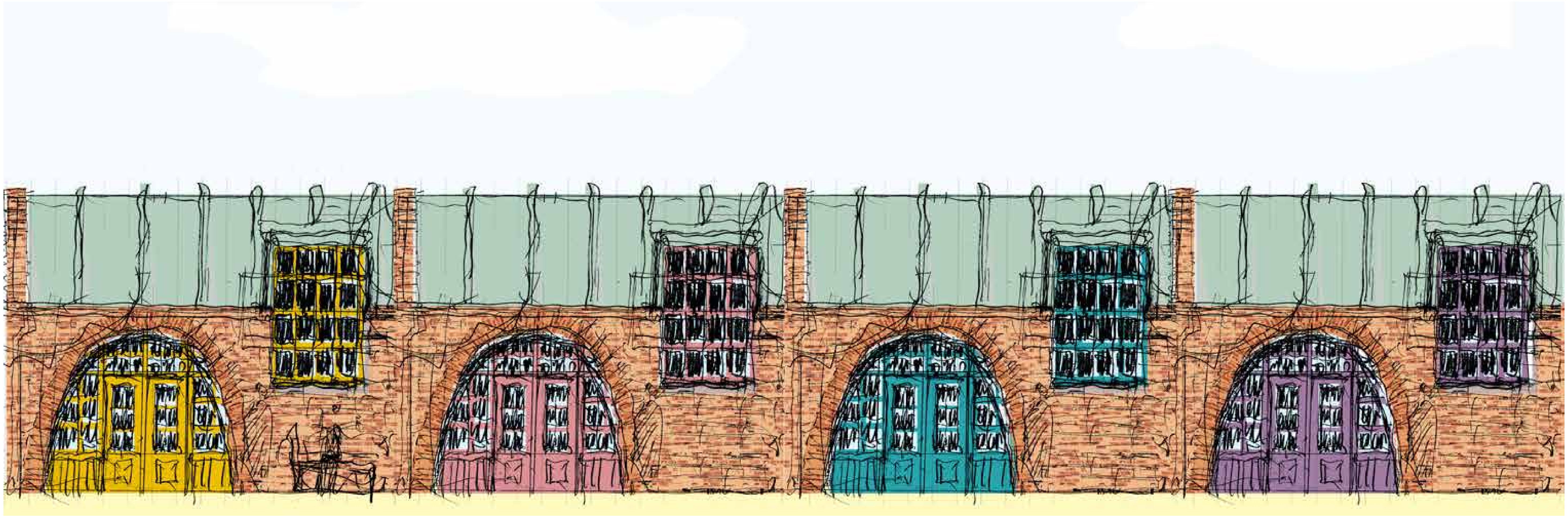
3.7 Development of Elevational design

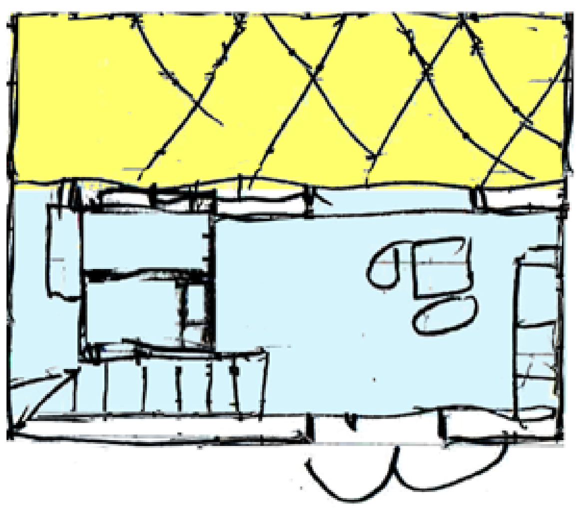


Elevation sketch of single unit

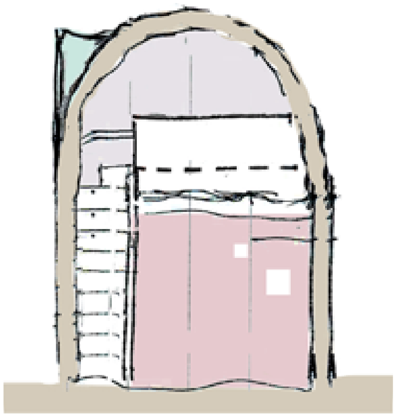
The design of the North facing elevations of the buildings fronting the garden has a curved parapet building similar to Holmes Road with an elevation that undulates along. Each unit has an individual door and features circular window atop. It's clad in a similarly red rustic brick that adds warmth and character. The scale of these charming units effects a pleasant domesticity to the project.

