



LONDON BOROUGH OF ENFIELD

**AGENDA FOR THE COUNCIL MEETING
TO BE HELD ON
WEDNESDAY, 22ND FEBRUARY, 2006**



**THE WORSHIPFUL THE MAYOR
AND COUNCILLORS OF THE
LONDON BOROUGH OF ENFIELD**

**Please
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Date: 14 February 2006

Dear Councillor,

You are summoned to attend the meeting of the Council of the London Borough of Enfield to be held at the Civic Centre, Silver Street, Enfield on **Wednesday, 22nd February, 2006 at, 7.00 pm** for the purpose of transacting the business set out below.

Yours sincerely

Borough Secretary

1. ELECTION (IF REQUIRED) OF THE CHAIRMAN/DEPUTY CHAIRMAN OF THE MEETING

2. MAYOR'S CHAPLAIN TO GIVE A BLESSING

The Mayor's Chaplain to give a blessing.

3. MINUTES (Pages 1 - 6)

To approve, as a correct record, the minutes of the Council meeting held on 25 January 2006.

4. APOLOGIES

5. DECLARATIONS OF INTEREST (Pages 7 - 8)

Members of the Council are invited to identify any personal or prejudicial interests relevant to items on the agenda. A definition of personal and prejudicial interests has been attached for members' information.

6. RELATIONSHIP MANAGER AND DISTRICT AUDITOR'S ANNUAL AUDIT AND INSPECTION LETTER (Pages 9 - 38)

To receive the report of the Director of Finance and Corporate Resources summarising for Members the more important matters arising from the Relationship Manager and District Auditor's audit and inspection programme for 2004/05 and commenting on current issues.

The recommendations set out in the report were endorsed at the Cabinet meeting held on 8 February 2006.

7. BUDGET FOR 2006/07 AND MEDIUM TERM FINANCIAL PLAN (GENERAL FUND) (Pages 39 - 132)

To receive the report of the Director of Finance and Corporate Resources setting out the Council's Budget for 2006/07 and the Medium Term Financial Plan (General Fund).

The recommendations set out in the report were endorsed at the Cabinet meeting held on 8 February 2006.

8. HOUSING REVENUE ACCOUNT DRAFT REVENUE ESTIMATES 2006/07 (RENT SETTING) (Pages 133 - 150)

To receive the joint report of the Directors of Community, Housing and Adult Social Services and Finance and Corporate Resources, presenting for approval the detailed revenue estimates of the Housing Revenue Account (HRA) for 2006/07 following consultation with residents on the HRA budget position and the options for the rent proposals.

The recommendations set out in the report were endorsed at the Cabinet meeting held on 8 February 2006.

9. HIGHWAY MAINTENANCE PLAN (Pages 151 - 158)

To receive the report of the Director of Environment, Street Scene and Parks setting out the background and legal duties for highway maintenance, identifying the main issues relating to network safety, serviceability and sustainability, and proposing an effective and objective mechanism for prioritising planned maintenance requirements in order to address customer service requirements.

The recommendations set out in the report were endorsed at the Cabinet

meeting held on 8 February 2006.

10. APPROVAL OF THE REVISED CONTRACT PROCEDURE RULES.
(Pages 159 - 192)

To receive the report of the Director of Finance and Corporate Resources proposing revised Contract Procedure Rules for inclusion in the Council's Constitution.

The recommendations set out in the report were approved by the Audit Committee on 17 January and the Constitution Review Group on 9 February 2006.

11. PROPOSED CHANGES TO THE COUNCIL'S CONSTITUTION (Pages 193 - 230)

To receive the report of the Director of Finance and Corporate Resources proposing a number of changes to the Council's Constitution endorsed at the Constitution Review Group meeting held on 9 February 2006.

12. COUNCILLORS' QUESTION TIME (TIME ALLOWED - 30 MINUTES)

12.1 Urgent Questions (Part 4 - Paragraph 9.2.(b) of Constitution – Page 4-9)

With the permission of the Mayor, questions on urgent issues may be tabled with the proviso of a subsequent written response if the issue requires research or is considered by the Mayor to be minor.

Please note that the Mayor will decide whether a question is urgent or not. The definition of an urgent question is "An issue which could not reasonably have been foreseen or anticipated prior to the deadline for the submission of questions and which needs to be considered before the next meeting of the Council."

A supplementary question is not permitted.

12.2 Councillors' Questions (Part 4 – Paragraph 9.2(a) of Constitution – Page 4 - 8)

Question 1 from Councillor Andrew to Councillor Rye, Leader of the Council.

"Would Councillor Rye inform the council what investment has been made in Edmonton by the Conservative Administration since 2002?"

Response from Councillor Rye:

"I am very proud of our record as a Conservative Administration trying to meet the needs of the whole Borough including Edmonton. I have therefore

set out below investment in Edmonton completed by us that was started before 2002, and also investment made by us since 2002.

Started before 2002

- EPI - new homes in the Barbot, Montague and Plevna Road Estates, demolition of 1960s concrete tower blocks, a new ASDA supermarket bringing in hundreds of new jobs, new transport hub, state of the art leisure centre and health facilities.
- New Starks Field School
- Sure start
- Lea Valley Athletics Centre
- Since May 2002 we have completed – apart from EPI – 196 additional homes that include CDI sites, 42 shared ownership and 3 key worker homes

Started post 2002

- Public safety centre – CCTV monitoring
- Drug Treatment centre
- Delta City Learning Centre
- School building improvements at Hazelbury Junior (2004), Edmonton County Upper School (2005), Salisbury (2006/7), Latymer (2005), and Wilbury Primary School (2007)
- Galliard School – a full-service extended school at “the cutting edge” and quoted as an exemplar of good practice in the Schools’ White Paper
- New nursery and childcare facilities at Eldon Infants (2005), Galliard (2006), Hazelbury Infants (2004) and Raynham Primary (2006).
- Creation of Forest Road Jubilee Park – meeting a specific pledge to create a new green space in Edmonton
- HERS – Edmonton Heritage Economic Regeneration Scheme – restoration and improvement to shop frontages in Edmonton Fore Street and Church Street. The overall programme has been £680,000 of which a substantial sum is funded by ERDF and English Heritage.
- Play and toilet refurbishment at Jubilee Park
- Major improvements to Pymmes Park and Craig Park New multi-use Games Area (MUGA) in place and a new dance studio being developed at the Youth Centre
- Further improvements to be delivered before March 2006 at Durants Park (water play facility), Albany Park (Multi Use Games Area), Craig Park (playground), Albany Park (playground)
- New Internet 31 centre opened in 2005
- Pavement improvements to Brettenham Road, Bull Lane, Church Street, Hazelbury Road, Lincoln Road, Montagu Road, Nightingale Road, Pasteur Gardens, Silver Street (N18), Victoria Road, Wilbury Way (2005/6)
- Road improvements in Bounces Road, Gordon Road, Montagu Road, Wilbury Way (2005/6)
- Roads and footways – major programme of resurfacing/reconstruction

- including major schemes at Hertford Road and Lincoln Road (east of A10)
- Highways Safety Schemes – a substantial programme of works to improve safety for both pedestrians and drivers. Sites include Hertford Road, Brimsdown Avenue, Galliard Road, Conduit Lane, Bull Lane/Bridport Road
- Improvements to council housing in Cuckoo Hall Lane, Walmer House, Dover House and Walbrook House (2005/6)
- New cctv cameras outside Edmonton Green and Silver Street stations, new cameras to be installed in Fore Street
- Improved three industrial estates. Phase 2 completed works to Harbet Road and Montagu Industrial Estate with a total value of £935k. (Currently underway Phase 3 improvements at Harbet Road, Claverings and Montagu with a value of approximately £3 – 7m)
- IKEA
- Safe n'9 sound a neighbourhood wardens programme based at Bounces Road, which is having a huge impact on making the area a better place to live and helping people to feel safer
- Conservation Areas – character appraisals produced for Enfield Lock, Turkey Street, Montagu Cemeteries, Ponders End Flour Mills, Church Street/Fore Street

Just some of the schemes supported by NRF since 2002 are:

- Young Person's Gym project at Edmonton Leisure Centre, which provides health and fitness facilities, plus appropriate staffing support, to give young people aged 8-16 opportunities to exercise on a regular basis, in a safe and welcoming environment. The project aims to improve the health and well-being of young people, including those that are considered to be obese.
- Street soccer on three Edmonton estates, encouraging young people to take part in physical activity
- Community resources at Aylward School (Edict.com) and Raynham School
- Neighbourhood wardens – budget bid for mainstreaming
- Roll on Reading and LEAP schemes – projects to support children at school with a range of problems, to promote literacy skills and provide mentoring support to underachieving children
- Support for young adults with mental health needs, the project aims to help young adults to develop their personal skills through one to one support, social groups and activities, and structured training around life skills. It will serve young adults aged 18-26 including a significant number of young men from BME groups.
- Breakfast Clubs for children and young people to ensure a healthy start to the day
- Bounces Road Youth Team
- Safer Town Centres
- Edmonton Credit Union
- Street Hawks
- Fit for Life classes at the Healthy Living Centre

- Mind How You Go – now mainstreamed by Enfield Council – Home Support Network
- Variety of employment projects including First Step Trust and Health Employment Link
- Development of the Laing Training Centre in Montagu Road to provide construction training for local people
- Of the total £7m NRF over £5m has been spent in Edmonton and the rest in Ponders End.

BIG LOTTERY PROJECTS

- £264k has been spent on greening Edmonton at Montagu open space, Raynham Community Space and Enfield Living Rivers”

13. MOTIONS – (NO TIME LIMIT – SEE PART 4 – PARAGRAPH 10 – PAGE 4-9)

In the name of Councillor Rodin

“This Council is deeply concerned at the lack of Council financial support for a range of European Objective 2 economic regeneration projects aimed at tackling worklessness and assisting those on low incomes in the most disadvantaged parts of Edmonton.

It notes that the EU funds ringfenced to Edmonton will be reallocated to other Boroughs in the Upper Lee Valley or to East London as a result of the Council’s refusal to match fund the proposals at a time when the Council is proposing to reduce its matched funding budget in regeneration.”

14. MEMBERSHIPS

To confirm any changes to committee memberships.

15. NOMINATIONS TO OUTSIDE BODIES

To confirm any changes to nominations to outside bodies.

16. CALLED IN DECISIONS

None received.

17. DATE OF NEXT MEETING

The next meeting of the Council will be held on Wednesday 29 March 2006 at 7.00 p.m. at the Civic Centre.

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COUNCIL - 25.1.2006

**MINUTES OF THE MEETING OF THE COUNCIL
HELD ON WEDNESDAY, 25 JANUARY 2006**

COUNCILLORS**PRESENT**

Pamela Adams, Christopher Andrew, Kate Anolue, Gregory Antoniou, John Boast, Yasemin Brett, Jayne Buckland, Lee Chamberlain, Bambos Charalambous, Christopher Cole, Andreas Constantinides, Don Delman, Tony Dey, Annette Dreblow, John Egan K.S.G, Peter Fallart, Norman Ford, Achilleas Georgiou, Vivien Giladi, Del Goddard, Ahmet Hasan, Robert Hayward, Denise Headley, Penny Heathwood, John Jackson, Eric Jukes, Matthew Laban, Michael Lavender, Paul McCannah, Joanne McCartney, Terence Neville, Ahmet Oykener, Anne-Marie Pearce, Martin Prescott, Bill Price (Mayor), Irene Richards, Jeff Rodin, Michael Rye, Hyacinth Sandilands, Eleftherios Savva, George Savva, David Schofield, Edward Smith, Terence Smith, James Steven, Glynis Vince, John Wyatt, John Yates and Ann Zinkin

ABSENT

Alan Barker, Chris Bond, David Burrowes MP, Betty Costello, Christiana During, Graham Eustance O.B.E, Jonas Hall, Ertan Hurer, Francis Ingham, Alex Mattingly, Andrew Nicholas, Chris Salako, Andrew Stafford and Doug Taylor

98**MAYOR'S CHAPLAIN**

The Mayor's Chaplain, the Reverend Stephen Leader gave a blessing on the Council.

99**MAYOR'S ANNOUNCEMENTS**

The Council stood to observe a moments silence in memory of Lord Ted Graham's wife Margaret who died recently.

The Mayor then made the following announcements:

1. New Years Day Parade

The Mayor reported that the Parade was extremely well attended, unfortunately we didn't manage to enter a float. It was a long and cold day but very successful.

2. The Advertiser's Pride in Our Community Awards

The Mayor Congratulated the winner and 2 runners up for their achievements

COUNCIL - 25.1.2006

Runner up – Irene Wilson for persistently campaigning against the proposed downgrading plan of the A & E department at Chase Farm Hospital. She presented her petition to Tony Blair last month.

Runner up – Janet Graham ‘Supergran’ – for her heroic feat chasing after a thief and jumping on his getaway car.

Winner – Joyce Francis who has fostered and brought up dozens of children from troubled backgrounds during the past 18 years.

Over the years Joyce has cared for more than 50 children at her home in Palmers Green

3. Chase Farm Hospital best Christmas decorated ward competition

There was fierce competition for the £2,000 first prize. Staff and nurses in the Maternity ward worked extremely hard months before Christmas, planning the decorations because the financial benefit is going to help tremendously towards the benefit of the patients.

4. Steve Rose

Welcome to our new chauffeur, not only will he act as a chauffeur but will be an ideal bodyguard!

5. Mayor’s Charity Ball

The Mayor reminded Members that his ball was to be held on Friday 7th April and excellent entertainment was promised. Tickets were the same price as last year (£40.00).

**100
MINUTES**

RESOLVED that subject to the inclusion of the apology for absence submitted by Councillor Wyatt, the minutes of the Council meeting held on 7 December 2005 be confirmed and signed as a correct record.

**101
APOLOGIES**

Apologies for absence were received from Councillors Barker, Bond, Burrowes, Costello, During, Eustance, Hall, Hurer, Ingham, Mattingly, Nicholas, Stafford and Taylor. Apologies for lateness were received from Councillors Andrew, Chamberlain and Neville.

**102
DECLARATIONS OF INTEREST**

NOTED the following statement read out by the Mayor at the meeting.

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“Item 8 (pages 17-30) on the agenda relates to a proposal to serve an Article 4 Direction on identified properties within conservation areas in the Borough. Please also see the tabled amendment sheet (coloured green) that sets out changes to the report agreed at Cabinet on 19 January 2006. Members are advised that if they live or have an interest in premises or land in any of the conservation areas included in the report, as amended by the tabled paper, this is likely to give rise to a personal and prejudicial interest. In such cases, they should declare that interest now and leave the chamber when we reach that item on the agenda.

Recommendations 2.3 and 2.4 refer to delegation to the Planning Committee to consider a final formal decision as to whether the Direction should be made permanent to any of the affected properties – after representations have been received. Members on the Planning Committee who declare interests at this meeting must do likewise when the matter comes before the Planning Committee. The advice of either the Borough Secretary or the Borough Solicitor should be sought at the appropriate time if members are in any doubt.”

Councillors Brett, Goddard, Lavender, Sandilands E Smith and T Smith declared prejudicial interests in relation to item number 8 – Enfield’s Conservation Areas – Proposed Article 4(2) Directions, as they lived or owned property in the conservation areas affected. They left the room during the discussion and vote on this item.

Councillors Buckland, Constantinides, Fallart, Giladi, Hasan, Hayward, Pearce, Prescott, Schofield, Richards, Steven and Wyatt declared prejudicial interests in relation to item number 8 – Enfield’s Conservation Areas – Proposed Article 4(2) Directions, as they were members of the Planning Committee. They left the room during the discussion and vote on this item.

103

DESIGNATION OF FOOTWAY HIERACHY

Councillor E Savva moved and Councillor Rye seconded the report of the Director of Environment, Street Scene and Parks (Report No.235) recommending the initial designation of all footways within the Borough in accordance with the Code of Practice for Highway Maintenance.

NOTED that the recommendations set out in the report were endorsed by Cabinet on 14 December 2005.

RESOLVED

1. that the designations for footways identified in the schedules contained within Appendix 1 and 2 of the report be approved.
2. that all other footways not included within the attached schedules be designated Category 3.

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3. that a more detailed review of the footway hierarchy is undertaken as part of the Highway Asset Management Planning process.

104

ENFIELD'S CONSERVATION AREAS – PROPOSED ARTICLE 4(2) DIRECTIONS

Councillor Neville moved and Councillor E Savva seconded the report of the Director of Environment, Street Scene and Parks (No.264) setting the background to conservation work and outlining the detrimental impact that some small-scale "Permitted Development" works to dwelling houses were having on the Borough's Conservation Areas. See minute 102 for details of Members declaration of interests.

NOTED

1. that the recommendations set out in the report were agreed by Cabinet on 19 January 2006, subject to the amendments to the schedule of affected properties tabled at the meeting.
2. the view expressed by Councillor Constantinides that he did not feel it was appropriate for the Council to debate this issue with Members of the Planning Committee present.

RESOLVED

1. that the dwelling houses listed within Appendix A of the report, be subject to an Article 4(2) Direction under The Town & Country Planning (General Permitted Development) Order 1995, in respect of those Parts/Classes of the Order scheduled against each Conservation Area in Appendix A, removing specific permitted development rights.
2. that the Director of Environment, Street Scene & Parks undertakes the necessary steps to serve an Interim Direction on the properties within the Conservation Areas referred to in Appendix A.
3. that any representations arising from the serving/publication of the Direction, be reported to the Planning Committee, for consideration and a final formal decision as to whether the Direction should be made permanent with regard to any of the affected properties.
4. that Council delegates the authority to Planning Committee to do as mentioned in 2.3 above, in relation to this proposed Direction.
5. that the Conservation Advisory Group is advised when the Direction is made.

Members of the Labour Group abstained from voting on the above resolutions.

105

COUNCILLORS' QUESTION TIME (TIME ALLOWED - 30 MINUTES)

1. Urgent Questions

None received.

2. Questions by Councillors

NOTED

1. the eight questions, on the Council's agenda, which received a written reply by the relevant Cabinet Member.

2. the following supplementary questions received for the questions indicated below:

Question 2

Councillor Rodin to Councillor Neville, Cabinet Member for Environment and Street Scene.

"Does he agree with me that he would not wish to see residents of this borough disturbed by refuse crews before 7am and would he join me in congratulating the Labour Boroughs of Bexley and Camden and the Liberal Democrat controlled Council of Sutton for their higher scores in this service area?"

Reply from Councillor Neville:

"Yes, they had more enlightened Labour leaderships, he is failing to recognise that these performance indicators have some drawbacks. In 2002 the residents of the borough knew that Environmental Services was badly managed, facts are facts and your reduced spending on this service was the cause of the poor levels of service. You thought you could patch up the roads in your last year of office, but the residents did not buy it. Your administration was totally different to those in Bexley and Camden and their approach is light years ahead of what you did when you were in power."

Question 4

Councillor Charalambous to Councillor Lavender, Deputy Leader of the Council.

"Can he assure the Council that he will take steps to tackle the high level of agency staffing costs and what is he doing to work with local universities and colleges; and to hire permanent staff to address recruitment difficulties?"

Reply from Councillor Lavender:

"Our aim is not to employ more staff, but we are now in a position to provide more accurate figures which was not possible in the past. I am not convinced that employing agency staff is more expensive, especially when sickness and pension costs are taken into account. By having a level of agency staffing,

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this enables the Council to down scale its staffing levels without having to incur redundancy costs. But we do need to recruit permanent staff in certain areas and this is being addressed. On your other point, Human Resources are taking up the University and College issue.”

106

URGENT DECISIONS REQUIRING THE WAIVING OF THE CALL-IN PROCEDURE (PART 4.2 – PARAGRAPH 17.3 – PAGE 4-34)

NOTED the urgent decisions below made in accordance with the Council’s Rules of Procedure (Paragraph 17.3 – relating to the waiving of the requirement to allow a 5-day call-in period):

- i. The submission of a funding bid to the London Development Agency’s Opportunities Fund 2006-09 in Respect of Edmonton Green/Angel Edmonton Town Centres.
- ii. Purchase of Supplier Relationship Manager (SRM) Software

107

MOTIONS

None received.

108

MEMBERSHIPS

RESOLVED to appoint Mrs M Pryce and Mrs F Skuse as Lay Members of the School Appeal Panel.

109

NOMINATIONS TO OUTSIDE BODIES

RESOLVED to appoint as the Council’s representatives Councillors Vince and a Labour Group Member (name to be notified) to the Advisory Group for Barnet and Enfield Children’s Rights Service (BECRS).

110

CALLED IN DECISIONS

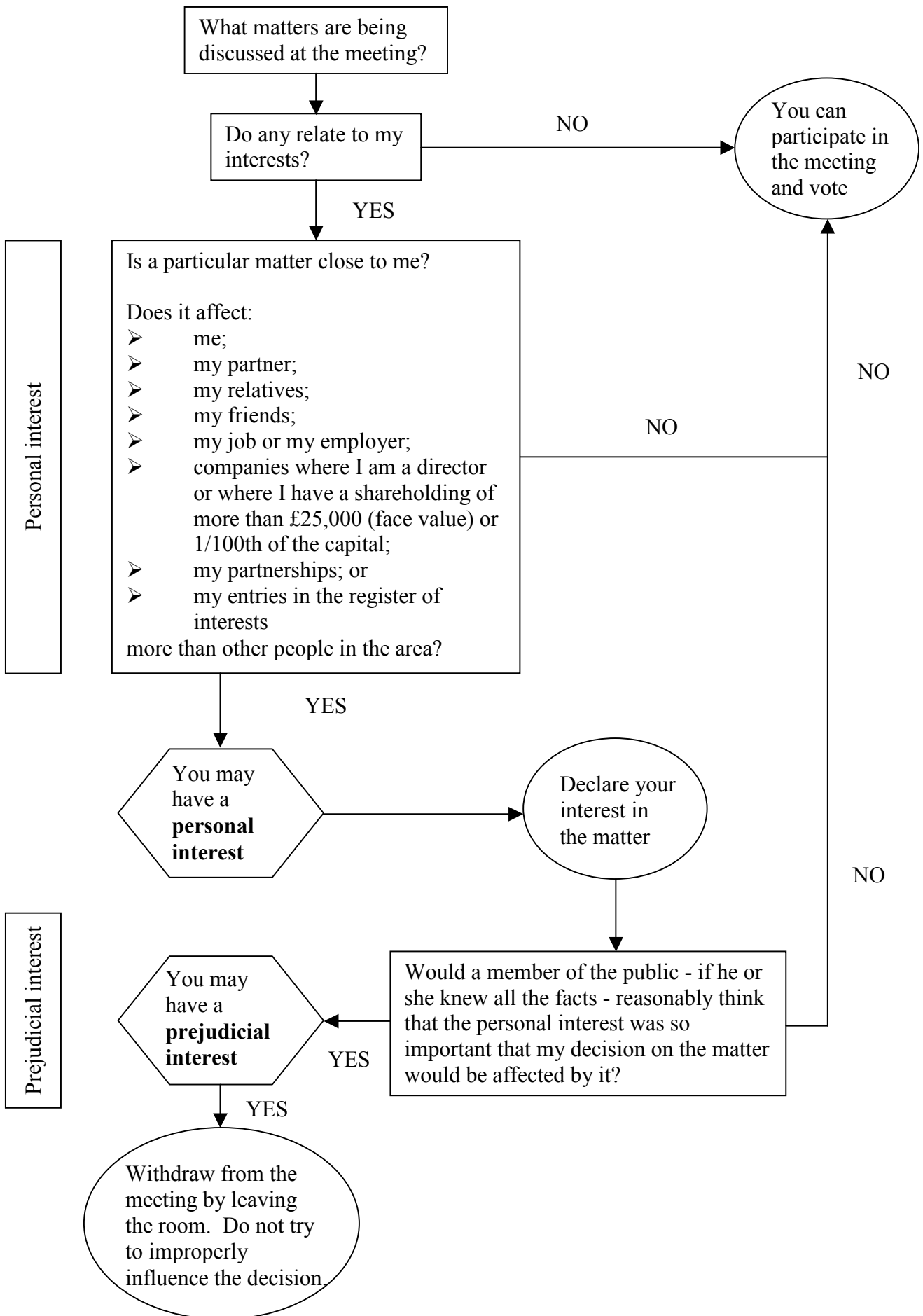
None received.

