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
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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:
    - o 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
    - o 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