3. 7 Development of Elevational design





Plan of Barrel roof units with a kitchen diner and toilet at ground floor

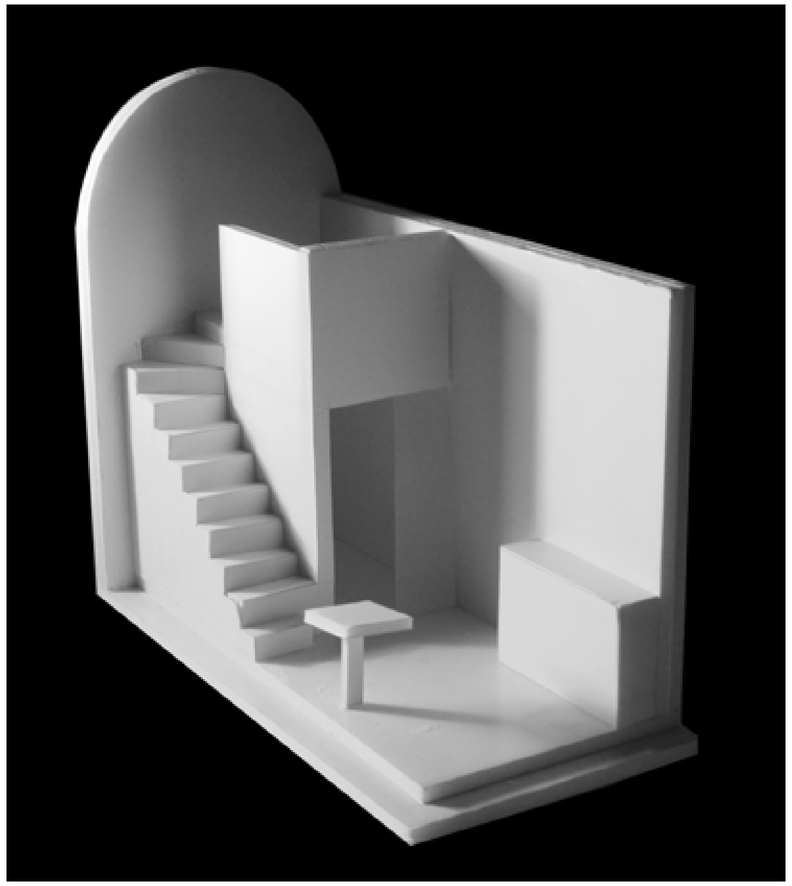


Cross Section showing toilet at the back of the unit, with a mezzanine level and dormer window allowing light in across the stair.

The design of the proposed east and west facing elevations of the buildings fronting the garden are generated by the design of the self-contained studio units. These have a barrel roof with individual dormers projecting forward. Each unit has its own entrance accessed through a delightful arch. The intention is for these buildings to be clad in a high quality rustic red brick.