111

DATE OF NEXT MEETING

NOTED that the next meeting of the Council was to be held on Wednesday 22 February 2006 at 7.00 p.m. at the Civic Centre.

DECLARING INTERESTS FLOWCHART - QUESTIONS TO ASK YOURSELF



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MUNICIPAL YEAR 2005/2006 REPORT NO. **290**

MEETING TITLE AND DATE:

CABINET - 8th February 2006
 COUNCIL – 22nd February 2006
 AUDIT COMMITTEE – 5th April
 2006

REPORT OF:

Chief Executive

Agenda – Part: 1	Item: 5
Subject: Relationship Manager and District Auditor's Annual Audit and Inspection Letter	
Wards: All	
Cabinet Member consulted: Councillor Michael Rye, Leader of the Council	

Contact officer and telephone number: Rob Leak 020 8379 3901

E mail: Rob.Leak@Enfield.Gov.UK

1. EXECUTIVE SUMMARY

The Annual Letter summarises for Members the more important matters arising from the Relationship Manager and District Auditor's audit and inspection programme for 2004/05 and comments on current issues.

2. RECOMMENDATIONS

That Cabinet note the contents of the Annual Letter. Councillors can raise any issues, arising from the Letter, with the District Auditor who will be present at the meeting.

3. BACKGROUND

- 3.1 As in previous years the Letter comments on performance and financial aspects of the audit and inspection programme. The Letter's key messages are concerned with both council performance, and accounts and governance (summarised on page 2 of the Letter).
- 3.2 As Members will already be aware "the Council is improving well and has achieved an overall comprehensive performance assessment (CPA) of three stars". The Letter highlights both the areas where improvements have been made and the issues yet to be addressed.

- 3.3 The accounts have again been issued with an unqualified opinion. General Fund balances have been maintained in line with the Council's target although Members will be aware that financial pressures remain.
- 3.4 The weaknesses in the award of the SEN transport contract have been reported to Cabinet and a management review is underway.
- 3.5 The section on 'Action needed by the Council' is dealt with in greater depth in the body of the Letter.
- 3.6 The remainder of the Letter expands on these key messages and the presentation will highlight those areas that the District Auditor considers most relevant for Members.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not applicable. The District Auditor is required to issue an Annual Letter.

5. REASONS FOR RECOMMENDATIONS

- 5.1 That Members be aware of the important issues arising from Inspections and the audit of accounts.
- 5.2 The Letter assists in demonstrating to the Council that its financial arrangements are sound.
- 5.3 Members will receive reports throughout the next 12 months on the progress made to implement the key recommendations in the Annual Letter.
- 5.4 A copy of the Letter will be provided to each Councillor in accordance with the Code of Audit Practice.

6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

6.1 Financial Implications

There are no financial implications.

6.2 Legal Implications

The Audit and Inspection Annual Letter is prepared as part of the key responsibilities of Audit Commission Inspectors' contained in the Audit Commission Act 1998 and Section 10 of the Local Government Act 1999.

The Council is required to consider the Letter and take action as appropriate in response to the various recommendations.

6.3 Property Implications

There are none.

6.4 Other Directors

Other Directors have been consulted on, and made comments on the draft Annual Letter.

7. PERFORMANCE MANAGEMENT IMPLICATIONS

7.1 The Annual Letter is a fundamental complement to the detailed work carried out by the Audit Commission and other Inspectors,

7.2 Its focus is on driving improvements in the Council's services by focusing on key elements of our performance management arrangements.

8. PUTTING ENFIELD FIRST

8.1 The Annual Letter, and future plans, consider the significant financial and operational risks to the Council and so contribute generally and specifically to the Council objectives.

Background Papers

The Annual Letter is attached and has been sent to all Members.

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Annual Audit and Inspection Letter

London Borough of Enfield

Audit 2004-2005

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

Council performance

- 1 The Council is improving well and has achieved an overall Comprehensive Performance Assessment (CPA) of three stars. Improvements have been delivered in key services including street cleaning, community safety and recycling, in line with Council priorities, although progress in housing, regeneration and services for older people is less consistent. Overall customer satisfaction is increasing. Effective partnership working is enabling the Council to address issues that matter to local people.
- 2 The Council's increasing emphasis on value for money needs to be further developed. Overall costs are high when compared to nearest neighbour councils, although this in part reflects corporate priorities.

Accounts and governance

- 3 Accounting and governance arrangements are generally satisfactory. We issued an unqualified opinion on the Council's 2004/05 accounts on 31 October 2005. The general fund balance has been maintained in line with the Council's target level, although financial pressures are continuing in 2005/06 and the medium to longer term. Standards of financial conduct and the arrangements to prevent and detect fraud and corruption and to maintain the legality of financial transactions are generally satisfactory. However, weaknesses in the award of the SEN transport contract indicate that internal financial controls are not consistently exercised.

Action needed by the Council

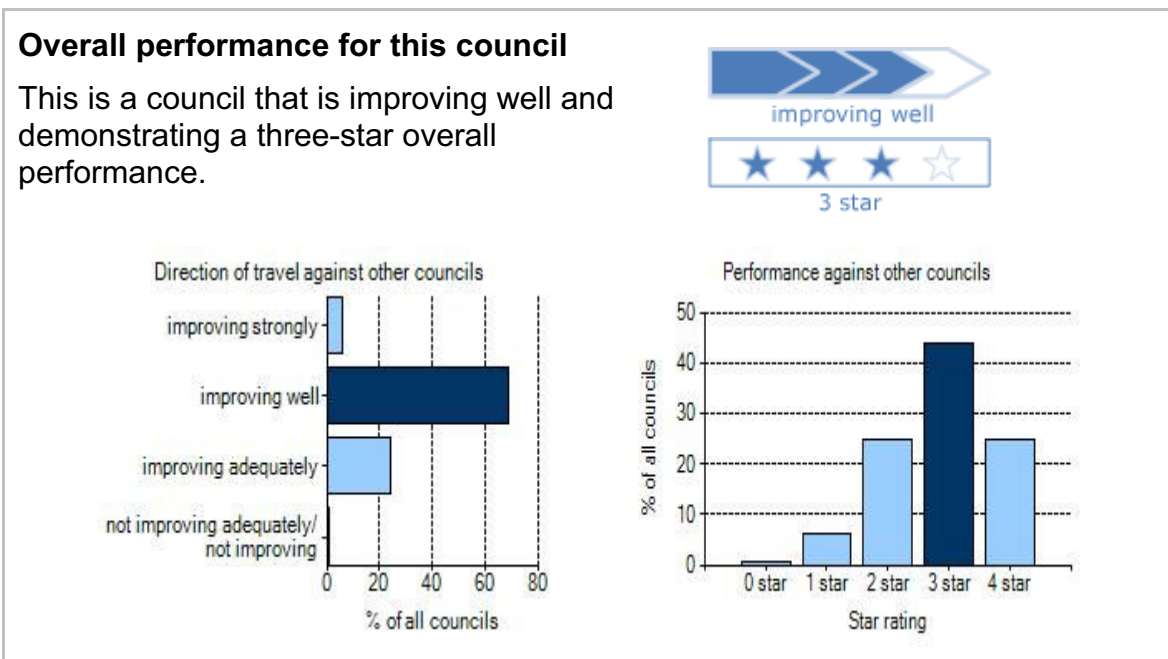
- 4 The Council needs to:
 - integrate the findings of the latest CPA, in particular the corporate assessment, into its implementation plan, to support continuous improvement;
 - enhance focus on housing, regeneration and social care for adults;
 - establish and implement plans to deliver the arms length management organisation and the Decent Homes Standard;
 - develop and embed initiatives to demonstrate further value for money in services; and
 - implement an action plan in response to the recent reviews of the SEN transport contract award.

Performance

CPA scorecard

- 5 The CPA judgements this year have been made using the revised methodology: CPA - the harder test. As the title implies, CPA is now a more stringent test, with more emphasis on outcomes for local people and value for money. We have also added a new dimension, a Direction of Travel judgement, which measures how well the Council is improving. The Council has been assessed as follows under the new framework.

Figure 1 CPA assessment



- 6 Further details of the individual assessments that support the Council's overall three-star assessment are set out in Table 1 overleaf.

Table 1 CPA scorecard

Element	Assessment (out of 4)
Current performance	3
Children and young people	3
Social care (adults)	2
Use of resources	3
Housing	2
Environment	2
Culture	3
Benefits	4
Corporate assessment/capacity to improve	3

(Note: 1=lowest, 4=highest)

Direction of Travel report

- 7 The Council is performing well and has delivered improvements in key services including street cleaning, community safety and recycling, in line with Council priorities. Overall, customer satisfaction is increasing. Effective partnership working is enabling the Council to address issues that matter to local people, such as anti-social behaviour and health promotion. Services for children and young people in Enfield are performing well. The benefits service has continued to improve, achieving the highest assessment category in 2005, compared to the lowest in 2002. However, progress in housing, regeneration and services for older people is less consistent. Capacity has been enhanced through better partnership working, although it remains stretched in some key services, such as planning and regeneration. Performance management needs to be further improved, particularly in relation to complaints' handling and target setting. The Council's increasing emphasis on value for money needs to be further developed. Enfield is clear about what it wants to achieve and keeps its focus well. Based on the Council's current plans, it is well-placed to improve further the services delivered to local people.

Corporate assessment

- 8 During autumn 2005, the Audit Commission carried out a corporate assessment under the revised CPA framework. The purpose was to assess how well the Council engages with and leads its communities, delivers community priorities in partnership with others, and ensures continuous improvement across the range of Council activities. The Council was one of the first authorities to be assessed under the new methodology.
- 9 The assessment concluded that the Council is performing well (three out of the maximum four). Strengths identified included:
 - a well-articulated vision, underpinned by clear ambitions and priorities;
 - good achievements in some of its shared priorities, such as community safety, the streetscene, environmental health, healthier communities and children and young people;
 - community leadership and partnership working; and
 - good member-officer relationships, effective financial management and a culture of open debate to resolve issues.
- 10 The Council also faces a number challenges which need to be overcome if the Council is to fully realise its ambitions, in particular:
 - developing HR and ICT capacity in services such as regeneration and planning;
 - improving consistency in performance management, including promoting customer access in setting service standards and developing more robust targets;
 - applying the consultation and communication framework consistently. The Council needs to apply examples of successful consultation, such as the Enfield Youth Assembly, to other areas, such as older people and BME groups;
 - clarifying responsibility for diversity and equality issues at corporate board level, although work is underway in some partnerships such as health. The Council also needs to improve its data recording about the ethnic origins of its staff in order to achieve the target of Level 3 of the Race and Equality Standard by the target date of 2006;
 - continuing the focus on improvement in less well performing services; and
 - for housing, establishing the arms length management organisation and developing a strategy to meet the Decent Homes Standard.
- 11 Our detailed findings and recommendations were published in our report in December 2005. The Council needs to consider our recommendations and integrate the actions arising into its improvement planning process.

Other Audit Commission inspections

12 In addition to the corporate assessment, we published the results of two inspections during 2005:

- housing repairs and maintenance; and
- transporting people.

Housing repairs and maintenance

13 Our report was published in August 2005 and concluded that the Council operated a fair, one-star service that had promising prospects for improvement. There were many good aspects to the Council's service, such as:

- staff delivering frontline services are experienced and knowledgeable, and there have been improvements in customer care;
- the Council is providing a satisfactory responsive repairs service in terms of speed and quality; and
- there is a formal structure for resident consultation, and a framework for improving the performance management of contractors.

14 However, we also noted that:

- there is room for further progress on the speed and quality of repairs;
- repair reporting by telephone is hindered by ineffective and outdated systems at district housing offices, and the IT system is unable to identify vulnerable residents;
- the level of emergency and urgent repairs remains high, and performance on gas servicing needs to improve; and
- further improvements are needed in consultation with leaseholders.

15 We considered that the Council had promising prospects for improvement, as it has demonstrated its commitment to improvement by acting on the issues identified in the 2003 repairs and maintenance fundamental service review. This has delivered improvements in most areas of performance and the Council has been able to set triggers for under-performance. There has been an investment in training and good and effective systems have been put into place for financial, performance and information management. The Council now needs to sustain its focus in order to deliver its planned improvements. The Council has developed an action plan in response to our report.

Transporting people

- 16 Our report was published in October 2005 and concluded that the Council offered a fair, one-star service, with uncertain prospects for improvement. We noted a range of improvements in the Council's service from the original 2003 inspection, including:
- improved user satisfaction;
 - improved punctuality;
 - better communication with carers;
 - improved investment in staff training; and
 - the replacement of some aging vehicles.
- 17 However:
- contract arrangements are unclear and quality standards are not consistently applied;
 - health and safety protocols have not always been followed;
 - a formal performance monitoring framework is not in place; and
 - actions still need to be taken to aid understanding of the diverse needs of users.
- 18 The Council is committed to improvement and there is evidence that members and senior management are prepared to take difficult decisions. A comprehensive training programme for escorts is now underway, and passenger information arrangements are being refined to allow a more tailored response to children's needs. However, we considered that prospects for improvement were uncertain as the Council did not have a formal performance monitoring system for the service and there had been a failure to undertake the appropriate level of contract monitoring. There were also delays in implementing the service improvement plan developed after our last inspection. We concluded that the service lacked the sustained focus needed to deliver its priorities.

Other performance work

- 19 We carried out performance management reviews in the following risk areas during 2005:
- value for money (as part of our use of resources judgement);
 - Local Public Service Agreement (LPSA);
 - organisational review of Education, Children's Services and Leisure; and
 - regeneration.

Value for money

- 20 The Council performs adequately on securing value for money. Overall costs are high when compared to nearest neighbour councils, although this in part reflects corporate priorities (for example, in education). However, although service performance is improving overall, over 50 per cent of best value performance indicators remain in the lower quartiles and recent inspections have highlighted that the Council needs to demonstrate value for money more effectively, in particular in some of the high-cost areas.
- 21 There has been an increased focus on value for money over the last 18 months, with improved member involvement and a resultant increase in efficiency and challenge activities. In particular, additional unit costing and other information (for example, procurement spend analysis, business process re-engineering review programme, and statutory and discretionary service analysis) has been produced which should now enable the Council to enhance its focus on value for money considerations.

LPSA

- 22 The Council entered into a three-year LPSA covering the period 2003/06. The Council also applied successfully to set up a local area agreement (LAA). Our review of the current LPSA concluded that it was working well and identified some areas for improvement which can be carried forward to the LAA arrangements:
- partnership working should look to develop mechanisms for measuring and demonstrating value for money;
 - the allocation of any Performance Reward Grant should be agreed with partners. This needs to be handled sensitively to prevent any destabilisation of partnership working;
 - the Council needs to balance the role of accountable officer against the apparent inclination of some partners to take increasing responsibility for delivery; and
 - the Council needs to consider whether the current non-fettering and non-binding partnership agreements remain appropriate.

Organisational review

- 23** The Council has successfully maintained service delivery whilst undergoing organisational transformation. We concluded that the Council was well placed to meet the requirements of the Children's Act. However, we identified some barriers to progression, which the Council is aware of:
- capacity at senior management level, and in performance management and quality assurance, needs to be monitored carefully to ensure the Council can continue to deliver improvement;
 - capacity within the voluntary sector appeared insufficient to enable the key partners to participate fully in the development of integrated children's services;
 - the information sharing protocol needs to be developed further; and
 - the expectations of staff and partner agencies need to be managed.

Regeneration

- 24** Our review of regeneration considered the Council's overall strategy, supported by specific case studies. We identified a need for greater clarity with regard to the Council's strategic approach to regeneration. Whilst the 'Sustaining Communities in Enfield' strategy reflects the community strategy and other overarching regional frameworks, it does not provide a clear framework for inward investment or make clear how projects are linked to provide a range of integrated measures. This lack of clarity impacts on the capacity of officers to deliver improvements, as well as partners' understanding of the Council's vision and approach. The Council is planning to review and update its strategy towards the end of 2005.
- 25** Our case studies showed that the Council's Neighbourhood Renewal Funding (NRF) commissioning framework was robust with tight project, financial and risk management arrangements. The NRF framework demonstrated effective working with the Enfield Strategic Partnership, and provided a model which could be applied to other regeneration projects within the borough. Our review of arrangements for economic development projects, however, showed the Council applied a different approach. In our view, there was a risk that the level of strategic political and officer overview was not as great as for NRF projects.
- 26** The outcome of the Council's work on regeneration presented a mixed picture. There were clear outcomes for 'hard' projects, such as the physical redevelopment of industrial estates and the safeguarding and retention of jobs, but the development of outcomes for social economic projects is still at an early stage.

Performance information

- 27 Our approach to the audit of performance indicators changed during 2005/06 to reflect the new Code of Audit Practice. We audited 12 indicators identified by the Audit Commission as high risk and contributing directly towards the CPA scorecard, together with a sample of additional indicators selected through a local risk assessment. All audited indicators were assessed as satisfactory.
- 28 We have also completed our compliance audit of the Council's 2005/06 best value performance plan and issued our report on 21 December 2005. The report did not contain any statutory recommendations.

Working with other inspectorates and regulators

- 29 An important aspect of the role of the relationship manager is to work with other inspectorates and regulators who also review and report on the Council's performance and with whom we share information and seek to provide 'joined up' regulation. These include:
- Ofsted;
 - Commission for Social Care Inspection (CSCI);
 - Benefits Fraud Inspectorate (BFI);
 - DfES; and
 - the Government Office for London.

Accounts and governance

Audit of the 2004/05 accounts

- 30 The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the Council's annual accounts on 20 July 2005, in advance of the statutory deadline. The accounts were well prepared and with good supporting working papers. We issued an unqualified opinion on the 2004/05 accounts on 31 October 2005.
- 31 We are required by professional standards to report to those charged with governance (in the Council's case, the Audit Committee) certain matters before we give an opinion on the accounts. We reported on 26 October 2005 that there were no significant issues arising, subject to the satisfactory completion of outstanding audit work. Completion of that work identified that officers will need to ensure that the accounts submitted for audit in future years are prepared on the basis of the latest available outturn information on grants receivable, for example for housing benefits, from Government departments.
- 32 Looking further to 2005/06, the Council will need to retain its focus to ensure the more onerous requirements of the 'Whole of Government Accounts' initiative are met, as the deadlines again move forward, and improve the consistency of working papers across the board. The Council should also produce an accessible and informative annual report which includes summary accounts and other important financial information.

Financial standing

- 33 The Council manages spending within available resources, with the 2004/05 outturn in line with budget. As a result, general reserves at the close of 2004/05 were £11 million, which is in line with the Council's target range of £10 to 15 million.
- 34 Looking to 2005/06, the projected outturn as at 31 August 2005 presented to Cabinet on 23 November 2005 predicted an underspend of around £1 million for the year. This principally reflects higher than expected net income on the Asset Management Revenue Account. The Council has demonstrated a recent history of containing expenditure within budget and will need to continue to exert tight financial control over the remainder of 2005/06 to deliver the forecast position. The Council should also monitor the opportunity costs of maintaining levels of reserves and balances, alongside the opportunity cost of debt.

- 35 The Council is preparing its budget for 2006/07. In the report to Cabinet of 14 December 2005 (updated by a briefing paper), the Council has identified a series of cost pressures and has recognised the need to identify savings. The notification of a 3.5 per cent increase in funding for 2006/07 through the national financial settlement is lower than the initial assumptions used in the 2006/07 budget and medium-term financial plan. The Council has recognised the need to develop further savings proposals in order to achieve its objective of limiting any rise in council tax and to ensure a sustainable budget in the medium term.

Financial management

- 36 The Council has taken steps in recent years to provide a strong platform for financial management. It has good systems of budgetary control and uses risk management principles to monitor variances. The medium-term financial strategy provides a sound basis for financial planning, with links to key Council objectives and strategies. These processes enable the Council to direct its resources to priority areas. The Council acknowledges that it can continue to improve on processes already in place, such as developing its suite of financial health indicators, making greater use of non-financial information and exercising stronger financial monitoring of key partnerships. Asset management is in general strong, and the Council now needs to embed its initiatives in this area and measure their outcomes to demonstrate effectiveness.

Debt management

- 37 Our previous letters have highlighted debt management as an area for the Council address. We have noted that the Council has set targets for significant areas of debt, such as council tax, NNDR and housing rents. The Council's performance demonstrates that levels of debt have fallen. The Council needs to fine tune aspects of its debt management processes by analysing sundry debtors and setting targets for large income balances contained within the sundry balance, such as car parking.
- 38 Significant areas of debt are managed on an ongoing basis. Income collection rates are monitored and targets are used to measure performance. The Council considers the costs of recovery and debt when managing cashflow and assessing borrowing/investment opportunities.

Systems of internal financial control

- 39 The Council has a generally sound internal control framework in place. It has a risk strategy and both corporate and directorate risk registers. The Council has a corporate working group, chaired by the Chief Executive, to review progress against risks. Key partnerships have been included in risk assessments. Training has been offered to members and senior officers, although not all members attended. The Council has begun to develop risk management initiatives, such as working with another authority to benchmark its processes. The Council now needs to introduce greater clarity to monitoring reports, and should formalise addressing partnership and key contractors in its guidance to staff on assessing risks. Training on risk management should be provided to all members.
- 40 The Council has established an assurance framework on which the Statement on Internal Control is based. This has contributed to improved arrangements for preparing the SIC, such that it now represents a more corporately-owned document than in 2004. Arrangements can be enhanced through in-year monitoring by the Audit Committee. However, there have been several risk category 1 Internal Audit reports, which have demonstrated that the assurance framework is not fully complied with. Our review of the contract letting for SEN transport confirms the need for further improvements.

SEN transport

- 41 Internal Audit undertook a review of catering and transport during 2005. This identified breaches in internal procedures concerning the letting of contracts to firms providing transport for people with special educational needs. The cost to the Council of using these firms is around £2.8 million per year. Results of a tender exercise for the provision of services for specified routes were reported to Cabinet in May 2003. Cabinet endorsed seven companies to receive contracts for the routes. However, contracts were not let in accordance with the Cabinet decision.
- 42 We have reviewed the arrangements for this contract letting. We identified serious weaknesses in the Council's internal controls in this respect, including:
- failure to implement member decisions or obtain member authorisation for revised proposals;
 - failure to record appropriately the award of tenders to other than the lowest bidders;
 - services operating without formal contract arrangements, which prevents appropriate performance monitoring and exposes the Council to potential risks;
 - weaknesses in financial monitoring arrangements; and
 - poor tender evaluation.

- 43 The issues raised have exposed the Council to an unacceptable risk and/or appearance of impropriety in the engagement of companies for the provision of SEN transport. The Council is addressing a number of issues raised, and a report to Cabinet on 14 December 2005 noted that Internal Audit and management were satisfied from the evidence available that there was no impropriety. A management investigation is also planned to ensure that similar breaches do not recur. The Council needs to review the outcome of this investigation, as well as our report and that of Internal Audit, in order to determine an action plan to address the weaknesses identified. The Council should also consider whether there are lessons arising from this work that need to be applied more widely across other services.

Standards of financial conduct and the prevention and detection of fraud and corruption

- 44 We have not identified any significant weaknesses in the Council's overall framework to prevent and detect fraud and corruption. The Council has good arrangements in place to promote and maintain probity and propriety in the conduct of its business. Whistleblowing arrangements are currently being updated and revised arrangements need to be embedded, including ensuring distribution of guidance to staff working under contract arrangements to the Council.

Ethical governance

- 45 Our review considered whether the Council's arrangements for maintaining standards of ethical behaviour were robust and compliant with legislation. We concluded that the Council took its responsibilities seriously in promoting ethical standards. The Standards Committee has so far undertaken a traditional role and the Council can adopt a more proactive role. The Council can consider development in areas such as an annual review of standards of conduct and review of complaints. Our report also identified areas for the Council to enhance its processes and to be more proactive.

National Fraud Initiative

- 46 In 2004/05, the Council took part in the Audit Commission's National Fraud Initiative (NFI). The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud as well as, new for 2004/05, right to buy scheme fraud and providing new contact details for former tenants with arrears in excess of £1,000. Progress against the data matching is reported regularly to the Audit Committee and the Council has demonstrated its commitment to pursuing potential frauds and overpayments.

Legality of transactions

- 47 We have not identified any significant weaknesses in the framework established by the Council for maintaining the legality of its significant financial transactions.
- 48 Our last letter identified that the 2003/04 audit remained open pending the decision on an objection. That decision was issued in July 2005. We did not uphold the objection and there are no issues to bring to your attention. Following the decision, the certificate on the 2003/04 accounts was issued on 4 July 2005.
- 49 We have received further correspondence from members of the public during the year. Whilst there are currently no significant issues to bring to your attention, our consideration is ongoing in a number of areas, and hence the audit of the Council's 2004/05 accounts has yet to be certified as complete. The issues raised with us include:
- planning permissions for the Barbot estate;
 - leaseholders;
 - grants to voluntary organisations;
 - asset disposals; and
 - regeneration.

Use of resources judgements

- 50 The use of resources assessment is a new annual assessment which focuses on financial management, but links to strategic management. It looks at how financial management is integrated with strategy and corporate management, supports Council priorities and delivers value for money. For single tier and county councils, the use of resources assessment forms part of the CPA framework.
- 51 For the purposes of the CPA, we have assessed the Council's arrangements for use of resources in five areas.

Table 2

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
Overall	3 out of 4

(Note: 1=lowest, 4=highest)

- 52** In reaching these judgements, we reviewed the Council's arrangements against specific key lines of enquiry and drew on other recent audit work. Our findings are reflected in the earlier sections of this letter.

Other work

Grant claims

- 53 In accordance with strategic regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. We have reduced our audit of these claims, but our ability to reduce further depends on the adequacy of the Council's control environment.
- 54 Our work on certifying the claims in respect of 2004/05 remains in progress. The Council's arrangements for managing and quality assuring grant claims submitted for audit has improved in recent years. However, further improvements are still required.

Table 3

Claim	Matters arising
NNDR 3	Although the Council submitted the NNDR 3 claim for audit by the due deadline of 31 October 2005, full supporting working papers were not available. In part, this was due to the implementation of a new financial system during the year. Our audit remains in progress.
Regeneration	The Council has experienced difficulties in obtaining supporting working papers in respect of regeneration claims from Urban Futures. This caused delays to the audit of the 2003/04 claims, with certification only possible in November 2005.
Housing benefit	Our audit of the 2004/05 housing benefit claim has identified errors arising from our sample tests. As a result, the Council needs to undertake extended testing in order to either demonstrate that errors are isolated or that a calculation can be made of the impact of any errors on subsidy entitlement. This process was not completed by the certification deadline of 31 December 2005, given the Council's current implementation of a new housing benefit system.

Looking forward

Future audit and inspection work

- 55 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter. Our planned work, together with that of other inspectorates, is included on both the Audit Commission and Local Services Inspectorates Forum websites.
- 56 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities in the light of the latest CPA assessment, including the corporate assessment, and your own analysis, and develop an agreed programme by 31 March 2006. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

- 57 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 58 The Code has been revised with effect from 1 April 2005. Further details are included in our 2005/06 Audit and Inspection Plan which was agreed with the Audit Committee in May 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
 - a clearer focus on overall financial and performance management arrangements.

Closing remarks

- 59 This letter has been discussed and agreed with the Chief Executive and the Director of Finance and Corporate Resources. The letter will be presented to Cabinet on 8 February 2006 and to the Audit Committee on 5 April 2006.
- 60 The Council has taken a positive and constructive approach to our audit and inspection work. I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

- 61 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Michael Haworth-Maden
District Auditor and Relationship Manager
January 2006

Appendix 1 – Background to this letter

The purpose of this letter

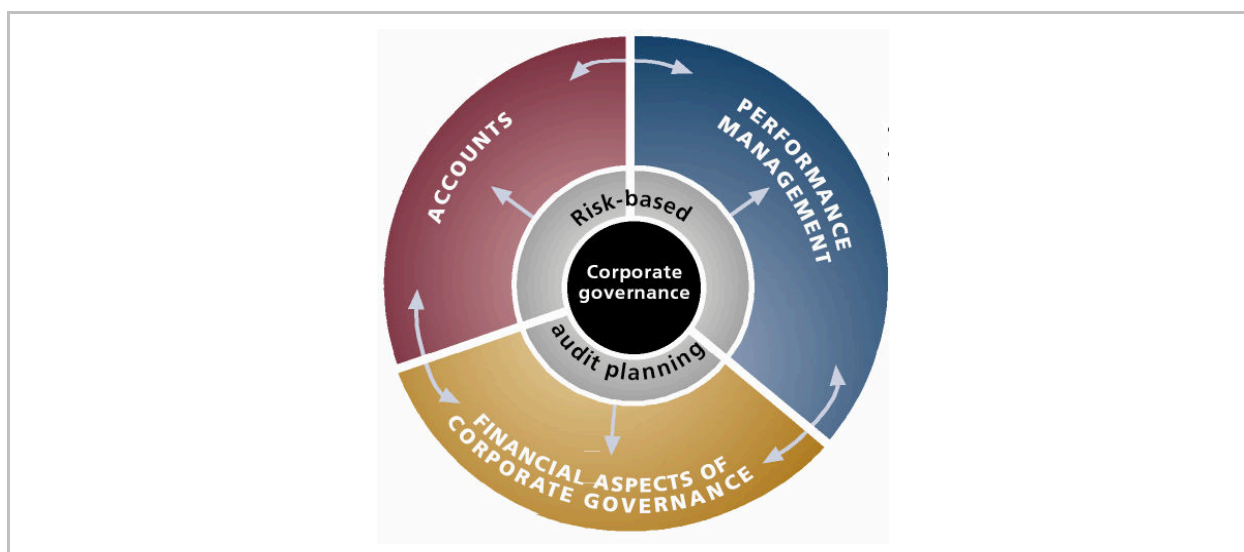
- 1 This is our Audit and Inspection 'Annual Letter' for members, incorporating the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.
- 2 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

Audit objectives

- 5 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 2.

Figure 2 Code of Audit Practice

Our Code responsibilities



7 Our work in the three elements of these responsibilities comprises as follows.

Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best value performance plan.

Appendix 2 – Reports issued during 2005

Table 4

Report title	Date issued
Audit and Inspection Plan 2005/06	March 2005
Ethical Governance	May 2005
Organisational Review	May 2005
Certificate on the 2003/04 Accounts	July 2005
LPSA	August 2005
Housing Inspection	August 2005
Transport Inspection	October 205
Report on the 2004/05 Accounts to Those Charged with Governance (SAS 610)	October 2005
Opinion on the 2004/05 Accounts	October 2005
Regeneration	November 2005
Corporate Assessment	November 2005
Use of Resources	November 2005
Report on the Accounts	December 2005
Direction of Travel	December 2005
CPA Scorecard	December 2005
Best Value Performance Plan	December 2005

Appendix 3 – Audit and inspection fees

Table 5 Audit fee update

Audit area	Plan 2004/05 £000	Actual 2004/05 £000
Accounts	100	101
Financial aspects of corporate governance	74	74
Performance	260	260
Total Code of Audit Practice fee	434	434
Additional voluntary work (under section 35)	0	0
Total	434	434

Grant fee update

- 8 Our 2004/05 Audit and Inspection Plan included an estimate of £225,000 for the certification of grant claims. Our work in the area remains in progress, in particular concerning the completion of the housing benefits and NNDR claims. As at the end of November 2005, we had invoiced the Council approximately £90,000. We currently estimate that the final fee will be significantly lower than the original estimate.

Inspection fee update

- 9 Our 2004/05 Audit and Inspection Plan included £101,000 covering inspection work. This included three inspections, two of which are reported in this letter. The third, customer access, has been deferred having regard to the Council's timescale for conducting its own best value review of the service.

MUNICIPAL YEAR 2005/06 REPORT NO:**MEETING TITLE AND DATE:**Council 22nd February 2006**REPORT OF:**

Director of Finance & Corporate Resources

Contact officer and telephone number:
Sheila Dawson ext. 4732

Agenda – Part: 1	Item: 7
Subject: Budget 2006/07 and Medium Term Financial Plan (General Fund)	
Wards: All	
Cabinet Member consulted: Cllr Michael Lavender	

1. EXECUTIVE SUMMARY

- 1.1 This report provides information on the outcome of the budget consultation process, the details of the government financial settlement, and sets out the Council's revenue budget requirement for 2006/07. It makes proposals regarding the level of the 2006/07 Council Tax to meet Enfield's budget requirement, and also sets out the Council's medium term financial plan. The report was considered by Cabinet on 8 February but has since been updated to include the details of the final local government finance settlement announced on 31 January 2006, comments from the consultation meetings held at the end of January, and information regarding the medium term financial plan.
- 1.2 The report was prepared in advance of the GLA precept for 2006/07 being confirmed on 15 February 2006. Consequently the various statutory calculations and resolutions (Appendix 8) have not yet been completed but will be circulated as soon as possible after 15 February and in advance of the Council meeting on 22 February 2006.
- 1.3 The report makes recommendations regarding the capital programme and, in accordance with the Prudential Code, recommends that the Council agrees the Treasury Management Strategy as well as the setting and monitoring of prudential indicators.
- 1.4 The report also includes a review of the Council's contingencies and balances undertaken in the context of the risks and uncertainties associated with the budget and medium term plan,

The report is structured as follows:**Section Pages**

Background to the budget process	3	3-4
Budget consultation	4	4-7
Details of the financial settlement and changes to the tax base and the Collection Fund	5&6	7-11
Revenue budget proposals, including changes since the Cabinet report on 14 December 2005, Council Tax and service implications	7&8	11-21

The report is structured as follows:	Section	Pages
The Prudential Code and Capital Programme	9	21-36
Medium Term Financial Plan	10	36-41
Budget risks and uncertainties	11	41-45
Contingencies and general balances	12	45-49
Director of Finance and Corporate Resources' statement regarding the robustness of the budget	15	50-51

2. RECOMMENDATIONS

2.1 The attention of Members is drawn to the comments in para 7.14 regarding S106 of the Local Government Finance Act 1992.

2.2 It is recommended that Council notes that the Overview and Scrutiny Committee asked for a number of proposals in the budget to be reconsidered (para 4.3).

2.3 With regard to the revenue budget for 2006/07

It is recommended by Cabinet to Council:

- (i) that the net budget requirement for Enfield be set at £206.261m in 2006/07;
- (ii) that a contribution of £396k be made to the Collection Fund;
- (iii) that, subject to final pupil count data, approval is given to expenditure of £186.391m on the schools' budget, funded from the Dedicated Schools' Grant;
- (iv) that the Council Tax at Band D for Enfield's services be set at £998.55 (para 7.9), an increase of 2.49%;
And that Council approves:
- (v) the statutory calculations and resolutions in Appendix 8 (to be circulated when the GLA precept is confirmed).

2.4 With regard to the Prudential Code and the Capital Programme

It is recommended that Council:

- (i) note the information regarding the requirements of the Prudential Code (Section 9);
- (ii) agree the proposals for allocating resources to capital projects as set out in para 9.19;
- (iii) agree the recommendations regarding the additions to the capital programme, as set out in Appendix 11;
- (vi) agree the Prudential Indicators, the Treasury Management Strategy and the criteria for investments, set out in Section 9 and Appendix 10.

2.5 With regard to the Medium Term Financial Plan:

It is recommended that Council notes the forecast for the medium term as set out in Section 10.

2.6 With regard to the robustness of the 2006/07 budget and the adequacy of the Council's reserves and balances:

It is recommended that Council:

- (i) note the risks and uncertainties inherent in the 2006/07 budget and the medium term financial plan (section 11);
- (ii) agree the recommendations of the Director of Finance & Corporate Resources regarding the use of any underspends in the current financial year (para 12.5);
- (iii) note the comments of the Director of Finance & Corporate Resources regarding the recommended levels of contingencies, balances and reserves (Section 12) and has regard to the Director's statement when making final decisions on the 2006/07 budget.

3. BACKGROUND

- 3.1 The report to Cabinet in July 2005 set out the process and timetable for the preparation of the 2006/07 budget and medium term financial plan. It was agreed that the Budget Group would again steer the process and set the budget guidelines. The Budget Group comprises the Leader, the Deputy Leader, the Lead Member for Regeneration, the Chief Executive and Directors, the Assistant Chief Executive, and the Assistant Director of Finance & Corporate Resources (Finance).
- 3.2 The development of the 2006/07 budget and medium term financial plan started in the early Summer of 2005 with a review of the Council's revenue and capital spending needs over the next 5 years. This work was undertaken in the context of the Council's aims and objectives and the priorities set out in the Improvement Plan. The Council's Improvement Plan, and the key priorities and targets within it, have been the main driver for the proposals in this report regarding the allocation of the Council's capital and revenue resources.
- 3.3 Details of the budget proposals were discussed by the Council's Management Board and with the Budget Group prior to the circulation of the Budget Consultation paper in November 2005. Cabinet considered interim progress reports on the budget process in November and December 2005.
- 3.4 The report considered by Cabinet in December 2005 included the following information:
 - the budget pressures, potential savings, budget uncertainties and risks identified at that stage;
 - the availability of capital resources in the medium term and the capital investment requirements;
 - the timetable for the remainder of the budget process.

Information relating to the provisional finance settlement from central government was not available when the December Cabinet report was prepared, but was circulated at the meeting.

- 3.5 This report makes recommendations regarding:
- The General Fund budget requirement for 2006/07;
 - The level of the Enfield element of the Council Tax for 2006/07;
 - The Prudential Indicators (2006/07 – 2010/11) and a revised capital programme for the period 2006/07 – 2010/11;
 - The level of contingencies and balances;
 - The Council's medium term financial plan.
- 3.6 At the time of writing this report, confirmation of the GLA precept for 2006/07 was awaited. Recommendations regarding the level of Council Tax including the GLA element will therefore be circulated separately to Council in advance of the meeting on 22 February 2006.

4. BUDGET CONSULTATION

- 4.1 The detailed budget consultation paper was published at the end of November 2005. The paper was available in libraries, on the Council's website and on the intranet; the circulation list included Members, Head Teachers and Chairs of Governors, Community and stakeholder organisations, health partners, the Audit Commission, and Enfield's Members of Parliament. The paper was discussed at the Area Forums, the Enfield Strategic Partnership, the Schools' Forum, the Business Ratepayers' meeting, the Over 50s Forum and at the Council's Scrutiny Panels. At each meeting the consultation document was introduced by the Director of Finance & Corporate Resources.
- 4.2 The budget consultation paper required returns by 22 December 2005 but responses received after that date have, where possible, been taken into account. Consultation with Scrutiny Panels ended on 12 January 2006 when the Overview and Scrutiny Committee met to discuss and bring together the views of the other Scrutiny Panels. The last Area Forum was held on 31 January 2006. Responses to the budget consultation were received verbally in the various meetings, via the questionnaire included in the consultation paper, and in other correspondence. Responses could also be made electronically via the website questionnaire. A summary of the key points raised is included in this report; more detailed information will be placed in the Members' library.

4.3 Scrutiny Panels

The views of the Scrutiny Panels were collated by the Overview and Scrutiny Committee at its meeting on 12 January. A paper setting out the Committee's views is attached at Appendix 1. Members are asked to note that Overview and Scrutiny Committee asked for a number of items to be reconsidered (see paragraphs 1.2.1 and 1.2.4 of Appendix 1).

With regard to the items listed in the Overview and Scrutiny Committee's response, Members should note that:

- The proposals to remove the subsidy on home meals and to make savings in the cost of administrative support to the Children and Families' Leadership team have been withdrawn; and

- The proposed saving in regeneration expenditure has been reduced by £36k.

Concerns regarding the following issues were expressed at Panel meetings:

- The proposal to increase the cost of homecare to recover the full cost from those Social Services' clients assessed as being able to pay;
- The removal of the home meals subsidy;
- The proposed reduction in the budget for the management and development of leisure centre facilities;
- The total level of unavoidable costs, particularly relating to legal costs associated with cases managed by Children and Family Services, as it was felt that further work was needed to find ways to reduce these costs;
- The proposed increase in Enfield Arts Support Service fees was thought to be too large an increase at one time. It was suggested that fees should be increased gradually in line with inflation;
- That the proposed savings from the 'review of regeneration activities' could compromise the Council's ability to address CPA issues in respect of regeneration.

The Panel also felt that the level of IT savings proposed in the budget was the minimum acceptable. Although not part of the budget consultation, the Committee commented on the use of Pay and Display in the Borough and agreed to review the use of surpluses generated on the Parking Account.

Support was given to all of the growth proposals (Neighbourhood Wardens, Youth Facilities, Supporting Independent Living for Social Services' clients and CCTV).

4.4 **The Education sector**

Responses have been received from the Schools' Forum as well as from individual schools.

Revenue Budget

The Schools' Forum supported the growth proposals for the Youth Service, but could not support the increase in costs for music tuition as they considered it a relatively minor saving against the great benefit provided to many children.

The Forum felt there was insufficient information in the document to make an informed decision on some of the proposals e.g. the additional spending on CCTV.

Capital Proposals

The Schools Forum would like to see prudential borrowing to support increased capital investment.

4.5 **Area Forums**

The following issues have been raised in Area Forum discussions:

- Residents expressed concerns about the condition of the Borough's roads and supported investment in road improvements;
- Greater investment is required in parks and children's playgrounds;
- Youth facilities are needed on estates to help combat anti-social behaviour;
- More resources need to be invested in youth and play provision as well as in provision for the elderly;
- In view of rising energy costs, it was felt to be important that the Council looks at energy efficiency measures to identify areas in which savings could be made.

In the Area Forums held at the end of January, concerns were expressed about the proposed increases in charges for home meals and homecare and about the adverse effect that savings proposals could have on residents on fixed incomes. Comments were also made about the costs of the GLA functions over which Enfield has no control.

Extracts from the minutes of the Area Forums will be included in the pack to be placed in the Members' library.

4.6 **Over 50s Forum**

The budget consultation paper was discussed at a meeting of the Over 50s Forum on 31 January. The main concern expressed at the meeting related to the GLA precept proposals, rather than Enfield's budget proposals. However, responses have also been received from individual members of the forum who noted that they were unhappy with the proposed home care charge increases and with the reduction in leisure services' funding.

The responses suggested the installation of Automated Public Conveniences in the main Council centres, as well as improvements to Whitewebbs (new café, playground and toilets).

4.7 **Responses from stakeholders and individuals**

In total 39 responses were received from individuals and representatives of partners and stakeholders. The following paragraphs highlight the main points raised though, given the size of the response, it must be recognised that they are not necessarily representative of the Borough as a whole.

Revenue budget

There was support for each of the growth proposals particularly additional funding for CCTV Cameras and for supporting independent living for Social Services' clients.

There was also support for many of the proposed savings, most notably the renegotiation of contracts, the rationalisation of print services, restructure of the finance and income teams and the use of 2nd class post for non urgent mail. There was also support for reviewing the Council's 24 hour services and for the use of Planning Delivery Grant to fund the pressures on the budget. However, concerns were expressed about charging full cost for homecare

where people are assessed as being able to pay, increasing community alarm charges and the removal of subsidy on home meals.

Capital proposals

The most favoured proposals were those relating to increasing investment in improving roads and footpaths in the Borough. Support was also given to the proposals to improve and modernise schools, provide youth and play facilities for young people and to provide additional children's playgrounds in parks. The proposals to invest in works to Council houses and other Council buildings were not seen as high priorities.

Additional comments

There was provision in the consultation paper for additional comments. The issues raised included:

- Support was shown for improving toilet facilities throughout the Borough;
- If the Council could provide insurance cover for local people to run clubs and activities for young people, more could be done to address the problem of a lack of youth activities;
- Review car park charges to improve retail turnover for local businesses by making the hourly cost of short stay parking cheaper than that of long stay;
- As the rising cost of Concessionary Fares is an unavoidable pressure, investigate other more economical methods of providing free travel for occasional users.

5. THE FINANCIAL SETTLEMENT

5.1 Details of the provisional local government settlement for 2006/07 were announced on 5 December 2005 and a briefing note was circulated at Cabinet on 14 December 2005. The key points were as follows:

- The Government announced provisional grant figures for both 2006/07 and 2007/08. For Enfield the figures were:

2006/07: a grant increase of £3.403m (3.5%)

2007/08: a further increase of £4.618m (4.6%)
- The government replaced the former 'formula spending share' model with a "4 Block" model. The 4 Blocks comprise:
 - A relative needs allocation using Relative Needs Formulae (RNF)
 - A reduction based on relative resources (the ability of authorities to raise council tax)
 - A Central Allocation based on a per head amount
 - An allocation to ensure a minimum increase in grant.
- The **Relative Needs Formulae** are split into seven different blocks, covering the seven main service areas provided by local authorities (Children's Services; Adults' Personal Social Services; Police; Fire and

Rescue; Highways Maintenance; Environmental, Protective and Cultural Services (EPCS); and Capital Financing).

Relative Needs Formulae are designed to reflect the relative needs of individual authorities in providing services. They are not intended to measure the actual amount needed by any authority to provide local services, but simply to recognise the various factors that affect local authorities' costs locally. Because the RNFs are only intended to reflect the relative differences in the cost of providing services in different areas, they are expressed as a proportion – or ratio – of the total RNF. They are not expressed in cash terms.

In this settlement, the government has made it clear that the previous arrangements (Standard Spending Assessments and Formula Spending Shares) are at an end. There are no figures in the settlement to represent either assessments of spending need or targets for spending on specific services.

- The **Relative Resource Amount** is a negative figure. It takes account of the fact that some areas can raise more income locally from Council Tax than others and therefore require less support from Government to provide services. This block recognises the differences in the amount of local income by looking at authorities' council tax base data (a measure of the number of properties equivalent to Band D for council tax in an area).
- After taking account of the Relative Needs and Relative Resources of local authorities, there is still an amount of money left in the overall grant pot for distribution. This **Central Allocation** is distributed on a per head basis; the amount per head for Enfield is £168.
- The last of the 4 blocks introduces a **minimum floor increase** of 2% for all authorities. The cost of this protection is paid for by reducing the grant levels of authorities whose increase is above the floor. Enfield's calculated increase for the first three blocks is £8.022m but £4.619m has been lost through the damping effect to pay for the floor for other authorities.

The overall national effect of the 2% floor is to damp other authorities to the point where there are very few authorities that will receive an increase of more than 4%. The introduction of the damping mechanism and the floors reduces the impact of the formula calculation to the point at which one must question the usefulness of the formula.

- **Functional changes and specific grants**
Each year the Government announce a number of "functional changes" as part of the settlement. Functional changes represent either additional money provided to local authorities in recognition of new burdens and responsibilities placed on them, or movements in funding between specific grants and general revenue support grant.

The main functional changes in 2006/07 relate to:

- a reduction (of around £1.3m) in the specific grants for Social Services Residential Allowances and Preserved Rights; the revenue support grant was increased by a similar, albeit slightly lower sum. The Adult Social Services' budget has been adjusted to reflect the loss of specific grant.
- additional funding for legislative changes that will result in more onerous requirements on the Electoral Registration Service.
- The transfer of funding for the Schools' budget from general Council resources to a new specific grant, the Dedicated Schools' Grant (see below).

In addition, the government provided funding in the settlement for the roll out of Concessionary Fares across the country. London authorities will benefit from the additional funding though Boroughs have been providing this service for a number of years.