Sacred Heart

3.8 Typical Self contained uni7.2

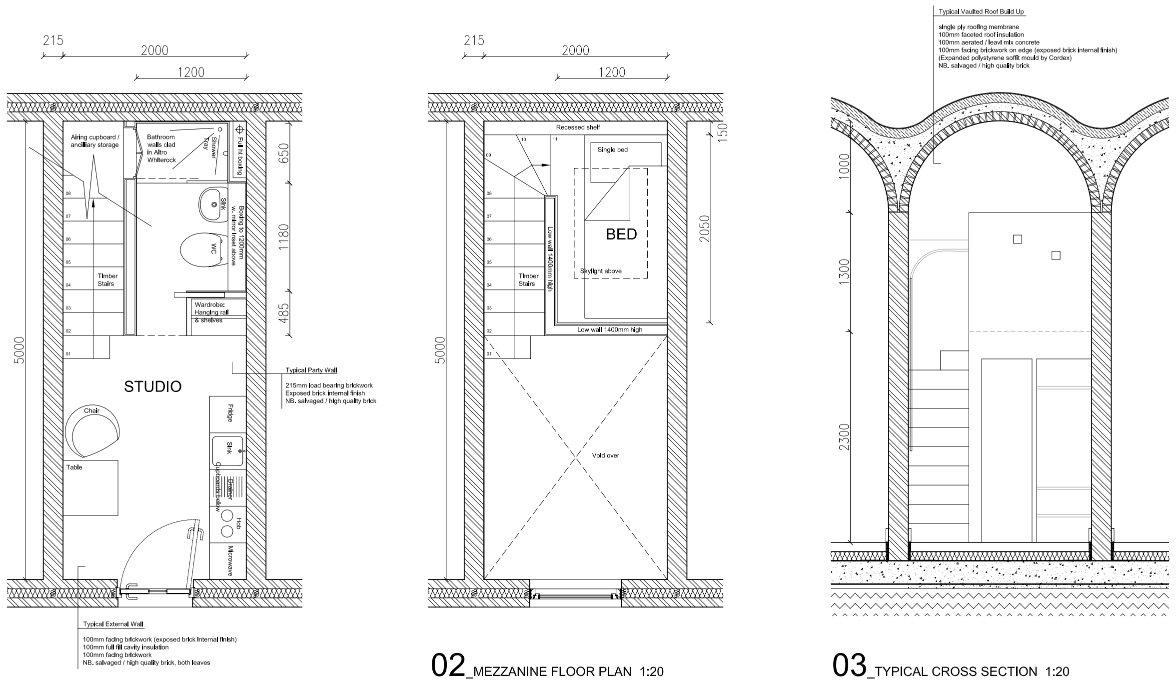


Internal layout

Sketch model of typical unit

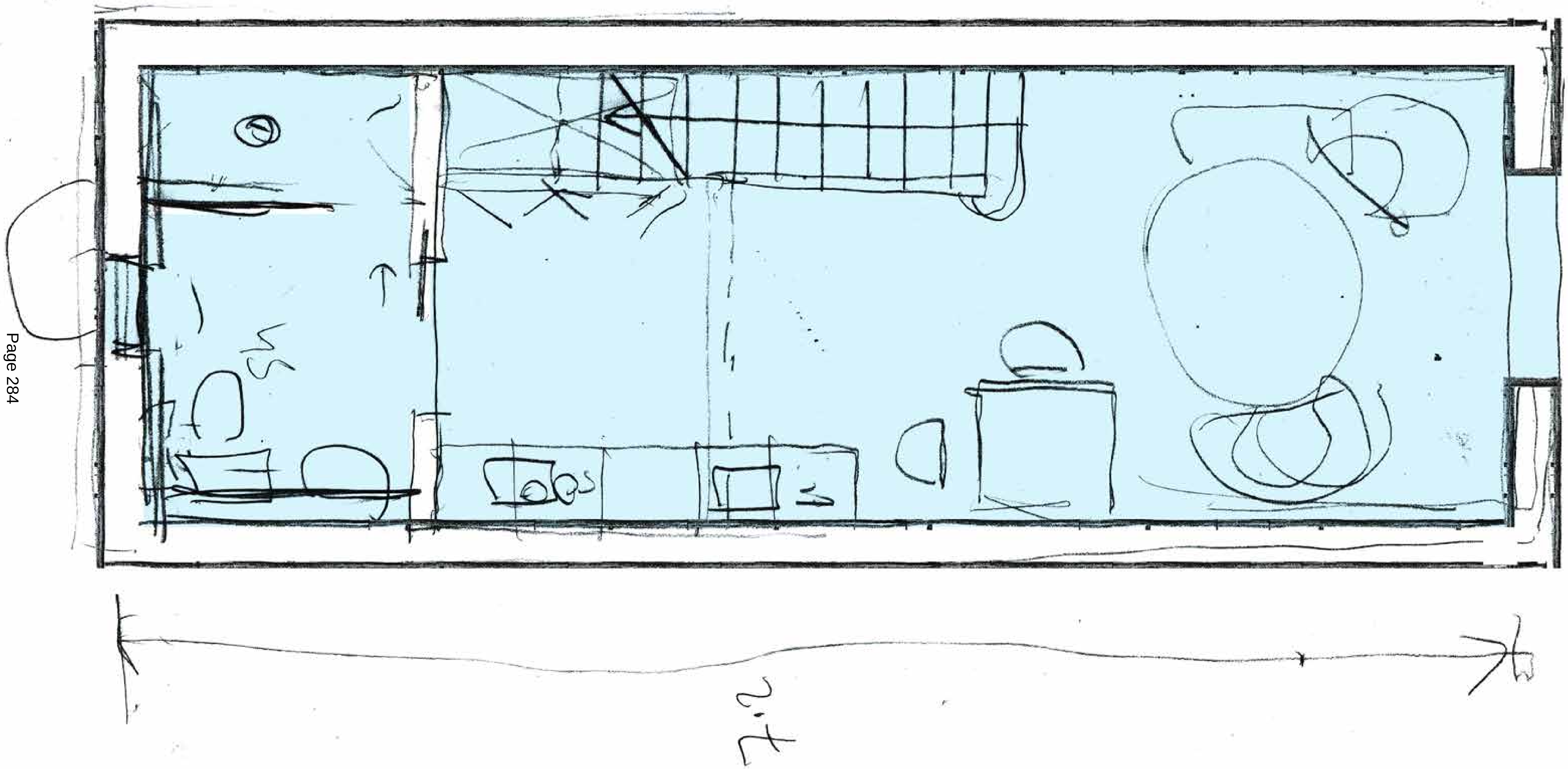
The self-contained studio unit is designed as a little cottage with its own front door leading onto the communal garden.