In addition to the Revenue Support Grant (RSG), the government and other agencies such as the Learning & Skills Council provide a number of 'specific grants' to support spending on named services or new initiatives. The table in Appendix 2 compares the specific grants received in the current year with those announced for 2006/07 and 2007/08. It should be noted that not all of the allocations have been confirmed as yet. For the most part, these grants are earmarked to specific services or activities.

- ***Dedicated Schools' Grant***

The Dedicated Schools' Grant (DSG) provides a 6.8% per pupil increase for Enfield pupils in both 2006/07 and in 2007/08. This increase is in line with the national average for 2006/07 and slightly higher than the national average for 2007/08 (6.7%).

The DfES has provided provisional information that can be used to predict the likely level of the Dedicated Schools' Grant for 2006/07 and 2007/08 based on their estimates of pupil numbers in January 2005, 2006 and 2007. Based on the Council's pupil number projections and the guaranteed per pupil increase notified by the DfES, the provisional increases in funding will be £12.8m in 2006/07 and £12.7m in 2007/08. This compares with an increase in the Schools' Formula Spending Share for 2005/06 of £9.4m. The total amount of DSG for 2006/07 will not be finally determined until May 2006, after the January 2006 figures for pupil numbers have been confirmed.

- ***Capping***

A letter dated 13 December 2005 from the ODPM states that the Government expects the average Council Tax increase in both 2006/07 and 2007/08 to be less than 5%. The Minister for Local Government goes on to say:

"Local government should be under no illusion that we will use our capping powers to deal with excessive increases, as we have done over the last two years".

Final settlement

- 5.2 The ODPM has made some small changes to the financial settlement figures between issuing the provisional settlement on 5 December 2005 and the final settlement on 31 January 2006. The net effect has been to increase Enfield's grant by £64k.

The main adjustments are in two areas:

1. An increase in the overall amount of money distributed in recognition of costs relating to the WEEE Directive (Waste Electrical and Electronic Equipment) and the 'de-trunking' of major roads. Enfield's Revenue Grant has been increased by £115k as a result of these changes.
2. Amendments to the 'functional changes' figures: the final settlement has been adjusted as a result of late movement in functional changes. The effect on Enfield is a reduction of £51k.

It should be noted that there have been no adjustments in the population figures used for calculating the settlement.

- 5.3 Members will recall that the government issued details of 'Amending Reports' to the 2004/05 and 2005/06 settlements. The net effect on Enfield is a reduction in government grant of £742k. The Council is required to account for the loss of grant in 2006/07 but a sum has been set aside in the current financial year to cover this loss. The Amending Reports reduced grant on the basis of a supposedly declining population in the Borough. The population estimates were supplied to the ODPM by the Office of National Statistics (ONS). This Council, along with a number of London Boroughs, has raised concerns about the accuracy of these population estimates. In late December 2005, the ONS admitted that "there are issues with the population estimates" and advised the ODPM that "you may wish to consider whether there is any scope for recognising the particular uncertainty for those parts of the country that are affected by relatively high levels of migration". The Council has written to the ODPM to reinforce this advice.

6. THE TAX BASE AND COLLECTION FUND

- 6.1 On 17 January 2006, the Audit Committee agreed a Council Tax Base of 106,755 Band D properties for 2006/07. This compares with a Council Tax Base of 107,028 for 2005/06. The reduction in the Tax Base is a result of an increase in the number of residents claiming a single person discount. This is largely attributable to the effect of a targeted welfare benefit take-up campaign aimed at older people in the Borough. It is estimated that the revised tax base will reduce the revenue raised from Council Tax next year by an estimated £335k, of which Enfield's share is approximately £266k.
- 6.2 When the Council's accounts were closed at the end of 2004/05, the deficit on the Collection Fund was £1.416m. Provision had been made in the Fund's accounts for a contribution (£750k) to be made in 2005/06 but this left a potential estimated deficit of £666k. The latest review of the Collection Fund indicates that the deficit remaining on the Fund at 31 March 2006 is estimated to be of the order of £500k, a reduction of £166k. The Council needs to

provide for its share of this projected deficit in setting its budget for 2006/07. The estimated sum required (£396k) has been taken into account in the budget proposals set out below and will be funded from general balances.

7. BUDGET PROPOSALS

Position as set out in the December Cabinet report

7.1 The report to Cabinet on 14 December 2005 provided details of the budget pressures and potential savings identified for 2006/07 and estimates of the additional external funding likely to be available.

The assumptions used were:

- Unavoidable growth of £12.7m, including that relating to pay awards, inflation, and growing demands for services;
- Discretionary investment (£1.5m) in priority services such as the provision of facilities for young people, improving community safety, and supporting Social Services' clients to live independently;
- Agreed savings of £2.2m;
- Proposals for further savings of £2.7m from efficiency measures, improved procurement of services, and increases in income; and
- An increase in external funding of 4.5%.

7.2 The spending and savings proposals were developed in the context of the Council's Improvement Plan, which sets out the Council's priorities over the next 3 years. The Council's priorities take into account feedback from residents as well as both the Council's and the external auditor's assessment of our performance. The Council has a long-standing commitment to targeting resources to deliver improvements in key services.

7.3 The report noted that if the proposals set out in the Cabinet report were to be agreed in full and if external funding increased as anticipated, Enfield's element of the Council Tax would have to increase by between 5% and 6%, excluding the GLA precept. However, it was also noted that a considerable amount of work was still to be undertaken to complete the review of cost pressures and to seek further opportunities for reductions and efficiency savings. The Budget Group therefore continued to review the budget proposals with the aim of limiting as far as possible the increase in the Council Tax whilst ensuring that the budget would be adequate to meet the growing needs of Enfield's population and to achieve the targets set out in the Improvement Plan.

Outcome of the review

7.4 Following the receipt of more up to date information on costs and demands for services, the review of the tax base, and feedback from the budget consultation process, a number of changes to the figures reported in December were recommended to Cabinet on 8 February 2006.

The main changes are listed below:

Additions to the budget:

- *Pay awards and price inflation* **£230k**
 These additional costs are a result mainly of insufficient grant funding being available to cover inflationary pressures in parts of Adult Social Services, and further information now available about increases in energy costs. The increase in energy costs in particular is expected to be considerably higher than the rate of inflation with increases of up to 100% in some cases.
- *Loss of government grant – Safeguarding Children grant* **£400k**
 It has become clear that as part of the overall settlement, the DfES has discontinued the 'Safeguarding Children' grant that was introduced following the Laming report on the Victoria Climbié case. The removal of grant would usually be dealt with as a 'functional change' i.e. resources would be included in the settlement but separately identified. When questioned, the DfES has suggested that any ongoing funding required should be available from the main finance settlement but of course this does not take into account the severe effect of the damping arrangements put in place from 2006/07 onwards. The effect on Enfield is a grant loss of £690k; ECSL has identified some compensating savings but there is a net shortfall in the funding of £400k.
- *Reduction in government grant – HB admin grant* **£288k**
 The government has decided to amalgamate six separate grants that in the past have part funded HB administration, the verification framework, and sanctions and prosecutions. The latest information indicates that funding for 2006/07 will be some £288k lower than in the current year.
- *Adult Social Services' care costs* **£397k**
 A further detailed review has been undertaken of the estimated cost of and the likely demand for care packages in Adult Social Services. The figures shown in earlier reports were based on known clients and assumed that any increase in costs resulting from a growth in client numbers could effectively be contained within existing social services budgets. Whilst it is accepted that initiatives need to be developed further to contain costs over the medium term, it is unlikely that these will have an immediate effect. The contingency sum of £0.5m allocated for care purchasing in the 2005/06 budget was found to be essential and it is therefore proposed to provide a similar contingency for 2006/07. Given the level of risks in the adult social services' budget, the contingency will be set at £1m. However, further analysis of existing client numbers and care costs, and of the scope for contributions towards costs from other sources, indicate that the original estimates for older people and learning difficulties care packages can be reduced by £225k and £378k respectively, leaving a net increase in Adult Social Services' growth of £397k.
- *Charges for home meals* **£170k**
 The proposal to remove the subsidy on home meals was included in the budget consultation paper. Having received feedback from Overview and

Scrutiny Committee and from partner and stakeholder organisations that expressed concerns about the impact of the increase in charges, it is recommended that the proposal be deleted.

- *Procurement IT* **£146k**
 A decision was taken in December 2005 to purchase new procurement software that is designed to enable the Council to make substantial savings in the purchase of goods and services over the next few years. These savings will form a key element of the Council's medium term financial plan. This sum represents the ongoing running costs of the new system.
- *Community safety* **£192k**
 Additional provision is needed to fund the monitoring costs associated with new CCTV cameras and also to make an annual contribution to a replacement fund that will allow the cameras to be replaced every 4 – 5 years: £171k.
 It is also necessary to increase the sum identified in the budget consultation paper for neighbourhood wardens to ensure that the full cost of the teams can be met: £21k.
- *Revenue implications of new capital schemes* **£330k**
 This represents the capital financing costs of the proposed additions to the capital programme (see section 9) together with any ongoing running costs.
- *Revenue implications of new IT developments* **£174k**
 This represents the ongoing cost of the new items in the IT development programme (see paragraph 7.5 below) and additional support for the web team to ensure that the Council's website is accessible to customers and linked to other Council systems.
- *Children and Families' Leadership Team - Substitution for original proposal*
 Responses were received in regard to the proposals to make savings in the costs of administrative support available to the Children and Families' Leadership Team. Following a review, these proposals have been removed from the savings proposals. Compensating savings can be made in the provision for children's placements on the basis of more up to date information on spending in this service in the current year.

7.5 **One-off items of expenditure**

In addition to the ongoing items of expenditure listed above, there are some "one-off" items that are essential to the Council's Improvement Plan and its commitment to continue to improve value for money.

- IT work programme: investment of the order of £1.9m will be needed in the Council's infrastructure (£1.3m in 2006/07 and the remainder over the following 3 years)
- A decision has already been taken to purchase and implement new procurement software (£750k); as noted above, this is expected to deliver

substantial savings to the Council over the medium term. Cabinet on 8th February 2006 approved the establishment of a corporate procurement team at an estimated cost of £540k in 2006/07. The team will be expected to become self-financing by 2007/08 with ongoing costs funded from the savings identified.

- A recruitment and retention package is to be put in place for social workers. A sum of £900k has initially been set aside to meet the one-off cost of the proposals; ongoing costs will be met from within the Departments' existing budgets.

7.6 The additional costs identified in paragraph 7.4 can be more than offset by the increase in external funding relating to functional changes and savings identified elsewhere in the budget. The cost of the "one-off" items in paragraph 7.5 will be funded from the Council's existing balances and reserves, as described in section 12.

The main areas of additional savings identified are as follows:

- *North London Waste Authority and other levies* **-£848k**
Revised figures from the NLWA suggest that they intend to use some of their balances in 2006/07 and have reduced the previously estimated level of increase in the levy accordingly. (See para 7.8 below for further information on the NLWA.) It has also now been confirmed that the increases in other levies (the Environment Agency and the London Boroughs Grant Scheme) will be lower than previously expected.
- *Homelessness costs* **-£800k**
The Council is expecting to reduce the number of families in Bed and Breakfast accommodation and to make greater use of private leased annexes for homeless families in 2006/07. This is expected to lead to a substantial reduction in the rent payments to hoteliers and generate additional income from the use of the leased annexes.
- *Cost of agency staff in Children's Social Services* **-£250k**
The budget proposals included in the consultation paper and in the December Cabinet report included provision to meet the additional cost of agency staff working in the Children and Families Division. Instead, the Council is proposing to put in place recruitment and retention measures for social workers that should result in a reduction in the need for agency staff and the associated costs.
- *Interest receipts* **-£250k**
The Council has taken the opportunity offered by the current extremely low interest rates available on longer term debt to borrow for the new capital programme. At the same time, the proactive treasury management strategy adopted by the Authority has resulted in a further increase in interest receipts.

- *Reduction in Insurance charges* **-£116k**
 Following the actuarial review and a review of the insurance property database, the Authority has been able to reduce insurance charges.
- *Housing Benefit Subsidy* **-£1,200k**
 As noted in the monthly financial monitoring reports to Cabinet, there is still some uncertainty over the extent to which those authorities that appear to benefit from the changed rules on HB subsidy (of which Enfield is one) will be allowed to retain the extra funding. However, it looks increasingly likely that the 'clawback' of subsidy will be limited and that Enfield will gain a substantial sum from the revised arrangements. It should be noted that there is still an element of risk attached to this saving as the Council does not expect to receive final confirmation of the position until the end of the financial year.
- *Rent for private sector leased accommodation* **-£52k**
 The Council is expecting to make greater use of private sector leased accommodation (as opposed to bed and breakfast accommodation) for homeless families in 2006/07. This will increase the expected level of income.
- *Additional car parking income* **-£375k**
 The latest review of the Parking account indicates that income from car parking is above previous expectations. If this trend continues in 2006/07, additional net income of the order of £375k can be expected. Members will note that, in section 9 of this report, there are proposals for a significant increase in the level of capital investment in the highways network. The additional parking income will be used to cover the financing costs resulting from the capital investment; the costs will be approximately £225k in 2006/07 but will increase substantially to around £1.6m by 2008/09.
- *Further efficiency savings in Environmental services* **-£200k**
 As part of the Department's plan for reviewing the 'value for money' delivered by services, a series of exercises will be carried out during 2006/07 to identify any areas of cost over and above the average for outer London boroughs. Costs will be reviewed in the context of performance information and opportunities for reducing expenditure and improving value for money will be sought. The Department will also seek to review areas of income where it is believed additional revenues could accrue to the Council.
- *Reduction in central contingency* **-£320k**
 It is recommended that the Council's central contingency be reduced from its current level of £1.32m to £1m – see section 12 of this report.

7.7 The overall effect of these changes, together with the small change in RSG, will be a reduction in the required Council Tax increase from the 5% - 6% indicated in the December Cabinet report to 2.49%.

7.8 **Additional Information re – NLWA**

The North London Waste Authority met on 8th February 2006 to consider the Authority's budget.

The report identified that the NLWA is forecasting surplus balances, as at 31st March 2006, of £8.609m and the Authority resolved to return the benefit of these balances to constituent Councils in the 2006/07 budget. This is expected to result in a **one-off** benefit to Enfield of approximately £1m. Fully utilising balances in this way will result in a large levy increase in 2007/08 and this impact has been included in the Council's medium term financial plan. Given that this is a one-off windfall, it has been treated as a contribution to the capital reserve and will be used to support the capital programme.

Members will also note that it is the Government's intention to amend the default arrangements for apportioning the levy and as a consequence the removal of the duty of the Joint Waste Disposal Authorities to pay recycling credits to their constituent councils. Assuming that the necessary Statutory Instruments are laid before Parliament in time for 2006/07, there will be a reduction in the levy for Enfield, offset by a similar reduction in anticipated recycling credits to the authority. The analysis of costs in this report has been based on the assumption that these changes will be made.

Summary of budget proposals

7.9 The following table sets out the Council's budget position after taking into account the proposed changes:

	2005/06 £'000	2006/07 £'000
Net revenue budget		
Schools	173,476	186,391
Other Services	197,427	197,427
<i>Functional changes</i>		
- Preserved Rights and Residential Allowances		1,357
- Electoral registration		75
Dedicated schools' grant		-186,391
	370,903	198,859
<i>Proposals for growth/savings</i>		
- unavoidable increases (App. 3)		13,031
- investment in priority services (App. 4)		2,236
- previously agreed savings (App. 5)		-6,727
- further savings/increases in income (App. 6)		-3,220
<i>One-off items (para. 7.5)</i>		4,090
<i>Movements in reserves to fund one-off items (section 12)</i>		-3,303
<i>Amending Report adjustments</i>	-284	742
<i>Contribution to reserves (NLWA)</i>		1,112
<i>Contribution from balances (re Amending Report and Collection Fund)</i>		-1,138

	2005/06 £'000	2006/07 £'000
<i>Deletion of previous year's contribution from balances</i>		579
Net budget requirement	370,619	206,261
Add: Collection Fund deficit	598	396
Less		
- RSG	(173,521)	(16,169)
- NNDR	(93,424)	(83,888)
Amount to be funded from the Council Tax	104,272	106,600
Tax Base	107,028	106,755
Council Tax (Band D)	£974.25	£998.55

This would mean a Council Tax increase of 2.49%.

- 7.10 Details of the final proposals relating to the unavoidable cost increases, investment in priority services, previously agreed savings, and additional savings are provided in Appendices 3 - 6. Members will note that the 'Net Budget Requirement' has reduced by more than £160m from last year. This is a result of the introduction of the Dedicated Schools' Grant, the net budget requirement being calculated after taking account of the DSG received.
- 7.11 The Greater London Authority (GLA) is meeting on 15 February to agree an increase in the 2006/07 precept. The Council Tax payable by Enfield residents cannot be confirmed until this information is available. The final figures will be circulated to Council before the meeting on 22 February 2006.
- 7.12 Appendix 7 shows the budgeted gross spending, income and net spending for all services. The budgeted gross spending in 2006/07 is £822.854m and income is £616.593m, leading to the net budget requirement of £206.261m. This calculation, which is required under the 1992 Local Government Finance Act, includes spending and income within the Housing Revenue Account. However, because spending and income within the HRA are ring fenced to the HRA, this has no overall effect on the net budget requirement or on the level of the Council Tax.
- 7.13 The statutory calculation of the proposed Council Tax for each property band and the formal resolutions required under the 1992 Local Government Finance Act cannot be completed until the GLA precept has been confirmed. These calculations will be included in Appendix 8 and circulated to Council before the meeting on 22 February.
- 7.14 Section 106 of the Local Government Finance Act 1992 requires any Member who is two months or more in arrears on their Council Tax to declare their position and not to vote on any issue that could affect the calculation of the budget or the Council Tax. Any Member affected by Section 106 who fails to declare could be subject to prosecution.

8. IMPLICATIONS FOR SERVICES

8.1 The Council's net budget requirement for 2006/07 is £206.261m. The analysis of the budget requirement over services is set out in Appendix 9. The Council is focusing investment on its key priority services particularly Education and Children's Services, support for vulnerable adults through Adult Social Services, the Streetscene and Community Safety. Additional investment will also be made in the IT infrastructure and in developing an expert in-house procurement team. The following paragraphs highlight the key issues for services and the outcomes expected from the additional investment.

8.2 Education and Children's Services

Schools' Budget

In total additional funding of approximately £12.9m has been allocated to the schools' budget in 2006/07 by way of the Dedicated Schools' Grant (DSG) and (minor) functional changes.

The Schools' Forum considered and supported a report setting out the proposals for the use of the DSG in 2006/07. The report identified the anticipated pressures for the year ahead, including pay and inflation costs and the full year cost of implementing workforce reforms. It was agreed that the continuing implementation of the SEN inclusion strategy would also drive savings and re-investment in the year ahead. The Schools' Forum supported the creation of a new "combined budget" for a family support service to enable early intervention for families whose needs do not reach the thresholds for social care services.

The Schools' Forum also considered proposals for distributing the remaining DSG "headroom" of £4.67m to schools through the local fair funding formula. Reflecting the needs-led assessment published by the Education, Children's Services and Leisure Department in 2005/06, it was proposed that the headroom should be distributed to primary, secondary and special schools in proportion to current budgets.

Reflecting the recommendations of the recent Joint Area Review, DfES guidance and benchmarking with other outer London boroughs, it was further agreed that the headroom should be allocated to:

- increase the value of the reception and key stage 1 age weighted pupil units (AWPUs) £1.383m
- provide funding for primary and key stage 3 pupils to support personalised learning including extended opportunities outside the school day £1.938m
- increase the value of the key stage 3 age weighted pupil unit £0.734m
- support practical learning options for key stage 4 pupils £0.268m
- promote post-16 inter-school collaboration £0.100m
- support implementation of the SEN inclusion strategy in special schools £0.246m

Approximately 14.5% of this funding will be distributed through the sub-formula for additional educational needs that seeks to address social disadvantage. These distribution arrangements are consistent with the draft Children and Young People's Strategic Plan and have been informed by the recommendations of the Joint Area Review including:

Review and strengthen arrangements to ensure that necessary improvements are made to:

- *Raise standards at Key Stage 1 and reduce the variability in standards between schools, especially secondary schools, across the borough;*
- *Extend collaboration between schools, colleges and work-based learning providers to tackle the shortcomings in post-16 provision.*

Other Education and Children's Services

The budget includes £75k growth to fund additional youth workers and to publish a prospectus of the facilities, services and activities available to young people. This represents the fourth year of investment in this service: the recent inspection report concluded that this "is a good service that provides good value for money", however, "access to youth service provision is uneven across the borough". In relation to children's services the budget enables the additional services that were put into place in response to the Laming enquiry to be maintained, despite the cessation of the Safeguarding Children Grant: the recent Joint Area Review recognised the improvements that have been made to the effectiveness of work with families with children on the child protection register and other children in need. The investment will enable the maintenance of services that are now assessed as "good". The budget will also support a sustainable package of recruitment and retention measures for children's social workers. This continuing priority was reiterated in the Joint Area Review: the package will be part-funded from reductions in expenditure on relatively expensive agency staff.

8.3 Adult Social Services

The main areas of budget growth for Adult Social Services in 2006/07 are those relating to the purchase of services for clients with physical disabilities and learning difficulties. Another new significant pressure experienced during 2005/06 was the implication for the mental health social care purchasing budget of the decommissioning of 'Supporting People' schemes required to deliver savings following a reduction in government funding of £1.2m.

In keeping with our commitment to promote independent living there has been a substantial increase in the volume of complex home care packages which have been partially offset by reductions in older people residential and nursing placements.

The recruitment and retention packages that are planned for social work staff will go a long way to addressing the issue of the large number of agency staff employed in the service. This has been a consistent theme in a number of inspection reports and has been raised as an issue at Scrutiny Panel.

8.4 Environment and the Streetscene

The budget provides for the continuation of the funding introduced over the last three years to meet the Council's stretch targets for recycling, improved standards of street cleaning and to enable a greatly improved approach to responsive repairs to highways, footways and street lighting throughout the Borough.

Substantial investment in the highways infrastructure in recent years has started to address the backlog of work required to improve the condition of the roads to achieve BVPI standards. Continued ongoing investment in the highways infrastructure is required to move the Borough out of the bottom quartile for the Best Value Performance Indicator. The proposals in this report to utilise income from parking to meet some of the cost of the capital investment in the infrastructure will allow a major programme of works to be undertaken over the next two years.

Preparations for the multi-million pound programme of replacement and improvement of the Borough's street lighting stock under a PFI scheme commencing in early 2006/07 are now well advanced. Provision has been made in the budget for the ongoing annual cost of this project. The scheme will not only improve the standard of lighting in the Borough, it will also help to achieve a safer environment for pedestrians and motorists and will contribute to the Council's aim to improve community safety.

8.5 Community Safety

The proposal to make additional provision in the budget for Community Safety reflects the concerns expressed by residents generally and in the consultation process.

The additional resources will provide funding for monitoring at the CCTV centre and for the replacement of cameras on a regular basis. The maintenance of the CCTV monitoring arrangements is an important element in the identification of anti-social behaviour and street crime. The additional funding for the neighbourhood wardens scheme will allow the successful pilot project to continue. The wardens work closely with the Police, the Parks constabulary and Environmental Services and are a key community safety resource.

8.6 IT and 'Procurement' developments

Improving 'value for money' continues to be a high priority for the Council. The investment in IT will allow the continued development of efficient processes. The Council will also encourage customers to access services (such as booking courses, making payments, accessing information) electronically, using the technology that has already been implemented in the current year.

The Council is committed to delivering savings and efficiencies through improved ways of working and, specifically, through more efficient procurement of goods and services. The new corporate procurement team will bring commercial expertise to the Council's purchasing arrangements and the

new IT system will provide the Council with greater controls over purchasing decisions. The interim team that has been in place since the autumn has already identified savings of the order of £0.5m that have been included in the 2006/07 budget. It is anticipated that the team will generate further savings in the coming year and will be self-financing by 2007/08. The new IT system and the degree of control it brings to purchasing across the Council, as well as the facility for electronic ordering, invoicing and payments, will result in substantial savings over the medium term.

9. THE PRUDENTIAL CODE AND THE CAPITAL PROGRAMME

The Prudential Code

- 9.1 The Local Government Act 2003 introduced the 'Prudential' framework for local authority capital finance. Government controls over the sums that local authorities can borrow for capital investment were removed in 2004; it is for each local authority to determine and keep under review how much money it can afford to borrow. Whilst the Secretary of State has powers under the Act to impose borrowing limits to ensure that an Authority does not borrow more than it can afford, this is only likely to be used in exceptional cases. Any borrowing by an authority in excess of the authorised limit, whether set by the authority itself or the Secretary of State, would be ultra vires.
- 9.2 The legislation requires each authority to have regard to the CIPFA Prudential Code for Capital Finance in complying with these duties. In effect this means that authorities will be responsible for determining whether decisions on capital investment are affordable, prudent and sustainable. Adhering to CIPFA's Prudential Code will be the means by which local authorities demonstrate that they have satisfied this obligation. The Secretary of State's reserve power could be used if an authority fails to adhere to the Prudential Code. Similarly the Secretary of State has the power, on national economic grounds, to set limits in relation to borrowing by local authorities as a whole.
- 9.3 Members' involvement through the process is essential in order to comply with the requirements of the Prudential Code. The Council must be able to demonstrate that capital expenditure plans are affordable, external borrowing is prudent and sustainable and that treasury decisions are taken in accordance with good practice. The structure and content of this report has been designed to comply with the Code.
- 9.4 When considering its programme for capital investment the Council is required, under the Prudential Code, to have regard to the fact that in order to facilitate the decision making process and support capital investment decisions, the Council must agree and monitor a minimum number of mandatory prudential indicators. The Council must take account of the following matters when setting and revising the prudential indicators:
- Affordability; e.g. the implications for Council Tax and local authority rents
 - Prudence and sustainability; e.g. implications for external borrowing
 - Value for Money; e.g. through the use of option appraisals
 - Stewardship of Assets; e.g. asset management planning
 - Service objectives; e.g. strategic planning for the Authority

- Practicality; e.g. achievement of the forward plan
- 9.5 For housing authorities separate prudential indicators are required for HRA and non-HRA capital investment. The mandatory indicators (which can be supplemented with local indicators) cover affordability, prudence, capital expenditure, external debt and treasury management. These indicators form the basis of in year monitoring and reporting.
- 9.6 The prudential indicators recommended by the Director of Finance & Corporate Resources are summarised in paragraph 9.31. More detailed explanations of each indicator together with the recommended Treasury Management Strategy for 2006 to 2009 are set out in Appendix 10.

Capital Resources

Government "Supported Borrowing"

- 9.7 Although "credit approvals" were abolished with the introduction of the Prudential regime, the government continues to provide revenue support for borrowing through the Revenue Support Grant mechanism. To date the government has notified the Council of the following supported borrowing for 2006/07 and 2007/08. In effect this means that the Council should receive funding from 2006/07 onwards in the RSG settlements to meet the borrowing costs associated with these sums. However, it should be noted that, as a result of the degree of 'damping' in the finance settlement, the government's support for borrowing does not translate into additional revenue funding for the Council.

	General Fund	Education targeted	Mental Health	HRA	Total
	£000	£000	£000	£000	£000
2006/07	3,694	3,460	141	4,797	12,092
2007/08	4,060	0	137	4,797	8,994

The supported borrowing shown above for General Fund purposes includes sums of £3,450k in 2006/07 and £3,814k in 2007/08 for Education services. These allocations were notified to the Council in advance in last year's settlement and were included in the ring-fenced resources allocated to the education service at that time. Consequently the only new supported borrowing for general purposes announced in this settlement amounts to £244k in 2006/07 and £246k in 2007/08.

- 9.8 In 2004/05 the government provided funding for the Education Targeted Capital Programme by way of a capital grant but last year it was announced that from 2005/06 onwards, the capital grant would be replaced by revenue funding (provided within the RSG settlement) to support borrowing. The Council therefore agreed to use its powers to borrow in order to complete the Targeted Capital programme. The supported borrowing for Education targeted capital schemes shown in the table above represents the last year of support for existing schemes. The DfES has recently announced that new targeted capital schemes (such as the planned works to Winchmore and Chace

schools) will again be supported by way of capital grant; the Council will therefore no longer need to borrow to fund these schemes.

- 9.9 The Mental Health specific borrowing allocations of £141k (2006/07) and £137k (2007/08) are earmarked for that service though there is no requirement on the Council to invest in the service; Adult Social Services will bring forward proposals during 2006/07 for the use of this supported borrowing.

General Fund Borrowing

- 9.10 The Council is not obliged to borrow at or in excess of the level supported by government; decisions on the level of borrowing must be made in the context of the criteria set out in paragraph 9.4.

Housing Revenue Account Borrowing

- 9.11 The capital programme approved by Cabinet in February 2005 assumed borrowing of £1,100k p.a. to fund "Grants to Vacate" and the repurchase ("buy backs") of certain housing properties. The extension of the Grants to Vacate programme to future years is considered in paragraph 9.17 below.

- 9.12 Total supported borrowing for HRA purposes in 2006/07 is £4,797k. The Council has in the past consistently borrowed (for HRA purposes) at a level below that supported by the government in the housing subsidy calculations. These borrowing approvals have, in previous years, been used for General Fund purposes, though the HRA received the revenue benefit in the form of housing subsidy.

- 9.13 However, the ODPM has made it clear that, with effect from 2006/07, any authority that does not use its HRA supported borrowing will not receive the associated revenue support. Furthermore, the borrowing must be used to fund work designed to deliver the Decent Homes Standard. To borrow at the supported level for 'decent homes' will cost the HRA £134k in 2006/07 and £268k in a full year in interest charges. (Note there is no statutory requirement to make repayments of principal in the HRA at present). Provision has been made in the draft HRA budget for this expenditure.

Capital Receipts

- 9.14 The Cabinet report in November 2005 informed Members of the slowdown in 'Right to Buy' sales and the impact this would have on the receipts available to fund the capital programme. It was noted that it would not be prudent to assume that any additional Right to Buy receipts would be available over the next five years.

- 9.15 The report also concluded that the realisation of other capital receipts in the future would depend on more difficult decisions about existing assets and on more complex area reviews. Given this position, it is inevitable that the Council will be relying on borrowing to fund new capital projects over the medium term, except for those projects that receive direct capital grants.

- 9.16 Since then it has become evident that the level of capital receipts assumed to be available to fund the existing programme will not materialise and that the

resulting funding gap is likely to be of the order of £2.9m. However, the Council is holding a provision in the 2004/05 accounts to cover the potential clawback of housing benefit subsidy; this provision was made in recognition of the uncertainties about the level of subsidy to be paid to authorities following the change in the subsidy rules. As noted in the monitoring report considered by Cabinet in January 2006, it looks increasingly likely that most of this provision will not be required. It is therefore recommended that the provision be used to supplement the Council's capital resources.

New Capital Investment

- 9.17 At the start of the budget process Departments were asked to bring forward lists of "investment needs" based on their Service Strategy Statements and on the priorities in the Council's Improvement Plan. The lists included the following schemes that are part of the Council's existing annual programme of capital works. These programmes continue to be high priorities for the Council and in some cases are unavoidable; it is therefore recommended that they be continued.

Continuation of existing annual programmes	2006/07 – 2008/09 £'000	2009/10 £'000	2010/11 £'000
Disabled Facilities Grants	These projects are already included in the capital programme to 2008/09	1,100	1,100
Street Scene improvement programme		2,750	2,750
Housing Assistance Grants		770	770
Enabling Programme		1,600	1,600
Repairs & Maintenance – Council buildings		1,000	1,000
Grants to Vacate		1,000	1,000
Total		8,220	8,220

In order to continue these schemes for the full five years of the new capital programme, the Council will need to borrow £8.2m for each of the years 2009/10 and 2010/11 unless, by that time, additional capital receipts have been identified.

- 9.18 The list of other needs identified by Departments exceeds, by a significant amount, the resources likely to be available. The proposals have therefore been prioritised by the Capital Programme Group using the methodology set out in the Council's Capital Strategy. The prioritisation methodology includes an assessment of the extent to which investment proposals will contribute to meeting the priorities and targets set out in Service Strategies and the Council's corporate strategy ("Putting Enfield First"). Particular emphasis is placed on the contribution to the delivery of targets in the Council's Improvement Plan.
- 9.19 The table below shows the prioritised list, together with proposals for the allocation of resources.

Rank	Project	Initial Bid £	Proposed Allocation £	See notes below
1=	Schools' Access Initiative	500k p.a. for 2 years	500k p.a. for 2 years	Paragraph 9.20
1=	Schools' fire precautions	400k annual programme	400k p.a. for 2 years	Paragraph 9.20
1=	Montagu Road/Salmons Brook Flood alleviation	250k	250k	Paragraph 9.21
4=	Schools' condition programme Offset by available resources	5,000k (3,347k) (2 year programme)	5,000k (3,347k)	Paragraph 9.20
4=	Increase in Footway/highways programme	12,000k p.a.	10,000k p.a. (for 2 years)	Paragraph 9.21
6	Refurbish children's playgrounds	200k p.a.	-	Paragraph 9.22
7=	De Bohun Primary school reorganisation	1,880k	-	Paragraph 9.20
7=	Enfield Grammar modernisation	4,380k	-	Paragraph 9.20
7=	Edmonton Youth and Play Centre.	100k (net of section 106 receipts)	100k	Paragraph 9.23
7=	Bridge maintenance	540k p.a.	540k	Paragraph 9.21
11	Watercourse maintenance	330k p.a.	330k	Paragraph 9.21
12	Various Primary school developments	8,780k	-	Paragraph 9.20
13=	Multi use games areas and outdoor facilities for young people	600k (over 3 years)	40k	Paragraph 9.23
13=	Extension of the enabling programme	From £1.6m to £2m p.a.	-	Paragraph 9.24
15=	Sports changing accommodation	1,050k	-	Paragraph 9.22
15=	Work to New River loop	150k	150k	Paragraph 9.21
15=	Additional CCTV – Ponders End	138k	138k	Paragraph 9.25
18=	Additional children's water play in parks	125k (for 2 years)	-	Paragraph 9.22
18=	Works to public toilets	350k (over 3 years)	75k	Paragraph 9.22
20	Investment in energy management	50k p.a.	50k p.a. (for 4 years)	Paragraph 9.26
21	Heritage Environmental Regeneration scheme	100k	100k	Paragraph 9.21
22	Grovelands Park	50k	50k	Paragraph 9.22

If the proposals set out above are agreed, the Council will need to borrow a sum of £41.8m over the next five years. Provision has been made in the medium term financial plan for the financing costs associated with borrowing at this level.

	06/07 £'000	07/08 £'000	08/09 £'000	09/10 £'000	10/11 £'000	Total £'000
To continue existing annual programmes	-	-	-	8,220	8,220	16,440
Education top priorities	1,730	1,723	-	-	-	3,453
Highways programme	10,000	10,000	-	-	-	20,000
Flood alleviation, bridges, watercourses	610	430	230	-	-	1,270
Parks, play and youth facilities	265	-	-	-	-	265
CCTV	138	-	-	-	-	138
Energy management	50	50	50	50	-	200
Regeneration (HERS)	100	-	-	-	-	100
Total	12,893	12,203	280	8,270	8,220	41,866

Members should note that when the current capital programme was agreed in February 2005, the decision was taken to over-allocate the resources available. The current level of over-allocation (£2.8m) continues to be a reasonable level, given the usual slippage in the programme.

Comments on capital priorities

9.20 Education

In recent years, most of the borrowing supported by the government has been allocated for education purposes; although there was no requirement to do so, it has been the Council's policy to ring-fence this borrowing for works to schools. However, in the latest financial settlement, the government made no additional allocations of supported borrowing for education schemes; the allocations included in the settlement papers were initially announced a year ago and had already been allocated to education in last year's budget. Of these past allocations, there is a sum of £3.347m that has not yet been committed for specific projects but this is substantially below the level of needs identified by the service.

Education continues to be one of the Council's highest priorities. Members will note that responses to the budget consultation exercise, although few in number, supported proposals to modernise and improve the condition of school buildings. The Schools' Forum felt that prudential borrowing should be used to support increased capital investment in schools. The recommendation in this report therefore is to allocate additional capital resources to education, over and above the ring-fenced sums, to allow the top three priorities identified by the Department to be funded. These are:

- Schools' Access Initiative: £1m over 2 years
To fund work to provide improved curriculum access in mainstream schools for pupils with special educational needs.

- **Schools' fire precautions: £800k over 2 years**
This funding is needed to continue a programme of work that includes emergency lighting, smoke detection, devices for fire doors, and new fire alarms.
- **Schools' condition programme: £5m over 2 years (including £3.347m from previous allocations)**
To continue the rolling programme of work to address the priority projects identified in schools' stock condition surveys including such items as the replacement of electrical and heating installations, the renewal of roofs, and structural works.

Members will recall that in February 2005 the Council agreed to allocate £4m of unsupported borrowing to Education for an "invest to save" project; the borrowing costs will be charged to the schools' ring-fenced budget as the savings will benefit the schools' budget. The Department has produced proposals to use this funding to increase the capacity of special schools in the Borough. Members may wish to ask the Director of Education, Children's Services and Leisure to consider whether other potential invest to save projects could be developed including, for example, in the area of energy management, given the extremely high increases in energy costs faced by schools.

9.21 **Environment and Streetscene**

Highways and footways

Improving the condition of the Borough's roads and footways continues to be a high priority in the Council's Improvement Plan and for Enfield residents. Although the total number of responses to the budget consultation was small, many who responded supported further investment in roads and footways. The additional investment in 2004/05 (an extra £2m) and in 2005/06 (a further £4m) has significantly improved the condition of the Borough's footways and will allow the Council to meet the LPSA 10 target with regard to BVPI 187 (a measurement of the condition of the busiest footways in the borough). This investment will allow the Authority to reduce the number of category 1, 1a, and 2 footways where structural maintenance is required from the current level of 18.6% to the target of 14.4%.

Although additional resources (£0.9m) were also allocated to highways in 2005/06, feedback from the budget consultation process and from other public consultation continues to highlight the need for a higher level of investment in the road network. It is the view of the Director of Environment, Streetscene and Parks that a significant sum needs to be invested over the next two years if the Council wishes to make an appreciable difference to the condition of the Borough's roads. The Budget Group considered the available means of funding such a programme, including the use of PFI, and concluded that the most affordable way of making an early start on the investment needed was to borrow. It is therefore proposed to allocate £10m p.a. for each of the next two years to fund works to the highways. The financing costs associated with this additional borrowing can be covered, in part, from parking surpluses.

When added to the resources in the existing capital and revenue programmes (£5.75m) and the resources allocated by Transport for London for the principal roads (£1.5m), this additional investment would bring the total investment in the highways to £17.25m for each of the years 2006/07 and 2007/08. This will allow the Council to undertake a very substantial programme of improvements to the condition of roads and footways across the borough. Priorities for the programme will be set in accordance with the Highway Maintenance Plan which takes into account route importance, structural and surface condition and local factors such as social and community issues. Enfield is currently in the bottom quartile for London Boroughs for BVPI 224a/b (condition of non-principal classified and non-classified roads) which impacts on the Council's classification in the Comprehensive Performance Assessment. This investment will contribute to reducing the percentage of classified and non classified non principal roads currently in need of repair.

In order to maximise value for money, a new "flexiplast" system of road surfacing has been piloted in Worlds End Lane. It is only suitable in specific locations and for large areas but it is more economical as it is designed to upgrade old concrete roads without the need for wholesale excavation and disposal of the old concrete. It speeds up the construction process and reduces the materials being transported to and from site. Consideration will be given to using this system on other sites in order to deliver value for money and maximise the benefits from the additional resources.

Bridges and watercourses

It is proposed to allocate funding to the following priority projects in the new capital programme:

- Montagu Road / Salmons Brook flood alleviation: the Council will work with the Environment Agency to improve the Montagu Road culvert in order to minimise the risk of future flooding in the area.
- New River Loop: this project includes work to the revetments along the Gentleman's Row section of the Loop that are now in poor condition and in danger of collapse. It is also intended to provide a borehole to access water so that the Council is not dependent on Thames Water to pump water into the Loop when needed.
- Other works to bridges and watercourses: the Director of Environment, Streetscene and Parks has identified a number of high priority works that need to be undertaken over the next three years. The projects recommended for inclusion in the capital programme are as follows:

2006/07

Turkey Brook/ Mile and Quarter Bridle path watercourse:

The bank to Turkey Brook adjacent to the Mile and a Quarter bridleway has collapsed taking half the bridleway into the river. To reopen the bridleway it will be necessary to reconstruct this bank. It is proposed to reconstruct the collapsed retaining wall

Little Bury Street/ Salmons Brook Bridge:

Works include replacement of the steel troughing deck, which is severely corroded, as well as waterproofing, and painting the underside of the bridge.

2007/08

Turkey Brook/ Cattlegate Road piped culvert:

Complete reconstruction of the culvert running through Cattlegate road; cracks have now appeared in the road over the culvert.

Bridges at:

Houndsden Road to Eversley Crescent

Repairs to the footbridge that is in a very poor condition with defective parapets. Complete reconstruction is required.

Prince of Wales footpath

This footpath crosses the River Lee. The bridge requires a structural assessment, with associated remedial action

Hazelwood Lane

This is a road bridge constructed from steel troughing crossing the New River. The steelwork is badly corroded. The bridge needs to be waterproofed and the structural steelwork grit blasted and painted. The parapets require maintenance.

2008/09

Montagu Road/Salmons Brook

Structural improvements to culverted watercourses.

Maidens Bridge

Maidens Bridge is a Listed bridge carrying Forty Hill over Turkey Brook. Brickwork repairs are required to the main arch and downstream invert and retaining walls.

Regeneration

It is proposed to build upon the current Edmonton Heritage Environmental Regeneration scheme by undertaking complementary improvement works in the area to benefit the Conservation Area and its setting.

9.22 Parks facilities

A considerable amount of work is already underway in the Borough's parks and will continue into 2006/07. For example the refurbishment of 6 children's playgrounds and public toilets in Albany Park, Boundary Playing Fields, Craig Park, Grovelands Park, Jubilee Park and Tatem Park, the provision of two new Splashpads in Durants Park and Town Park and the installation of new multi-use games areas at the Montagu Recreation Ground and Pymmes Park. Before embarking on further major projects, the Council will undertake a review of parks' facilities to establish the level of investment needed and to identify the main priorities. It is therefore proposed that at this stage two capital projects are included in the new programme:

- Grovelands Park: The park is designated as Grade II on the English Heritage register of historic parks and gardens. Funding is needed to appoint consultants to develop a bid to the Heritage Lottery Fund for the restoration of the parkland to its original design.

- Public toilets at Forty Hall – the refurbishment of the public toilets at Forty Hall will benefit visitors to this important site and will help to retain the Green Flag status for the park, which was achieved in 2005.

9.23 Play and Youth facilities

It is recognised that there is a lack of provision for young people in the Borough; this view was reinforced in the recent Joint Area Review and was supported in the budget consultation feedback from the Overview and Scrutiny Committee and Area Forums. A review of youth provision across the Borough is to be undertaken in 2006/07 with a view to developing a strategy and five year investment programme for the future. Pending the outcome of that review, it is recommended that two projects be included in the new capital programme, both in areas deficient in youth facilities:

- Edmonton Youth and Play Centre: the centre will provide open access play schemes, an after school club, youth service provision in the evenings, and facilities for community groups.
- An outdoor multi-use games area at Enfield Island Village.

9.24 Housing Services

Works to the housing stock

In June 2005 the Council agreed to establish an Arms Length Management Organisation for the future management of its housing stock. Once established and providing performance targets are met, the ALMO will potentially be able to access substantial amounts of supported borrowing to allow the necessary works to be undertaken to meet the Decent Homes Standard. The ALMO will formally be launched in April 2007. As noted in paragraphs 9.12 and 9.13, from 2006/07 onwards the ODPM requires the Council to use the HRA supported borrowing allocation for Decent Homes; this requirement will therefore be reflected in the revised capital programme.

Enabling programme

In the past 2 years the “Enabling programme” has funded investment in the development of supported living accommodation for social services clients. In view of competing demands for investment from other high priority services, the programme will not be increased but will be maintained at £1.6m p.a. for 2009/10 and 2010/11. Decisions taken in previous years mean that the resources available for enabling work are not evenly spread through the five year period of the programme. If necessary, some resources can be brought forward from future years to ensure that opportunities that arise for enabling projects can be funded.

9.25 Community Safety

Community safety, including the provision of CCTV cameras in key areas, continues to be a high priority for the residents. This scheme will fund additional cameras to provide CCTV coverage from the Nags Head Road along the High Street to Arlington House and will complement the existing cameras outside Southbury Road railway station.

9.26 Energy management

Recently announced increases in energy prices will be reflected in increased running costs for the Council's buildings. Funding for energy management projects will provide resources for new initiatives to make buildings more economically efficient as well as more environmentally friendly. This issue was raised in an Area Forum meeting during the budget consultation process and will be discussed in more detail when the Council's forthcoming policy on energy management and carbon reduction is debated.

9.27 Priorities for future resource allocation

Given the resources currently estimated to be available, it will not be possible at this stage to allocate resources to other projects on the prioritised list. However, this position will be kept under review; as noted above, reviews of the need for investment in parks and in facilities for young people will be undertaken in 2006/07.

9.28 Other capital resources

Capital resources are also available in the form of capital grants for specific purposes, for vehicle replacements through an internal fund, and via Section 106 agreements.

Capital Grants

A list of the capital grants available to the Council in 2006/07 is set out below:

Grant	2006/07 £'000	Purpose
Education, Children & Leisure		
Targeted Capital	3,000	Major developments at Chace and Winchmore schools***
Modernisation Funding	1,260	Improve condition of school buildings. **
Sure start	3,181	Extended Primary schools, children's centres, and early years' provision. **
Youth Capital Fund	132	New facilities for young people**
Integrated Children's IT	120	Improving IT systems**
Condition Funding	816*	Maintenance of school bldgs.
Children's Centres	257*	Children's centres programme
Seed challenge/ Devolved capital	4,034	Money allocated to schools for capital purposes
Community Services		
Disabled Facilities Grants	844*	Government support for DFGs
Secure Accommodation	1,167*	Support for the Enabling Programme
Major Repairs allowance	8,933*	Works to Council Houses
Regeneration	691*	Regeneration initiatives
London Development	494*	Regeneration initiatives

Grant	2006/07 £'000	Purpose
Agency		
ERDF	1,125*	Regeneration initiatives
Information Management	161	Adult Social Services IT**
Environment		
Transport for London	3,444*	Road and Traffic improvements
Total	29,659	

* These grants have already been included in the current programme.

** A similar commitment has been received from government for 2007/08.

*** Further grant funding for 2007/08 (£6m) and 2008/09 (£3m) has been agreed.

It is recommended that the Capital Programme be amended to reflect the grants now available. Should other grants become available during 2006/07, information will be included in the quarterly monitoring report to Cabinet.

Section 106 agreements

It is not possible to predict the extent to which resources will be available from S106 agreements. However, to date the Council has the following unallocated S106 receipts:

Education	£0.2m
Regeneration	£1.6m
Other	£0.2m

Where possible these resources are used to support agreed priorities though only where this is in accordance with the terms of the agreement. New S106 receipts are reported to the Capital Programme Group as they arise during the year.