The internal dimensions for the North facing units are 2.3m x 5m. The East and West facing units are of similar layout but their internal dimensions are 4m x 5m. A compact, robust kitchen is provided, together with a seating area. A ground floor bathroom is accessed through an opening between stairs and in-built wardrobe. The stairs lead upwards to a mezzanine bed area. Light is brought into the dwelling though windows in the door, a circular high level window and skylight above the bed, thus maximising light whilst maintaining privacy in each unit.



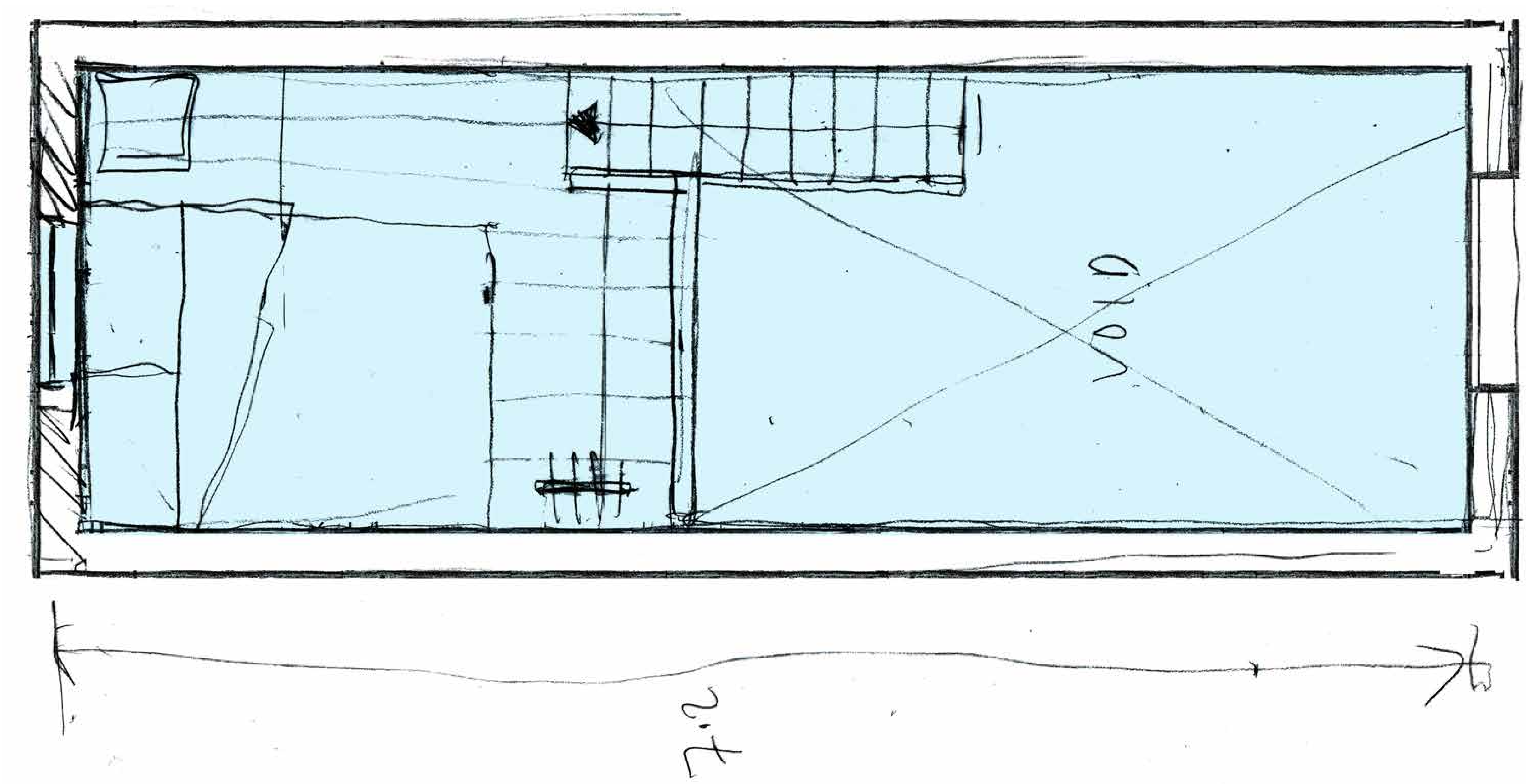
Plan and section of 2m x 5m self contained unit