Vehicle replacement fund

The Council operates a fund for the replacement of vehicles and equipment. During 2005/06 a detailed review of the vehicle fleet was undertaken and a new replacement programme covering the next five years was developed as follows:

	£000	Vehicles to be replaced
2006/07	1,412	32 (mainly small Parks vehicles plus 13 school buses)
2007/08	1,250	18 (includes 5 refuse / recycling vehicles and 4 buses)
2008/09	1,650	14 (includes 8 refuse / recycling vehicles and 4 gully-emptying vehicles)
2009/10	1,633	18 (includes 10 refuse / recycling vehicles plus Parks vehicles)
2010/11	1,314	15 (mainly refuse / recycling vehicles)

This programme will ensure a more timely and cost effective replacement of vehicles and that there is no loss in service provision due to old or obsolete vehicles being used. The total value of the programme, which can be funded in full from the replacement fund, is £7.259m over the five year period.

Further work has still to be undertaken to ascertain the optimum size and composition of the Social Services fleet. This work will be completed in 2006/07.

9.29 Recommended Capital Programme 2006/07 – 2010/11

The recommendations relating to the Council's 5 year capital programme are summarised in Appendix 11 and the full capital programme (assuming the proposals in this report are agreed) is attached at Appendix 12. The new additions to the approved programme are highlighted in "bold" type.

For each project, a "scheme report" will be produced prior to the resources in the plan being released. These reports must include:

- a description of the project, alternative options considered and the outputs to be achieved;
- a timetable for the delivery of the project;
- a detailed budget and financing arrangements;
- an assessment of the revenue implications of the project in the short and longer term (approval to start the project will be dependant on confirmation that these costs can be contained within approved resources); and
- a risk assessment of the deliverability of the project within the given time and cost constraints.

Monitoring the programme

9.30 The monitoring of the capital programme will be undertaken on the following basis:

- Monthly monitoring of all capital projects will be undertaken and the monitoring statements will be "signed off" by Directors and Lead Members.
- Any significant issues will be reported to the Capital Programme Group at their monthly meetings.
- The monitoring position will be reported to Cabinet on a quarterly basis, together with the quarterly reporting of the Prudential Indicators.

Prudential Indicators

9.31 Appendix 10 explains in some detail the prudential indicators that the Council is required to set and their recommended values for 2006/07 – 2010/11. The indicators are monitored monthly by the Director of Finance & Corporate Resources and reported quarterly to Cabinet; they are reviewed annually by the Council. The indicators are consistent with the Council's current commitments, existing plans, the proposals for capital expenditure and financing, and with the Council's approved treasury management policy, statement and practices. The tables below and in paragraph 9.32 summarise the prudential indicators recommended by the Director of Finance & Corporate Resources.

	2006/07 Estimated £000	2007/08 Estimated £000	2008/09 Estimated £000	2009/10 Estimated £000	2010/11 Estimated £000
Capital Expenditure					
General Fund	70,464	44,517	23,816	13,578	12,778
HRA	17,797	19,917	19,348	9,752	9,720
Total	88,261	64,434	43,164	23,330	22,498
Capital financing requirement					
General Fund	202,806	211,490	203,862	203,530	201,560
HRA	40,754	46,671	47,771	48,771	49,771
Total	243,560	258,161	251,633	252,301	251,331
Authorised limit for external debt					
Borrowing	300,000	320,000	350,000	350,000	350,000
Other long term liabilities	20,000	20,000	20,000	20,000	20,000
Total	320,000	340,000	370,000	370,000	370,000
Operational Boundary – external debt					
Borrowing	250,000	265,000	265,000	265,000	265,000
Other long term liabilities	18,500	18,500	18,500	18,500	18,500
Total	268,500	283,500	283,500	283,500	283,500

Ratio of financing costs to net revenue stream	2006/07 Estimated %	2007/08 Estimated %	2008/09 Estimated %	2009/10 Estimated %	2010/11 Estimated %
General Fund	7.79	8.12	8.25	7.86	7.60
HRA	22.07	21.36	20.87	20.32	19.73

If the ALMO is successful and additional borrowing is undertaken to fund the Decent Homes Standard, the financing cost ratio for the HRA could change significantly in the later years of the medium term plan.

Incremental impact on Council Tax and Housing Rents	2006/07 Estimated £	2007/08 Estimated £	2008/09 Estimated £	2009/10 Estimated £	2010/11 Estimated £
Impact on Band D Council Tax (£ p.a.)*	3.12	14.46	21.13	22.04	22.65
Impact on average weekly rent**				0.15	0.15

* The increase over the medium term reflects, in the main, the major investment proposed in the highways network. As noted in section 7, these costs will be offset to some extent by increased income from parking. The additional costs have been included in the Council's medium term financial plan to ensure that they are affordable.

***Rent levels are constrained by the implementation of rent restructuring. There is, however, an opportunity cost to the HRA. The financing costs arising from the increase in HRA borrowing for Decent Homes will be funded by government support to the HRA. In 2009/10 and 2010/11 the HRA will extend its programme of grants to vacate, which would result in a notional rent increase of £0.15p in both years; this borrowing will be unsupported.*

Treasury Management Strategy 2006 - 2009

9.32 The first prudential indicator in respect of treasury management is that the authority has adopted the CIPFA Code of Practice for Treasury Management. The Council adopted the Code of Practice in January 2002. The other mandatory indicators for treasury management are set out below with their recommended values. These are expanded upon in the recommended Treasury Management and Investment Strategy, which is set out in paragraphs 21 to 52 of Appendix 10. The Council are asked to approve the strategy and specifically to approve the prudential indicators below and the criteria for investments in paragraphs 40 to 46 of Appendix 10.

Prudential indicators

	2006/07		2007/08		2008/09*	
TREASURY MANAGEMENT	Upper Limit		Upper Limit		Upper Limit	
Max. Interest Rate Exposure on total debt						
Fixed rate as % of total debt	100		100		100	
Variable rate as % of total debt	25		25		25	
Fixed rate as % of investments	100		100		100	
Variable rate as % of investments	100		100		100	
Max Interest Rate Exposure on variable debt						
Fixed rate as % of net debt**	200		200		200	
Variable rate as % of net debt***	50		50		50	
Maturity Structure of Fixed Borrowing %	Limits		Limits		Limits	
	Min	Max	Min	Max	Min	Max
Under 12 months	0	20	0	20	0	20
12 months to 2 years	0	20	0	20	0	20
2 years to 5 years	0	50	0	50	0	50
5 years to 10 years	0	75	0	75	0	75
10 years and above	25	100	25	100	25	100
Max Principal Sums Invested > 364 Days (£m)	£50m		£50m		£50m	

* The indicators for 2009/10 and 2010/11 are as for 2008/09.

** This is the upper limit for fixed interest rate exposure calculated as a percentage of net outstanding principal sums (borrowing and investments).

*** *This is the upper limit for variable interest exposure calculated as a percentage of net outstanding principal sums (borrowing and investments).*

10. MEDIUM TERM FINANCIAL PLAN

- 10.1 The budget proposals in this report should be seen in the context of the Council's medium term financial plan. Section 9 above dealt with the 5 year capital programme; this section sets out the implications for the medium term revenue plan which, in turn, incorporates the implications (running costs, capital financing charges etc.) of the capital programme, together with the cost of planned IT investment and the vehicle replacement programme.
- 10.2 The objectives and priorities set out in the Council's Improvement Plan have been used as the main drivers for determining the allocation of resources over the medium term. The financial plan has been developed to ensure that the key targets are met, including requirements relating to the funding of priority services, the maintenance of adequate contingencies and balances, and the aim to keep Enfield's Council Tax increases broadly in line with inflation.
- 10.3 The medium term revenue plan is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. The financial forecast set out below is based on the following factors and assumptions:

- ***External support in the form of RSG and NNDR***

The financial settlement announced on 31 January covered two years: 2006/07 and 2007/08. It is envisaged that in the future, settlement figures will be announced for a three year period, giving greater certainty to the level of resources available to authorities to fund their services. Until three year settlements are established, however, considerable uncertainty about future funding levels remains. Members will be aware that Sir Michael Lyons has yet to complete his review of local government finance and this adds to the degree of uncertainty. It does however appear likely that a reformed version of the Council Tax will remain the mechanism for local taxation. An increase in the number of Council Tax bands and the long delayed revaluation are both likely to lead to a significantly greater burden being placed on the taxpayers of Enfield. This will of course add to the urgency of constraining the rise in the level of Council Tax locally.

Enfield received an increase in external funding of 3.5% for 2006/07 and will receive around 4.6% in 2007/08. Given the new funding arrangements described in section 5, it is likely that the Council will continue to see its entitlement to additional funding reduced to pay for the protection (the 'floor') for other authorities.

At this stage, the medium term plan figures have been based on an increase in external support of 3.5% from 2008/09 onwards; this is lower than the increase notified for 2007/08 (4.6%) but is regarded as prudent given the government's requirement for efficiency savings to be made in the public sector.

- ***Inflation rates and pay increases***

The medium term plan makes provision for inflation and pay awards as follows:

Inflation: a composite rate of approximately 2.5% has been used for non-salary budgets; this includes an allowance for items that have traditionally not followed general inflation rates (e.g. social services placement costs) and for exceptional items such as the estimated increases in energy costs.

Pay awards: The current 3 year pay agreement ends in 2006/07; increases of 3% p.a. have been included for the remaining years of the medium term plan. The plan also makes provision for the estimated impact of the implementation of Single Status.

- ***Interest Rates***

The Council has, in the past, borrowed to fund capital investment in priority services and is proposing to do so again over the next two years to fund substantial investment in the highways. The Council has taken advantage of the historically low interest rates on offer recently to borrow for this new capital expenditure. Provision has been made in the plan to fund the ongoing borrowing costs and, as the debt is at fixed rates, these costs are known with certainty.

The Council earns significant amounts on its cashflow, by lending surplus cash balances for short periods; these cash balances represent unspent items in the balance sheet such as the Insurance Fund, the Repairs and Maintenance Fund, and unspent earmarked reserves and capital receipts. The medium term plan assumes that the Council will hold cash balances averaging £140m over the period of the plan. Initially cash balances are expected to be higher than this but they are expected to fall over time as the Council undertakes the capital programme and spends its earmarked reserves.

The amount earned will clearly be affected by changes in interest rates; an increase in rates will result in additional income to the Council. Conversely a reduction in the cash balances held will mean a loss of income to the Council. The assumptions about interest rates over the period are set out in section 32 of Appendix 10. These assumptions are based on advice from the Council's treasury consultants; the information is updated on a monthly basis, allowing the risks associated with interest changes to be closely monitored.

- ***The ongoing effect of existing policies and priorities, growth in priority services and the delivery of the CPA Action Plan***

The ongoing effect of current policies, and of the budget proposals in this report are included in Appendices 3 – 6; provision has been made in the medium term plan for these costs and savings. These additional costs include: planned increases in the contribution rate to the Pension Fund; the cost of implementing recruitment and retention measures for social workers; the ongoing cost arising from the proposed capital investment in highways and other priority services; the costs of improving street lighting across the Borough, the estimated costs associated with the growing demand for social services for vulnerable adults; and the estimated cost of implementing Single Status. In addition, the Council has made provision

for anticipated unavoidable costs such as concessionary fares, the NLWA levy, and known reductions in specific grants where they relate to priority services.

- ***Demographic and other changes***

Appendix 3 includes some provision for costs that will arise as a result of demographic changes in the medium term; provision has been made for young people who will be moving from Children's to Adult Social Services and for some additional demand for adult social services. However, provision has also been made in the plan to reflect a number of risks that could result in additional costs in the medium term. These include, for example: additional costs associated with the development of an arms length management organisation to manage the housing stock; further demographic growth in the demand for adult social services; potential changes in housing benefit subsidy for homeless families and in 'supporting people' funding; and the risk of future increases in contributions to the Pension Fund. The population of Enfield will continue to grow over the next period; and it remains likely that the "real" population will fail to be recognised by the Government, despite the Council's best efforts and research. The gap is estimated at being at least 8,000 people. It should be noted that the major growth in population is likely to be in lower income areas, leading to a disproportionate increase in spending need. It is important to note, however, that other budget pressures will have to continue to be managed within existing resources.

- ***Efficiency savings***

The Council is investing in a new corporate procurement team and IT facilities that will allow far greater control over the purchasing arrangements for goods and services across the Council. The business case for this investment is predicated on significant savings being made over the medium term. The Council currently spends more than £60m annually on purchasing goods and services, Savings of the order of £0.5m have already been identified for 2006/07 and further savings, estimated at more than £2m p.a. by 2010/11, are regarded as a reasonable target and have therefore been included in the financial plan.

Work is also underway as part of the Council's focus on delivering value for money in the delivery of services. Services with relatively high unit costs have been identified and reviews are underway to validate the comparisons, ascertain the reasons for the costs, and identify ways in which costs can be reduced. The Council will be undertaking a full range of activities aimed at improving and demonstrating VFM over the next period, including a review of fees and charging, implementation of e-procurement and the elimination of paper invoices, a review of Pension Fund asset allocation and fund management, a study of the links between deprivation levels in the Borough and spending need, and the benchmarking of support services. The acquisition of a new IT system for the Customer Services Centre offers the opportunity to review the way in which the Council operates and to identify administrative savings that will not have an impact on front line services. At this stage, these potential savings have not been included in the plan.

- **Risks, contingencies and balances**

There are significant risks inherent in the medium term financial plan for the reasons summarised above and exemplified in Section 11 below. A number of key items in the plan cannot be estimated with accuracy. The figures in the plan also assume that significant savings will be made. In this situation, it is essential to maintain sufficient balances, not only to deal with unforeseen events but also to cover the potential risk of not achieving the savings required. The plan therefore assumes that the central contingency will be maintained at £1m and general balances at £10m; these figures remain the recommendation of the Director of Finance & Corporate Resources. In addition the Council will continue to hold adequate reserves for future commitments.

10.4 The following table summarises the current financial forecast over the medium term. No allowance has been made in these figures for future increases in Council Tax beyond 2006/07.

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
2005/06 Budget	370,903	370,903	370,903	370,903	370,903
Functional changes	1,432	1,432	1,432	1,432	1,432
DSG	-186,391	-199,491	-208,991	-218,491	-227,991
Growth / savings					
- Inflation and pay awards (App. 3)	6,374	12,745	19,445	26,545	33,845
- Other unavoidable cost increases (App. 3)	6,657	12,799	15,026	16,806	18,791
- Investment in priority services (App. 4)	2,236	3,570	3,971	3,619	3,688
- Planned savings (App.5& 6)	-9,947	-10,266	-10,941	-11,778	-11,841
- Increase in schools' budget	12,915	26,015	35,515	45,015	54,515
One off items and movements in reserves	2,082	1,329	1,329	1,329	1,329
Demographic and other changes	0	1,250	3,000	4,500	6,750
Collection Fund Resources	396	0	0	0	0
- External support	-100,057	-104,142	-107,800	-111,600	-115,500
- Council Tax	-106,600	-106,600	-106,600	-106,600	-106,600
Potential budget gap – to be met by further savings or Council Tax increases	0	9,544	16,289	21,680	29,321

- 10.5 The key factors that affect the Council's future financial position can, for the most part, be estimated with some degree of confidence for the first year of the plan (2006/07) but become increasingly uncertain for later years. It is therefore essential to test the sensitivity of the plan to changes in the main assumptions. The figures in the table below illustrate the extent to which the plan would be affected by such changes:

	Budget impact £'000	Council Tax impact £'000
1% reduction in external support	1,000	+1%
1% increase in pay	1,300	+1.3%
1% increase in general inflation	800	+0.8%
Decrease in average cash balances of £10m	500	+0.5%
0.5% increase in interest rates (benefit to the Council)	700	-0.7%
1% increase in homecare costs	94	0.1%
1% increase in care costs for clients with learning or physical disabilities or mental health problems	300	0.3%

- 10.6 The amount of government support that the Council is likely to receive and the extent of demographic change over the next 4 to 5 years represent the greatest areas of risk in the medium term for the Council's financial plan. These areas of risk will be monitored and adjustments made to the plan where necessary. Members should also note that:
- the provision in the plan for 'growth' is limited – additional requirements are almost certain to arise over the period of the plan;
 - the additional cost of providing services for a growing population with needs that are becoming more complex and expensive is difficult to estimate with accuracy;
 - the plan is particularly sensitive to changes in inflation and pay awards, government support, and increasing demands such as additional costs of care for vulnerable clients. A relatively small change in one or two of these variables could result in significant changes to the level of the Council Tax increase and/or the requirement for further savings.
- 10.7 Assuming that the level of Enfield's Council tax continues to rise broadly in line with inflation, the medium term financial plan is nevertheless likely to require savings of at least £4m p.a. on average to be identified for each of the 4 years 2007/08 – 2010/11. Based on the current estimates, it will be necessary to realise relatively higher savings in 2007/08 than in later years. This is considered a reasonable target on a budget of more than £200m p.a.; total savings and additional income over the last 4 years have averaged just under £9m p.a. As noted above, the level of government support is regarded as a high risk in the medium term financial plan and, if support is reduced, additional savings will be needed. Similarly, if Members wish to increase investment in existing services or develop new services, additional resources will have to be found by making efficiencies savings elsewhere in the budget.

10.8 In order to be certain of meeting its objectives, the Council must continue to review systematically its existing costs and the scope for making further efficiencies. The Evolution Board, chaired by the Cabinet Member for Corporate Strategy and Communications, continues to be responsible for reviewing existing processes and delivering the savings required. The remit of the Evolution Board includes the delivery of the Council's procurement strategy that is expected to deliver significant savings over the medium term, and the coordination and driving of the VFM agenda.

11. RISKS AND UNCERTAINTIES IN THE BUDGET AND MEDIUM TERM REVENUE AND CAPITAL PLANS

11.1 Throughout the budget process, officers have kept under review a list of key risks and uncertainties that could have implications for the Council's financial position in 2006/07 or in the medium term. The key risks identified for 2006/07 and in the medium term are listed below, together with comments on how they will be managed. These risks have been taken into account when assessing the levels of contingencies and balances required.

For 2006/07

- *Demographic changes*
Potentially the most significant risks to the Council's budget relate to the uncertainties surrounding demographic changes; residents are living longer and have greater expectations of independence, care, and achievement. Assumptions have been made in the budget about the likely increases in demand for services, particularly in respect of Social Services clients. However, there is inevitably a degree of uncertainty about such predictions. Budget areas that will require close scrutiny and monitoring include education and transport services for children with special needs and the provision of care packages for social services clients.
- *Property Strategy*
As noted in last year's budget report, the Council's property strategy is ambitious and wide-ranging; its aim is to improve the delivery of services to the public, to rationalise the Council's property holdings to retain a portfolio of operational buildings that are well maintained and better suited to operational requirements, and to generate sufficient capital receipts to fund investment in priority services. Phase 1 of the strategy is almost complete with further phases in the form of a review of environmental services' land and property use, and area reviews of Ponders End, Enfield Town, and Palmers Green, now underway. A detailed risk assessment of the strategy has been undertaken and considered by the Property Strategy Project Board
- *Savings included in the budget*
The Council's proposed budget for 2006/07 includes a number of significant reductions in spending and increases in income, including savings relating to procurement activities that must be realised. Inevitably there is an element of risk involved in terms of achieving these targets. However, the proposals have

been assessed as viable and realistic, before being included in the budget. The risks have been taken into account in setting the level of contingency and contingent items. As in 2005/06, CMB and Cabinet will monitor the savings targets and appropriate action will be taken to ensure that they are delivered.

- *Changes relating to the funding of Housing and Council Tax Benefits.*
It is a matter of concern that, at the time of writing this report, the amount of housing benefit subsidy to be paid to individual authorities in both 2004/05 (the first year of the new arrangements) and in 2005/06 has still not been finally confirmed. However, the limited information received from the DWP in the autumn of 2005 suggested that the Council is likely to benefit financially from the new arrangements and that the "clawback" would be substantially lower than initially envisaged. The budget for 2006/07 is based on this latest information but it has to be recognised that an element of risk remains.
- *Changes in external factors such as interest rates.*
Current interest rates are relatively low; an increase in rates would benefit the Council's financial position as the Council's borrowings are, for the most part, at fixed rates.
- *Other risks.*
Finance staff, working with Departments, have assessed the risks associated with individual budgets. A list of the most significant risks within departmental budgets is attached at Appendix 13. More detailed assessments will be included in the departmental budget reports that will be agreed by Directors and portfolio holders in March. As in previous years, the reports will indicate what action will be taken in the event of budget pressures arising during the year.

In the medium term

Revenue items

- *Demographic and other changes in the Borough:*
These changes will have an impact on both the level of government support the Council receives and on future demands for services. As noted above, the impact of increases in Social Services' client numbers can have a significant impact on the Council's financial position. The actual number of people living in the Borough appears to be under estimated by the Office of National Statistics, leading to under-funding. The Council will continue to lobby for the use of more accurate methods of calculation.
- *Central government funding and future local government finance arrangements.*
The Council's financial position is particularly vulnerable to changes in government allocations of RSG and specific grants. The settlement announced in December 2005 covered two financial years: 2006/07 and 2007/08. Although this has provided an element of certainty in the short term, future settlements remain an unknown quantity. Furthermore, if the government continues to apply the current "floor" mechanism, it is almost inevitable that Enfield will receive funding that is substantially below the level

of its assessed needs. In addition, the 'Lyons Review' is due to report later this year on the form, function, and financing of local government. While this is an enormously complex field, there are significant issues for this Council, particularly in relation to the revaluation of properties for Council Tax as this will almost certainly lead to a shift of grant from London to elsewhere in England and further pressure on Council Tax bills. The Council is contributing to the Lyons Inquiry via the Society of London Treasurers.

- *Future legislative changes:*
Where possible, the impact of known legislative changes and new statutory requirements has been included in the medium term plan. However, public services remain at the top of the national political agenda and the Council could be subject to substantial change at relatively short notice.
- *Single Status:*
The latest pay award for local government staff included a requirement that single status be implemented by April 2007 at the latest. Although work has been underway for some time, it is still not possible to assess with any degree of accuracy the financial impact of the implementation. Nevertheless, the Council has made provision in its medium term plan based on an initial estimate of costs.
- *Level of inflation and pay awards:*
Staff pay represents more than 60% of the Council's net expenditure; consequently, variations in pay levels represent a significant risk. It should also be noted that the Council works in a range of labour markets, and the laws of supply and demand are pushing up costs in certain sectors. In addition, inflationary pressures in some parts of the Council's spending (particularly Social Services care packages) may exceed the assumptions in the plan.
- *Arms Length Management Organisation*
The detailed implications of establishing an ALMO, in terms of the potential impact on the General Fund, are being assessed. Some provision has been included in the medium term financial plan but this will be reassessed as and when firm information becomes available.
- *Revaluation of the Pension Fund:*
The medium term financial plan includes provision to increase the employer's contribution rate to the Pension Fund to 16.4% by 2007/08, subject to an interim review of the Fund in 2006. This is one of the lowest rates in London. To a large extent the future level of contribution rates will be determined by the performance of financial markets that are outside the Council's control. The Pension Panel has agreed revised monitoring procedures to monitor the Fund on the basis of actual as well as comparative performance. The Panel has also appointed new external advisers who have been commissioned to bring a new approach to the Panel's investment strategy and whose fees will be linked to the success of the Fund.

- *Supporting People:*
The Council successfully dealt with the substantial reduction in Supporting People grant in 2005/06 though this had a predicted adverse impact on Adult Social Services' care costs. Despite this, total care purchasing expenditure has been contained within the Department's cash limit. Although the grant reduction in 2006/07 is less significant, this remains an area of risk for the Council in the medium term.
- *HB Subsidy for Temporary Accommodation:*
The government has again deferred planned changes to the housing benefit subsidy arrangements for temporary accommodation but this remains a highly significant risk in the medium term.
- *Government target to reduce numbers in temporary accommodation:*
The government target that requires the number of families in temporary accommodation to be reduced by half by 2010 will be challenging. The Council is developing plans to achieve this target but the detailed financial implications have yet to be assessed. A reduction in the numbers in temporary accommodation should mitigate, at least to some extent, the risk from changes to HB subsidy.
- *Return of the North Circular Road properties to Transport for London:*
This is likely to take place in 2007/08 and could have a significant impact on homelessness expenditure.
- *Land Charges income:*
The volatility of the housing market, the reduction in the number of searches (as a result of the introduction of "Sellers' Packs"), and the introduction of private sector competition continue to place the income the Council receives from this service at risk.

The Council will continue to monitor closely its revenue budget with particular attention being paid to high risk items. Monthly reports to Cabinet and to CMB will assess progress with the plans to deliver savings with the aim of identifying potential problems and, where necessary, corrective action, at an early stage.

The budget projections for the medium term financial plan will be reviewed and updated throughout the year to take account of further information as it becomes available. As the plan currently stands, there is little or no headroom for major changes without a significant impact on Council Tax levels. It is therefore essential for the Council to focus on the reviews of business and procurement processes that are currently under way in order to realise the savings that will be needed for the future. These savings will be required across the Council's services.

In common with many other authorities with Social Services responsibilities, the Council is experiencing a substantial growth in demand for care services. The Council has commissioned an external review of processes and has developed an action plan to review its services and, as far as possible, contain future costs.

Capital items

The risks associated with the delivery of the Council's capital programme are as follows:

- *Generating the required level of capital receipts:*
As noted in paragraphs 9.14 – 9.16, Right to Buy sales have fallen and general capital receipts are below expectations. The Council has identified resources to bridge the gap and is assuming no additional receipts in the capital plan. This assumption will be reviewed as and when specific properties are identified for disposal. Capital receipts are monitored on a monthly basis.
- *Incomplete costings for projects:*
This could be a problem if schemes have not been sufficiently developed in detail before their inclusion in the capital programme. This is a particular risk when embarking on a substantial and complex programme such as the property strategy. Nevertheless, the detailed work required to produce 'scheme reports' (paragraph 9.29) should mean that the risks are minimised by ensuring that commitments are not made before full costings and a project risk assessment have been completed.
- *Time and/or cost overruns:*
In the main these problems should be minimised by good project planning and management; the Council uses the Prince 2 methodology. Progress with and expenditure on individual projects are monitored monthly. In the medium term the construction work associated with the 2012 Olympics may use up industry capacity and lead to cost inflation and skills' shortages.

12. CONTINGENCY AND GENERAL BALANCES

- 12.1 The Local Government Act 2003 places a specific duty on the Chief Finance Officer, i.e. the Director of Finance & Corporate Resources, to make a report to the Council when it is considering its budget and Council Tax. This report must deal with the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. The Council must have regard to this report in making their decisions.
- 12.2 The Council also has a fiduciary duty to local taxpayers and the Director of Finance & Corporate Resources must be satisfied that the decisions taken on the level of balances and reserves represent the proper stewardship of funds.
- 12.3 In assessing the adequacy of the budget, contingencies and reserves, the Director takes account of the key financial assumptions underpinning the budget, together with an assessment of the Council's financial management arrangements. The following key issues have been considered by the Director when making his assessment:
- Financial performance in 2004/05 and 2005/06;
 - Risks and uncertainties, their likelihood and potential impact, and the extent to which they have been provided for within the budget.

- Externally imposed factors e.g. future subsidy changes, which may have a severe impact on the Council.

These issues are considered in more detail in the following paragraphs.

Financial Performance in 2004/05 and 2005/06

- 12.4 The Council underspent its budget in 2004/05 by £1.459m after making additional allocations to bad debt provisions (£0.551m), establishing a Council Development Fund (£5.094m) and making contributions to earmarked reserves to support restructuring costs (£0.993m), IT investment (£0.865m) and unexpected costs associated with the Edmonton Leisure Centre (£0.450m). After funding the Collection Fund deficit, general balances are likely to remain at or near the desired level of £10.0m.
- 12.5 The latest financial monitoring information for 2005/06 indicates that the current year's savings are likely to be of the order of £1.3m overall. Current indications are that the provision set aside for Contingent Items of £3.7m (including provision brought forward from 2004/05) will be fully allocated together with approximately £0.750m of the General Contingency, leaving an expected unallocated sum of £0.570m. These resources will be available to deal with the following issues:
- To fund any increase needed in the Council's bad debt provisions. Although general debt collection has improved greatly over the last 18 months, an increase in the Council's total bad debt provisions may be required;
 - To set aside resources to support the implementation of single status.
- 12.6 In addition, as noted in paragraph 9.16, the provision of £2.9m included in the 2004/05 accounts in connection with the potential clawback of housing benefit subsidy is not likely to be needed based on the latest (though still not final) information from the DWP of the Council's subsidy entitlement. It is recommended that this provision be used to supplement the Council's capital resources in order to bridge the funding gap caused by the shortfall in receipts from disposals. In the light of the information from the DWP, it is also projected that the Council will receive an additional £1.3m in housing benefit subsidy in respect of the current year compared to the assumptions reflected in the 2005/06 budget. It is recommended that this be used to fund the one-off costs of the procurement initiatives described in paragraph 7.5.
- 12.7 The precise amounts available for allocation will not be known until the 2005/06 accounts are closed. It is recommended that the Council agrees the proposals outlined above and delegates to the Director of Finance & Corporate Resources, in consultation with the Leader and Deputy Leader of the Council, final decisions on the precise amounts to be allocated to the various provisions, reserves and balances in the 2005/06 accounts.

12.8 A further review of the Council's existing earmarked reserves, provisions and suspense account balances has also been carried out as part of the budget process. This has indicated that a number of items are no longer required for the purposes for which the funding or balance was originally set aside. These items are:

- Provision for Suspended Holiday Pay (£195k) – it is considered any future liability can be met from existing departmental budgets or from central contingencies;
- Provision for grant clawback in respect of Regeneration projects (£218k);
- Reserve for additional costs in respect of people with indefinite leave to remain (£800k);
- Rent Guarantee Reserve (£40k);
- Suspense Account balances that may be written off (£750k).

This will release additional resources to support the “one off” costs of the priority measures identified during the budget process, specifically those relating to IT developments and the introduction of recruitment and retention measures for social workers (see paragraph 7.5).

Budget risks and externally imposed factors

12.9 The key risks associated with the Council's 2006/07 budget and medium term financial plan are set out in Section 11 above. As noted in that section, these risks have been taken into account in setting the level of general contingency and balances for 2006/07 onwards.

Contingency and Contingent Items

12.10 The Council's central contingency was set at £1.32m for 2005/06. In addition the Council centrally held a number of contingent items that totalled £3.0m. This was increased to £3.7m as a result of funding brought forward from 2004/05 in respect of Street Lighting PFI procurement costs and the Enfield Local Development Framework. The contingent items relate to spending requirements that are expected to arise at some point in the current year but about which there is some uncertainty regarding the timing or magnitude of the financial impact.

12.11 The Council's policy will continue to be one of containing spending within the cash limits set for each department without recourse to the central contingency other than in exceptional circumstances. However, there are significant risks facing the Council in 2006/07 and through the period of the medium term financial plan. Appendix 13 provides details of the high risk areas identified by Departments. The general contingency has been held at £1.3m since 2002/03. As a result of tight financial management across the Council and the focus on maintaining expenditure within budget, the calls on contingency have, on average, been relatively low. There was no call on the central contingency at all in 2003/04 and 2004/05. In view of this past performance, and taking into account the risks identified together with other

reserves available to the Council, it is recommended that a central contingency of £1m would be adequate and prudent for 2006/07.

- 12.12 Provision has been included in the 2006/07 budget for contingent items, including, for example: the implementation of the EU Directive on abandoned vehicles; loss of rental income from rents arising from asset disposals; the implications of the Local Development Framework; and restructuring and reorganisation costs. Items such as the ongoing revenue costs of new capital schemes and IT projects are also held in Contingent Items until they can be allocated to projects. It has been possible to delete a sum of £132k from the budget in respect of contingent items no longer required.

General Balances

- 12.13 The Council's general balances stood at £11.5m as at 31st March 2005. The Council's policy is to maintain general balances at £10.0m in the medium term. As noted in paragraph 12.4, the increase in general balances above this level was to set aside funding to address the Council's share of the Collection Fund deficit at 31st March 2005. After funding the deficit, general balances are likely to be maintained at or near the level of £10.0m. As a consequence, there are no proposals in the 2006/07 budget to contribute to or withdraw from general balances other than to address the Collection Fund deficit as noted in paragraph 6.2. The setting aside of adequate contingencies will assist in this objective.

Earmarked reserves

- 12.14 A list of the Council's earmarked reserves and the purposes for which they are held is attached at Appendix 14. The list also shows planned movements in the balances over the next year. Comments regarding the adequacy of the reserves held are set out below:

PFI Investment Reserve

The "one off" funding required for the Street Lighting PFI project will be met from this reserve.

Council Development Reserve

This reserve was created to support the implementation of the Council's Property Strategy and the introduction of Single Status. The adequacy of the reserve and the need for further contributions will be considered as part of the process for closing the 2005/06 accounts.

SAP Upgrade

The proposed revenue budget makes adequate provision for annual contributions to this reserve.

Insurance Fund

The internal insurance fund provides cover in full for tree root damage claims, burglary and "all risks" on specified equipment. In addition, the fund meets the cost of all claims within the external policy excesses for general building fire damage (including housing properties), motor, cash and public and

employer liability claims. The balance on the fund is consistent with the actuarial valuation of the fund commissioned in 2004.

Repair & Maintenance of Council buildings

The revenue budget includes an annual contribution to the R & M fund. The fund supports day to day repairs and routine maintenance of Council buildings. The longer term requirement to match needs with resources will be addressed as part of the Property Strategy which seeks to rationalise the existing portfolio and provide accommodation that is fit for purpose.

Repairs Fund for major repairs to Council houses

The Fund represents the resources available for major repairs to the Housing stock.

Repairs Fund for private sector housing leased to the Council

The Repairs Fund for PSLs is reviewed annually. The reserve is estimated to be sufficient to cover the cost of repairs when the Council ceases to rent PSL properties and hands them back to their owners.

VAT Reserve

The budget for 2006/07 and the medium term financial plan make provision for annual contributions to increase the VAT Reserve up to a limit of £860k (the approximate cost to the Council, should the partial exemption limit be breached). The risk to the Council is managed by way of regular monitoring of the partial exemption limit.

Vehicle & Equipment Replacement Fund

The Fund is considered adequate to fund the planned programme.

HRA and General Fund Capital Reserves

These capital resources have been taken into account in the assessment of the resources available to fund new capital investment over the medium term.

Investment in money saving initiatives -

Invest to Save Fund and Investment Funds

These reserves are available for new projects and initiatives. As noted earlier in this report, the Council will need to make substantial efficiency savings in future years in order to fund growing demands for and increasing costs of essential services without a significant impact on the level of the Council Tax. These funds can be used to provide the resources needed to implement significant changes, for example in the future development of IT or to phase in new service arrangements.

CCTV Replacement Fund

This new reserve will be established in 2006/07 to provide for regular replacement of CCTV cameras. Provision has been made in the budget for annual contributions to be made to the reserve.

Other specific reserves for small projects

These are considered adequate for the projects concerned.

13. ALTERNATIVE OPTIONS CONSIDERED

The Council has an extensive budget planning and consultation process. Issues raised and discussed have greatly contributed to this report.

14. REASONS FOR RECOMMENDATIONS

To provide Council with information regarding the 2006/07 Budget and medium term financial plan, the required level of Council Tax for the year ahead, the revised Capital Programme and the Prudential Indicators on which the final budget decisions will be based.

15. COMMENTS OF THE DIRECTOR OF FINANCE & CORPORATE RESOURCES AND OTHER DEPARTMENTS

15.1 Financial Comments

The 2006/07 budget has been prepared taking into account the following:

- The estimated impact of inflationary pressures and pay awards. Allowance has been made for cost increases over and above the general rate of inflation where these are known;
- The estimated impact of demographic change and the effect of increasing demands on services where these are unavoidable;
- Provision for legislative change and changes to the Council's statutory responsibilities;
- The estimated impact of underlying cost pressures, evidenced by financial monitoring reports in the current year;
- The targets set out in the Council's revised Improvement Plan.

Furthermore, taking into account the budget risks and uncertainties, and assuming that the recommendations set out above are agreed, the Council's contingencies and balances are considered prudent.

The Director of Finance & Corporate Resources is therefore of the view that the budget is robust. However, Members' attention is drawn to the need for close monitoring of the budget and, in particular, of the targets for savings. It will be essential to ensure that firm financial management is exercised throughout the year to ensure that expenditure is contained within budget and targets for service improvements are met.

15.2 Legal Implications

The Council is required to make arrangements for the proper administration of the Authority's financial affairs (S151, Local Government Act 1972). Further specific legal provisions relating to the process of which this report is an essential part are set out in the main body of the report (see paragraphs 7.12 – 7.14, 12.1 and 12.2). The budget setting process itself is set out in the Constitution part 4 (Chapter 4.7).

Members are asked to note that section 106 receipts referred to in paragraph 9.28, may only be used for purposes as provided in the relevant agreements.

16. PUTTING ENFIELD FIRST

Sound medium term financial plans are essential to support the delivery of excellent services and the efficient use of resources across the organisation. The budget proposals set out in this paper will ensure that the Council's limited capital and revenue resources are targeted on key priorities.

Background Papers:

Reports to Cabinet: July, November, December 2005, February 2006

Government announcements re financial settlements

Budget working papers

Prudential Code; CIPFA guidance

Constitution

OVERVIEW & SCRUTINY COMMITTEE

Final response from Scrutiny on the 2006/07 budget consultation proposals

The following comments were approved by Overview & Scrutiny Committee (12 January 2006) as the final response from scrutiny on the 2006/07 budget consultation proposals and process.

1.1 General – budget consultation process

- (a) All the Panels have welcomed the opportunity to take part in the budget consultation process.
- (b) The role scrutiny has again played in this years budget consultation process continues to highlight its important role in the democratic process.
- (c) In terms of the format and detail in this year's consultation paper:
 - Overview & Scrutiny Committee (OSC) welcomed:
 - i. the attempts made this year to address previous concerns raised in relation to the level of detail provided within the consultation paper on individual budget proposals and acknowledges that as a result of the concerns raised by Overview & Scrutiny Committee the Executive has made additional background information available on all of the budget proposals within the consultation paper.
 - ii. the involvement of the Leader/Deputy Leader and other representatives from the Executive in the consultation process through their attendance at Panel meetings to introduce the budget proposals and listen/respond to comments made; and
 - iii. the arrangements made this year, following a request from OSC, to ensure that the Assistant Directors with responsibility for finance within each Department attended relevant Panel meetings in order to assist with consideration of the budget proposals.
 - 1. The Committee were, however, disappointed that:
 - a. sufficient detail on the impact of the proposals was still not being provided which meant that panels had found it difficult to make an informed appraisal of the proposals;
 - b. no Cabinet member had been able to attend the meeting of the Special Projects Scrutiny Panel (10 January 2006).
In addition it was felt that Special Projects Scrutiny Panel would have benefited from the attendance of officers who had a more detailed background knowledge of the proposals.

- (d) In addition to their involvement in the annual budget consultation process OSC wishes to highlight how they have begun to develop a wider ongoing role in monitoring of the Council's Medium Term Financial Plan.

This has been undertaken in recognition of the changing nature of the Council's budget planning process and in order to provide a more effective means for scrutiny to monitor budget issues and trends throughout the year.

- (e) Based on the comments made above, OSC has agreed to undertake a further evaluation of the budget consultation process, its overall effectiveness and any further areas for possible improvement.

1.2 Specific issues raised by Scrutiny Panels were as follows

- (a) Overview & Scrutiny Committee wishes to thank everyone who has participated in the consultation process with scrutiny;
- (b) Set out below is a summary of the main budget consultation issues raised at individual Panel meetings:

1.2.1 Cabinet is requested to re consider the following issues, highlighted as concerns by Scrutiny Panels under the budget consultation process:

1. The proposal to recover from clients, assessed as being able to pay, the full cost of Homecare (an increase from £14.10 to £16 per hour). This was in view of concerns raised about the potential impact of the proposals on the vulnerable, health of older people and housing tenants. OSC felt that before the recommendation was implemented work should be carried out to examine:
 - a. whether there were alternative ways of providing home care services using properly trained and fully qualified staff for less than the £16 stated in the consultation document; and
 - b. what the impact of the proposal would mean on the clients affected
2. The removal of the subsidy for HomeMeals (detailed on page 14 of the consultation paper) and the proposal to charge customers the full cost of their meals. This was in view of concerns raised about the potential impact of the proposals on the vulnerable, health of older people and housing tenants. It was felt that as the cost of providing special meals for a small group of people would inevitably be higher this could mean that people who required special meals not only for cultural reasons but also as a result of medical

conditions; diabetes for example; would be charged more. OSC felt that before the recommendation was implemented work should be carried out to examine the full impact of the proposal

These concerns have been strongly supported by the Social Services Home Meals Scrutiny Working Group, which met following OSC on 17 January 2006. The Working Group is particularly concerned at the impact which any removal in subsidy may have in reducing the take up of home meals and at the potential “knock on” effect this may have on home care provision.

3. The proposed increase in charges for Community Alarm (detailed on page 14 of consultation paper) due to the potential impact these may have on vulnerable people, the health of older people and housing tenants and residents.
4. The changes to the distribution of funds for special needs education (in particular the predictable needs formula) to take account of issues raised by schools & the Schools Forum.
5. The proposed reduction in budget for the management & development of leisure centre facilities (detailed as an efficiency saving on page 15 of the consultation paper). Special Projects Scrutiny Panel had advised it opposed this proposal until the implications and potential impact on service delivery had been fully investigated.
6. The £159k Efficiency Saving identified in relation to the review of technical support within the Library Service and the administrative support available to the Children & Families Leadership Team given the detrimental effect which it was felt the proposed reduction in the administrative support to the Children's & Families Leadership Team (6.5FTE) would have on staff morale.
7. The overall level of procurement savings being sought as a result of a review of IT Support across the Council (detailed as an efficiency saving on page 15 of the consultation paper). Special Projects Scrutiny Panel had felt that the current level of service required detailed review and that the minimum saving being sought should be £150,000. As a result the Panel has agreed that its planned review of IT Support should remain on its work programme.
8. The total level of unavoidable costs (detailed on page 9 of the consultation paper). It was felt that more work needed to be done to find ways to reduce these costs as a whole. Particular concern was identified in respect of pay awards and price inflation, including additional energy costs and at the lack of detail within the consultation paper to underpin the increase in costs and the fact that no proposals within the revenue or capital parts of the consultation paper appeared to have been made in order to

mitigate them. In addition Special Projects Scrutiny Panel was concerned about the unavoidable costs identified in respect of legal costs associated with cases managed by Children & Family Services. It was felt that enhanced management of cases could reduce the level of legal costs.

9. The current parking arrangements in respect of Pay & Display, which the Special Projects Scrutiny Panel did not feel met the needs of residents and businesses. **Whilst not included as a specific proposal with the consultation paper** the Panel felt this required an urgent review, particularly in respect of discretionary free parking at some on street sites and pay on exit systems in car parks. The Panel has therefore agreed to include a review of this issue and the use of surplus on the PPRA as an item in its work programme for the next Municipal Year.

10. The proposed increase in Enfield Arts Support Service fees (detailed on page 14 of the consultation paper). It was estimated that an increase of 10-11% was proposed. OSC felt this was a large increase for people to accept in one go and that it would be more appropriate to increase fees gradually in line with the rate of inflation. OSC felt that the proposals should be re-examined to ensure that any increase did not have an adverse impact on poorer families who were just above the benefit threshold

11. The proposed saving (£204k) being sought as a result of the review of regeneration activities (detailed on page 16 of the consultation paper). Particular concern was expressed that the reduction could seriously compromise the Council's ability to address issues raised under the CPA in respect of regeneration.

In addition OSC noted the following concerns raised by individual members of the Environment, Parks and Amenities Scrutiny Panel:

- The increase in levy paid by the Council in respect of the North London Waste Authority (identified as an unavoidable cost on page 9 of the consultation paper). OSC is asked to note that Environment Parks & Amenities Scrutiny Panel has agreed to include a review of recycling credits and waste levies as part of its future work programme.

- The impact of the following efficiency savings identified for Environment, Street Scene & Parks in page 13 of the consultation paper:-
 - reduction in publicity budget;
 - restructuring of the Sustainability Service – although the Panel did recognise the intention to ensure that the aims and objectives of sustainability were embraced across all Council services.

- The additional income being sought from burials and interment of cremated remains (as detailed on page 14 of the consultation paper).

1.2.2 Support was identified for the following proposals:

1. The growth proposals (page 11 of the consultation paper) in relation to:
 - Neighbourhood Wardens – subject to the monitoring of activities to ensure no duplication with the police;
 - Youth facilities;
 - Supporting Independent Living for Social Services clients;
 - Investment in CCTV (Special Projects Scrutiny Panel has agreed to ensure that its planned review of the implementation of CCTV remains on its work programme).
2. The additional income which it is expected will be generated during 2006/07 in the following areas:
 - Development Control fees – as a result of increased demand;
 - Trade Waste – as a result of stronger enforcement activity; and
 - Income from Utility companies undertaking works on the highways.
3. The provision of the new library internet facilities at Edmonton Green – the running costs for the facilities had been identified as unavoidable costs on page 10 of the consultation paper.

1.2.3 Capital Investment

The new areas for capital investment as detailed on pages 19 & 20 of the consultation paper were noted.

1.2.4 As part of the scrutiny response on the budget Cabinet is also asked to consider:

1. The following recommendations from the Social Services Fairer Charging Scrutiny Working Group which met on 11 January 2006:
 - (a) that a maximum charge of £300 per week be implemented for service users' complete care package; and
 - (b) that users are only charged for only one carer in cases where two or more are required simultaneously.

OSC noted the financial implications arising from these proposals which, it had been estimated, may result in a reduction in income from Fairer Charging of approx £100,000.

2. The following specific recommendations made by the Social Services Scrutiny Panel, as a result of their review on the Recruitment & Retention of Qualified Social Workers and Managers within the Children & Families Service:

- (a) to agree in principle to carry out a review of the pay & remuneration (including essential car user allowance) of qualified Social Workers and Managers in Children and Families Social Care and in Adult Social Services in order to give them more parity with other boroughs. A detailed report from the Social Services Scrutiny Panel on this subject would be submitted to Cabinet in due course
- (b) that the 'Invest to Save' scheme be financially supported by a one off pump priming sum in the budget for 2006/07

Recommendations 2(a) & (b) above are based on the following reasons identified by the Scrutiny Panel as part of its review:

- The demand for qualified Social Workers continued to be greater than supply;
- The change from a two-year to a three-year social work qualification course also meant that the sector had lost out on a year's supply of newly qualified social workers;
- The impact of the recruitment and retention difficulties was not just felt in teams, but also constituted a risk to the Authority's ability to sustain the improvements made during recent years and could impact on council performance;
- The salaries and financial remuneration of qualified social worker and Managers were falling behind neighbouring boroughs and this impacted significantly on their ability to recruit and retain permanent committed staff.