3.8 North facing self contained unit

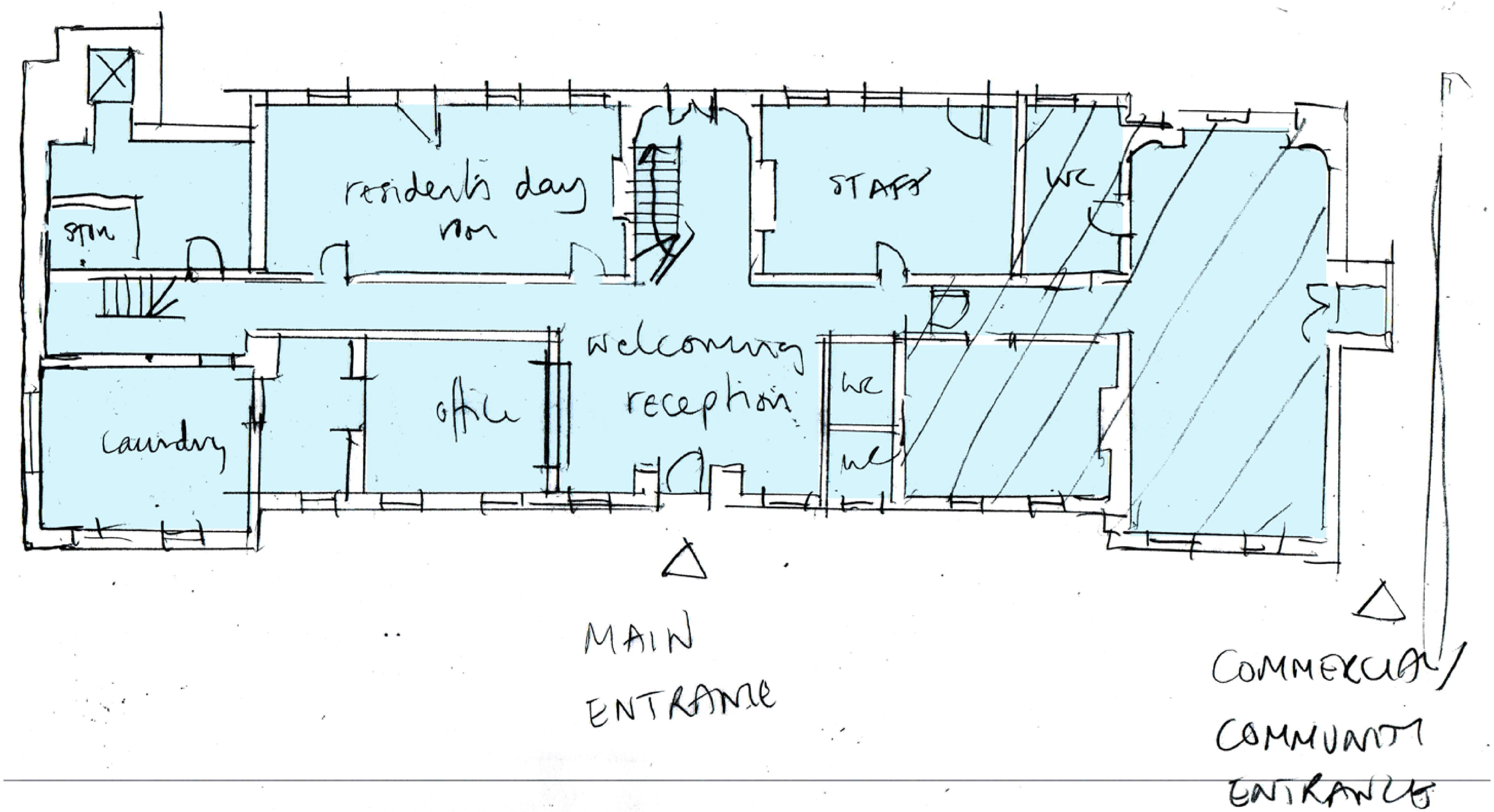


Sketch Ground floor plan of a 2/3 person self contained unit

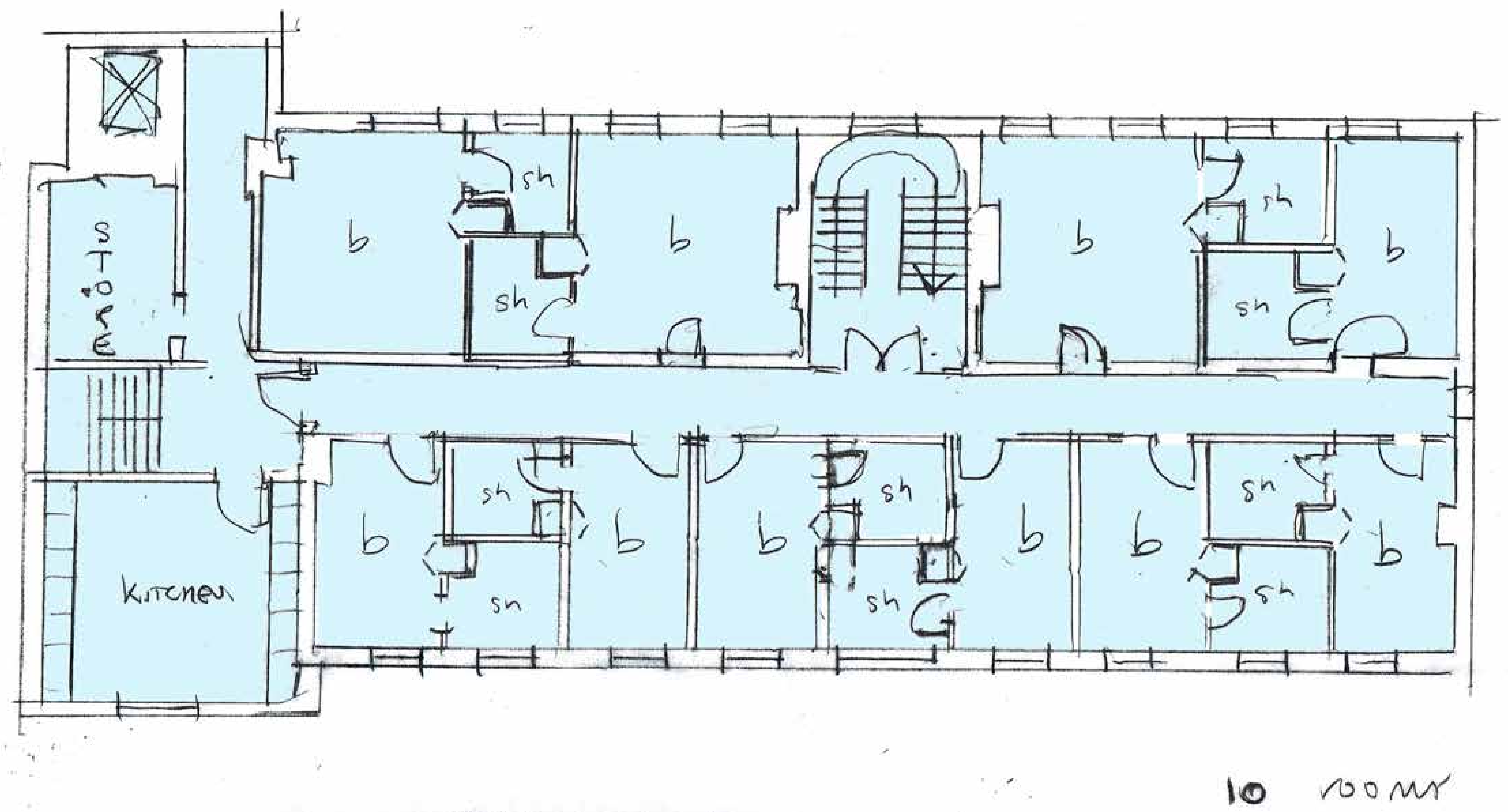
Internal dimensions are 7.2m X 2.3m



Sketch Mezzanine level

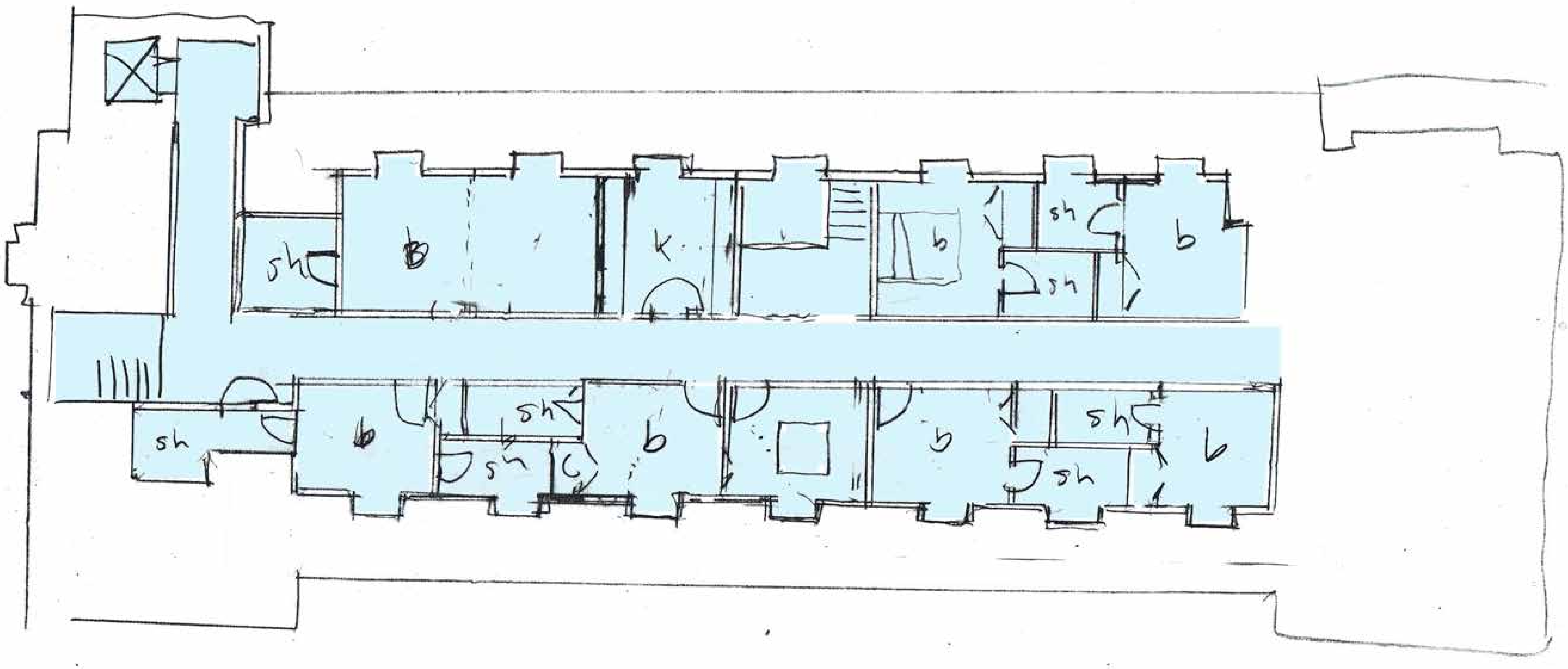


Ground floor Plan of refurbished existing unit



Stairs lead up to generous studio rooms at first and second floor. Each of these has an en-suite bathroom to mediate the previous inadequate facilities as well as bring the accommodation in line with current standards. The indicative budget is adequate for a major refurbishment of the existing and the introduction of en-suite bathrooms would mean that only two bedrooms per floor are lost. The refurbished existing building would provide a total of 17 units of accommodation.

First floor Plan of refurbished existing unit



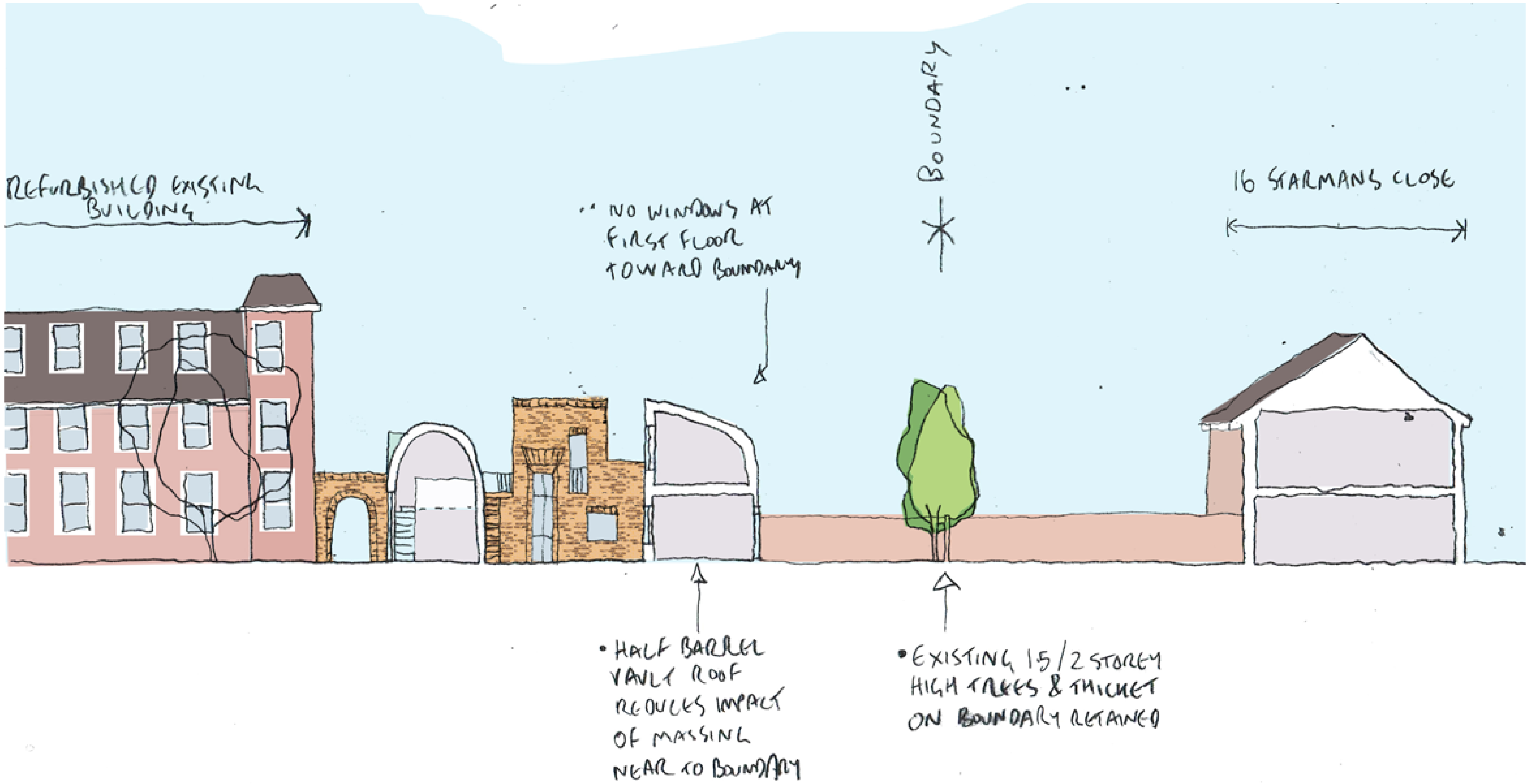
7 rooms

Second floor Plan of refurbished existing unit

4.1 Extent of development and Amenity


Two storey high trees on the Eastern boundary


Existing shrub and trees on the Eastern boundary
 to be retained



Sketch section through the courtyard block that demonstrates the proposed change to the massing near to the Eastern boundary in response to the planners comments

- The images of the existing 1.5/2 storey high trees and thicket on the boundary (which will be retained) shows that it will be difficult to see the proposal from the neigh bouring buildings.
- There are no proposed windows at first floor looking toward the boundary.
- The massing is reduced through the introduction of a half barrel vault roof in response to the planners comments. This reduces the impact of massing near to boundary.
- The half barrel vault roof will be clad in materials to ensure a positive outlook from neighbouring buildings onto the scheme.

4.0 Design Study

4.1 Extent of development and Amenity

View of two storey new build from the ancillary courtyard.

The proposed development, through refurbishment of the existing front building and by providing new buildings around the perimeter of the site, enclosing a central communal garden and creating two courtyards plus individual gardens, would provide 17 units in the existing and 46 units in the new build, Giving a total of **63 units**.

The alteration / development of the existing building is mainly to improve the standard of residential accommodation on the second and third floor and gain unusable floor space. The proposed new buildings to the rear of the site create small pockets of external space, that rationalise the arrangement of accommodation around the site whilst minimising a reliance on corridor circulation. The the new large central communal garden and axial courtyards which are created will provide far greater amenity and opportunity; and the arrangement of the accommodation around these spaces provides clear way-finding and sensitive massing.

The proposed extent of new development along the eastern, western and southern boundaries has been carefully considered with respect to the surrounding buildings. The 2 storey building along the eastern boundary will have self-contained studio units with their primary aspects orientated towards terraced balconies and courtyards thus significantly minimising overlooking into the neighbouring properties.

Along the western and southern boundary, the building is a low one and a half storey building with a barrel roof with primary aspect facing the communal garden, thus not affecting the privacy of the neighbours to the rear. Roof light windows have been added to the south facing elevation of the existing building to bring additional light into the mezzanine bed space.

The design of the new building elements have been carefully considered and refined through the design process to ensure that the massing reduces accordingly and minimises any adverse impact on the amenity of neighbouring residential occupants.

Sacred Heart

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