APPENDIX 2

List of Specific Grants

	2005/06 £m	2006/07 £m	2007/08 £m	Description
Adult Social Services:				
Preserved Rights	1.805	1.575	1.486	Replaces benefit previously available to client
Residential Allowances	1.127	Ceased 2005/06		Replaces benefit previously available to client
Mental health	0.813	0.811	0.789	To provide mental health services
Supporting People	12.012	11.058	10.505	To provide housing support services – annual reduction in grant relates to efficiency savings targets.
Access and Systems Capacity	3.134	2.930	2.920	To provide community based services
Delayed Transfer Reimbursement	0.537	0.537	0.537	To prevent delays in hospital beds
AIDS Support Grant	0.208	0.237	0.237	To provide services for AIDS/HIV clients
Drug Strategy Partnership	0.071	TBC	TBC	To provide support for prevention and treatment services for substance abuse
Drugs & Alcohol	0.727	TBC	TBC	To provide support for prevention and treatment services for substance abuse
Commission for Social Care Inspection (CSCI)	N/A	0.005	0.005	Reimbursement of funding contributed to the CSCI to provide the second stage review of Social Services complaints.
Preventative Technology Grant	N/A	0.163	0.270	To promote preventative service for Older People
General Social Services:				
Carer's Grant	1.119	1.122	1.127	To provide respite and breaks for carers
Human Resources and Training Strategy	0.929	0.938	0.947	To develop HR and training strategy
Improving Management Information	0.160	0.161	0.163	To improve information management
Education and Children's Services:				
Dedicated Schools' Grant	N/A	186.391	199.066	Previously included within the Revenue Support Grant
Children's Services Grant	N/A	1.210	1.568	Includes items below, plus £590k Vulnerable Children Grant previously included within Standards Fund.
Adoption & Guardianship	0.248	Now included in Children's Grant (above)		To provide adoption support services
Choice Protects	0.427	Now included in Children's Grant (above)		To provide fostering services

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		Now included in Children's Grant (above)		
Change Fund		0.054		To develop integrated services
Young People's Substance Misuse		0.379	TBC	To provide services for substance misusers
Safeguarding Children		0.690	0.676	To implement findings of Laming Inquiry
Child Adolescent Mental Health Services		0.649	0.151	To provide mental health services
Teenage Pregnancy		0.157		To implement local teenage pregnancy strategies
Asylum Seekers Grant		2.948	0.662	Funding arrangements for Asylum Seekers are no longer dependant on specific grant
Youth Justice Board		0.326	0.151	To develop the Youth Justice Service within Enfield
YOT Children's Fund		0.161	0.072	To develop the Youth Justice Service within Enfield
Supported Employment		0.005	0.072	To provide support to staff with disabilities
Standards Fund - split into School Development Grant (below), with Vulnerable Children Grant moving to Children's Grant		19.712	5.387*	Raising standards in schools and promotion of new national Primary and Secondary Strategies *These figures are subject to future announcements on various components of the Fund
School Development Grant		N/A	10.789	To support improvement in teaching and learning in schools
School Standards Grant		5.024	5.413	DfES grant paid 'direct' to schools
General Sure Start Grant (includes the Early Years and Neighbourhood Nursery Initiatives Grants)		3.251	4.374	Includes Early Years development and Neighbourhood Nursery Initiatives
Sure Start		1.378	0.500	Early years development in Craig Park and St Peters wards
Teachers' pay performance		5.032		Teachers salary enhancements
New Opportunities Fund		0.139	TBC	Out of hours clubs in schools
Learning Skills Council		18.910	20.494	Funding schools for post 16 pupils
Private Finance Initiative		4.890	4.890	Private Finance Initiative Grant
Transitional Budget Support		1.300		Support to schools in financial difficulties
Student Support Mandatory Awards		0.217	TBC	Awards for Students in Further Education
Others		0.377	0.317	Includes grants for the promotion of sport in schools and development of a computerised referral system.
Leisure Services:				
Leisure Services		0.389	0.190	To support specific projects relating to leisure services including Libraries, Museums and sport

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Housing & Regeneration:					
Neighbourhood Renewal	1.860	1.674	1.488	Funding for Neighbourhood Renewal initiatives	
European Social Fund/Regional Development Fund	0.033	TBC	TBC	Various initiatives for regeneration	
Homelessness	0.250	0.250	0.250	Grant for homelessness strategy and B&B plan	
Single Regeneration Budget	0.050	N/A	N/A	Various initiatives for regeneration	
Environment, Street Scene and Parks:					
Planning Delivery Grant	1.118	TBC	TBC	To support the planning service, principally with regard to planning applications	
Targeted Grant for Waste/Waste Efficiency Grant	0.225	0.586	0.614	To support waste efficiency initiatives	
Chief Executive's Dept:					
New Opportunities Fund –Transforming Your Space	0.181	0.011	TBC	To fund three projects to improve the environment of eastern Enfield	
London Development Agency	0.050	Ceased in 2005/06		To fund employment strategy	
Training Strategy Implementation Fund	0.050	0.050	0.050	To support NVQ study for staff and carers	
Building Safer Communities	0.389	TBC	TBC	To reduce crime, tackle anti-social behaviour etc.	

Unavoidable Cost Increases	2006/07
	£'000
Pay awards and price inflation, including additional energy costs.	6,374
Additional costs from the full year effect of changes made in the 2005/06 budget and other minor adjustments.	32
Interest and principal repayments on borrowing - to fund previously agreed capital investment in services such as schools and highways.	501
Concessionary Fares ("Freedom Passes") – the cost to the Council is currently approximately £8.2m p.a. but costs in 2006/07 are expected to increase above the general rate of inflation.	509
An increase in the employer's contribution to the Council's Pension Fund from 13.6% to 14.6%. This was agreed following the actuary's valuation of the Fund in 2004.	791
Additional cost of support for an increasing number of Social Services' clients <ul style="list-style-type: none"> • Older people • Clients with learning difficulties • Clients with physical disabilities • Mental health services 	93 814 831 579
Increased costs of 'School Effectiveness and Inclusion' services: In order to maintain support for school improvement, pressures on the staffing budget in the year ahead must be met.	226
Setting up costs of 'learning communities' – these are networks of schools to form the basis of the joined-up delivery of services to children.	47
Increasing legal costs for cases managed by Children and Family services; legal advice is needed in an increased proportion of cases.	264
Running costs of new library internet facilities at Edmonton Green.	136
Cost of procurement software for the Enterprise Buyer / Supplier Management System to be introduced across the Authority.	146
Adult Social Services- risks associated with service provision for clients with learning difficulties, physical disabilities, and older people's home care.	1,000
Loss of government grant for "Safeguarding Children" and Housing Benefit Administration.	688
Total	13,031

In future years, these unavoidable cost increases will rise to:

Future Years	2007/08	2008/09	2009/10	2010/11
£'000	25,544	34,471	43,351	52,636

The increases in future years are mainly as a result of inflation projections.

Investment in priority Services	2006/07
	£'000
<p>Youth facilities Additional youth workers plus staff resources to publish a prospectus of the facilities, services and activities available to young people.</p>	75
<p>Neighbourhood wardens This will allow the pilot scheme to fund 6 neighbourhood wardens in the current year to be continued. The wardens work closely with the Police and Environmental Services to identify and report incidents of crime, anti-social behaviour, vandalism, abandoned vehicles, and other negative impacts on the streetscene.</p>	251
<p>CCTV This will fund the ongoing running costs of monitoring additional CCTV cameras in a number of areas across the Borough and an annual contribution to a replacement fund.</p>	226
<p>Supporting independent living for Social Services' clients This includes: the running costs of the new At Home Centre for people with disabilities and /or sensory impairment; meeting the needs of increased numbers of frail older people and those with disabilities needing assessment, equipment and adaptations; the development of in-house day services for people with physical disabilities and /or sensory impairment.</p>	360
<p>Street Lighting PFI Project This major five year replacement of the Borough's street lights and illuminated street furniture will improve the standard of lighting and will help to achieve a safer environment for pedestrians and motorists.</p>	820
<p>Capital Financing The revenue cost of financing new capital schemes. This provision relates mainly to the cost of capital investment in the roads across the Borough.</p>	330
<p>IT Developments The on going cost of future IT developments across all departments.</p>	174
Total	2,236

In future years, the costs of maintaining this additional investment will total:

Future Years	2007/08	2008/09	2009/10	2010/11
£'000	3,570	3,971	3,619	3,688

The growth in 2007/08 and 2008/09 reflects the increase in capital investment in highways.

Previously Agreed Savings	2006/07
	£'000
<i>Some additional income is already being achieved in the current year: the figures shown below reflect the continuing effect of this higher level of income in 2006/07.</i>	
Additional savings from the full year effect of changes made in the 2005/06 budget.	(692)
Interest receipts as a result of improvements in cash flow and debt collection.	(900)
Additional rental income from the Council's commercial property portfolio.	(80)
Increased income from Citizenship ceremonies due to increased demand.	(30)
Income from youth centres and the schools' letting service – increased demand for use of the facilities.	(35)
Planning development control fees – increased demand.	(50)
Trade waste income – resulting from stronger enforcement action.	(20)
Income from utility companies undertaking works on highways.	(10)
Recovery of Revenues and Benefits court costs from debtors.	(25)
Income from a greater number of clients receiving home care.	(100)
<i>Efficiency savings that have already been agreed as part of the Council's continuous review of services to ensure that they are efficient and provide value for money; these savings are focused on support (rather than front line) costs and do not affect the level of services provided to the public.</i>	
<i>Community, Housing and Adult Social Services Department</i> - Removal of vacant posts and reduction in running expenses within the Strategy and Policy, Private Sector Housing, Benefits, and Community Alarm teams.	(209)
<i>Education, Children's Services and Leisure Department</i> - Efficiency savings across the Department, including the deletion of a number of vacant posts.	(374)
- Efficiencies achieved in the costs of looked after children through the use of more appropriate and cost effective care provision.	(200)

Previously Agreed Savings	2006/07
	£'000
- Savings in the cost of pupil fares as a result of free travel provided for under 16s.	(50)
Environment, Streetscene and Parks Department	
- Reduction in the publicity budget and the restructuring of the sustainability service to achieve savings. In future it is expected that all managers across the Council will embrace the aims and objectives of sustainability as a routine part of their work.	(75)
Finance and Corporate Resources Department	
- Reduction in central staff costs (finance, legal, and corporate IT) and associated running expenses.	(140)
Chief Executive's Department	
- Deletion of a vacant post in the 'Best Value and Performance Management' team, reductions in running costs and in consultancy budgets.	(109)
Corporate	
- Reduction in insurance charges across the Authority	(116)
- Additional income from centrally organised training courses and income generation from Payroll Services.	(30)
- A reduction in the General Contingency (see para 12.11)	(320)
- A reduction in the provision for contingent items	(132)
- Housing Benefit Subsidy	(1200)
- Cost of Homelessness: Saving on homelessness costs as a result of moving families from bed and breakfast accommodation to private leased annexes.	(800)
Other savings:	
Levies Saving as a result of lower than anticipated levy charges from the Environment Agency and London Boroughs' Grants Scheme. NLWA: the recent decision to distribute the NLWA accumulated balances will reduce the levy. This reduction is shown net of the loss of recycling credits that would have been paid by the NLWA.	(100)
	(930)
Total	(6,727)

In future years, these agreed savings will total:

Future Years	2007/08	2008/09	2009/10	2010/11
£'000	(6,204)	(6,204)	(6,004)	(6,004)

Further Savings	2006/07
	£'000
<p>Increasing Income</p> <p>Rent for private sector leased accommodation: the increase proposed is below current inflation levels and will be eligible for housing benefit support. (452)</p> <p>Cemeteries: additional income from burials and interment of cremated remains. The new charges will place Enfield at around the average level for surrounding councils. (30)</p> <p>Enfield Arts Support Service: increase in charges for music tuition and other arts activities. (40)</p> <p>Community Alarm: an increase in charges for Community Alarm monitoring and response services. (18)</p> <p>Homecare: this increase will mean clients will be charged the full cost of homecare where they are assessed as being able to pay. (161)</p> <p>Additional car parking income across the Borough. (375) Note: to be used to fund financing costs of capital investment.</p>	
<p>Efficiency Savings</p> <p>Environment, Streetscene and Parks Department</p> <ul style="list-style-type: none"> - Review the cost of waste collection services in the light of the reduction in waste due to the significant increase in recycling in the Borough, with the aim of bringing Enfield's costs more into line with those of comparable Boroughs. (100) - During 2006/07 the service will identify areas of cost over and above the average for outer London boroughs and look to reduce expenditure. It will also seek to review areas of income where it is believed additional revenues could accrue to the Council. (200) 	
<p>Education, Children's Services and Leisure Department</p> <ul style="list-style-type: none"> - Review of the technical support within the Library Service. (26) - Reduction in care purchasing budgets for looked after children. (133) - Reductions in budgets for the management and development of leisure centre facilities. (80) <p>Community, Housing and Adult Social Services Department</p> <ul style="list-style-type: none"> - Restructure of the Assessment and Income Billing team. (30) <p>Finance and Corporate Resources Department</p> <ul style="list-style-type: none"> - Review of existing staff levels with the aim of saving the equivalent of 3 full time posts in the areas of: Democratic Services, Internal Audit, and Property Services. (110) 	

Further Savings	2006/07
	£'000
Various efficiencies across all departments.	(63)
Procurement savings	
Plans to deliver procurement savings across the Council are well underway. Savings are expected from reviewing the following contracted services:	
- IT support	(150)
- Courier and security services	(65)
- Telecoms	(195)
- Agency staff	(36)
- Other reviews	(37)
Print Services: A review is underway to rationalise existing print services both those provided internally within the Council and those provided by external suppliers.	(230)
Use of specific grants	
Use of government specific grants to support unavoidable cost increases – the government has relaxed the detailed controls around a number of major grants in order to allow local authorities to use the resources more flexibly:	
- Community, Housing and Adult Social Services Use of Social Services grants, particularly training grants, to support targeted expenditure.	(111)
- Education, Children's Services and Leisure Some existing expenditure on Child Guidance, Early Years and Adult and Community Learning Services will be funded by using central government grants.	(190)
- Planning Delivery Grant: the Council has received high levels of grant in recent years as a result of good performance. The use of this small element of the grant will not affect current standards.	(100)
Other proposals	
- Review of regeneration activities in the context of a revised 'Sustainable Communities Strategy' that will reflect all Council activities that contribute to regeneration and development in the Borough. Contingency funding will be retained to ensure that the Council is well placed to bid for external funds where appropriate and in line with priorities.	(168)
- Review of services currently available for a full 24 hours per day: this will involve reviewing the operation of the Borough Control Centre in order to make efficiency savings whilst ensuring that customers can still contact the Council during the night.	(80)

APPENDIX 6

Further Savings	2006/07
	£'000
- Use of second class post for all non urgent mail.	(40)
Total	(3,220)

In future years, these further savings will total:

Future Years	2007/08	2008/09	2009/10	2010/11
£'000	(4,062)	(4,737)	(5,774)	(5,837)

Note:

The increase in later years reflects mainly the projected procurement savings arising from the introduction of the Procurement IT system.

APPENDIX 7

Gross spending and income by service

	Gross Spend		Gross Income		Net Spend	
	2005/06 Revised Estimate* £'000	2006/07 Planned Spend £'000	2005/06 Revised Estimate* £'000	2006/07 Planned Spend £'000	2005/06 Revised Estimate* £'000	2006/07 Planned Spend £'000
Education, Children's Services and Leisure						
Schools	222,840	237,444	49,364	237,444	173,476	0
Education	58,079	64,220	10,496	10,806	47,583	53,414
Children's Services	33,329	31,901	5,637	3,711	27,692	28,190
Leisure Services	15,985	17,594	1,798	2,458	14,187	15,136
Community, Housing and Adult Social Services						
Housing, Regeneration and Revs and Bens	214,786	215,988	191,282	191,961	23,504	24,027
Housing Revenue Account	56,643	58,567	56,643	58,567	0	0
Adult Social Services	109,152	115,158	50,064	50,871	59,088	64,287
Environment, Street Scene and Parks	68,547	71,136	29,218	28,759	39,329	42,377
Finance and Corporate Resources	21,104	19,751	18,627	18,068	2,477	1,683
Chief Executive	2,322	3,086	1,130	1,643	1,192	1,443
Strategic Management and Democratic Support	6,196	6,355	450	444	5,746	5,911
Capital charges and interest payments	-27,970	-34,660	6,387	7,287	-34,357	-41,947
Levies	8,483	6,825			8,483	6,825
Contingency and Contingent items	3,846	2,831			3,846	2,831
Contributions to/from Reserves	312	1,924	1,148	4,574	-836	-2,650
Information Technology Development	925	644			925	644
One Off items of Expenditure		4,090				4,090
Budget requirement	794,579	822,854	422,244	616,593	372,335	206,261

* The 2005/06 figures have been adjusted for functional changes

To be completed for Council

APPENDIX 9

Analysis of Budget Requirement over Service Departments

	2005/06 Budgets Adjusted for Functional Changes			Other Movements		2006/07 Budgets		
	Dept. Budgets	Central and Capital Charges	Total	Dept. Budgets	Dept. Budgets	Central and Capital Charges	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Education, Children's Services and Leisure								
Schools	173,476		173,476				0**	
Education	13,952	33,631	47,583	10	13,962	39,452	53,414	
Children's Services	25,475	2,217	27,692	307	25,782	2,408	28,190	
Leisure Services	8,021	6,166	14,187	354	8,375	6,761	15,136	
Community, Housing and Adult Social Services								
Housing, Regeneration and Revs & Bens	19,543	3,961	23,504	-1,110	18,433	5,594	24,027	
Adults Social Services	54,579	4,509	59,088	4,932	59,511	4,776	64,287	
Environment, Street Scene and Parks	24,006	15,323	39,329	1,891	25,897	16,480	42,377	
Finance and Corporate Resources	22,829	-20,352	2,477	140	22,969	-21,286	1,683	
Chief Executive	5,364	-4,172	1,192	647	6,011	-4,568	1,443	
Strategic Management and Democratic Support	0	5,746	5,746	0	0	5,911	5,911	
Capital Charges and Interest Payments	12,672	-47,029	-34,357	-209	12,463	-54,410	-41,947	
Levies	8,483		8,483	-1,658	6,825		6,825	
Contingency & Contingent Items	3,846		3,846	-22	3,824	-993	2,831	
Contributions to/from Reserves	-836		-836	319	-2,525	-125	-2,650	
Information Technology Development	925		925	-281	644		644	
One Off items of Expenditure					4,090		4,090	
Total	372,335	0	372,335	5,320*	206,261	0	206,261	

* This figure includes unavoidable cost increases, investment in priority services, agreed savings and proposals for other savings.
A detailed analysis of these movements in departmental budgets is shown overleaf.

** The Schools budget is now funded by the Dedicated Schools Grant (DSG) and is therefore no longer reflected in the budget requirement.

APPENDIX 9 Contd.

Analysis of growth and savings over departmental budgets

	Unavoidable Cost Increases						Investment in Priority Services	Agreed Savings	Other Adjustments (NLWA)*	Proposals for savings or increases in income	Total Movements				
	Budget Pressures		Inflation		£'000							£'000		£'000	
	£'000	£'000	£'000	£'000	£'000	£'000						£'000	£'000	£'000	£'000
Education, Children and Leisure Services															
Schools															
Education	338	397	0	-448	0	-277	10								
Children's Services	273	680	0	-513	0	-133	307								
Leisure Services	216	269	75	-84		-122	354								
Community, Housing and Adult's Social Services															
Housing, Regeneration and Revs & Bens	1,088	714	0	-2,194	0	-718	-1,110								
Adults Social Services	3,372	1,757	360	-210		-347	4,932								
Environment, Street Scene & Parks	127	1,217	820	-311	823	-785	1,891*								
Finance & Corporate Resources	-243	998	0	-355	0	-260	140								
Chief Executive	122	160	512	-155		8	647								
Strategic Management and Democratic Support															
Capital Charges and Interest Payments	501	0	290	-1,000		0	-209								
Levies	0	170	0	-75	-1,753	0	-1,658*								
Contingency and Contingent Items	644	12	179	-271		-586	-22								
Contribution to/from Reserves	500	0	0	-181		0	319								
Information Technology Development	-281	0	0	0		0	-281								
One Off Items of Expenditure							0								
Total	6,657	6,374	2,236	-5,797	-930	-3,220	5,320								

* These figures include the proposed change in the distribution of NLWA costs. The levy has been reduced but this change has been offset by a reduction in the recycling credits included in the ESSP budget.

**Prudential Indicators and Treasury Management Strategy
2006/07 – 2010/11**

1. This appendix sets out the recommended prudential indicators for 2006/07 and subsequent years and the Treasury Management Strategy for 2006 to 2009.

Capital Expenditure and the Capital Financing Requirement

2. Mandatory indicators have to be set for estimated capital expenditure and the capital financing requirement for 2006/07 to 2010/11. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for a capital purpose, and the change year on year will be influenced by the capital expenditure in the year.
3. The expected movement in the CFR over the next five years is dependent on budget decisions regarding future borrowing levels for both supported and unsupported borrowing. The supported element of borrowing is the level of borrowing on which the government pays revenue grant either through RSG or Housing Subsidy. Unsupported borrowing is any borrowing in excess of this should the authority choose to use the capital expenditure freedom allowed under the Prudential Code. The Prudential Code anticipated that these freedoms would enable councils to enter into projects such as spend to save schemes, or decisions to allocate additional resources from revenue to capital to enable service enhancements.
4. There are two main limiting factors on the Council's ability to undertake unsupported borrowing for capital expenditure:
 - The availability of revenue resources to support in full the implications of capital expenditure, both borrowing costs and running costs; i.e. affordability
 - The Government may use a long stop control to ensure that either the total of all councils' plans do not jeopardise national economic policies, or, where it considers local plans are unaffordable, it may implement a specific control to limit a particular authority's capital expenditure plans.
5. The Council's estimated capital expenditure for the current and future years is shown in the table below based on the recommended 2006 to 2011 Capital Programme in Section 9 of this report. Included also, for information, are the sources of funding split between supported and unsupported borrowing, capital receipts, capital grants and other sources.
6. The level of government support for 2006/07 and 2007/08 has been notified by the ODPM; no assumptions have been made beyond these levels. A key risk of the plan is that estimates of other sources of funding, such as capital receipts, may also be subject to change over this timescale.

**Prudential Indicators and Treasury Management Strategy
2006/07 – 2010/11**

7. The Council is asked to approve the estimated capital expenditure indicators for 2006/07 to 2010/11 set out below:

Capital Expenditure

	2004/05 Actual	2005/06 Compar- ator	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
	£000	£000	£000	£000	£000	£000	£000
General Fund	45,565	70,706	70,464	44,517	23,816	13,578	12,778
HRA	10,973	12,800	17,797	19,917	19,348	9,752	9,720
Total	56,538	83,506	88,261	64,434	43,164	23,330	22,498
Supported borrowing	14,093	8,731	12,092	8,994	0	0	0
Unsupported borrowing	1,398	0	21,232	11,501	1,380	8,270	8,220
Capital receipts	4,271	25,886	21,204	10,935	7,859		
Capital grants	20,515	22,639	17,645	17,646	11,170	4,675	4,244
MRA	9,597	9,172	9,058	9,081	8,930	8,752	8,720
Revenue	4,017	8,181	3,592	6,277	11,076	1,633	1,314
Capital Reserve	0	5,962	0	0	0	0	0
Other	2,647	2,935	3,438	0	2,749	0	0
Total	56,538	83,506	88,261	64,434	43,164	23,330	22,498

8. The estimated end of year capital financing requirement for the authority for the current and future years at 31st March are set out below.

The Council is asked to agree the capital financing requirement indicators for 2006/07 to 2010/11

Capital Financing Requirement

	31/03/05 Actual	31/03/06 Estimate	31/03/07 Estimate	31/03/08 Estimate	31/03/09 Estimate	31/03/10 Estimate	31/03/11 Estimate
	£000	£000	£000	£000	£000	£000	£000
General Fund	181,557	181,657	202,806	211,490	203,862	203,530	201,560
HRA	33,436	34,957	40,754	46,671	47,771	48,771	49,771
Total CFR	214,993	216,614	243,560	258,161	251,633	252,301	251,331
Net movement		1,621	26,946	14,601	(6,528)	668	(970)

The increase in capital finance requirement in 2006/07 and 2007/08 reflects the Council's increased capital programme in those years mainly as a result in committing more funds for highways improvements and other schemes. The additional increase in 2006/07 also reflects the commitments from the current programme approved in February 2005.

**Prudential Indicators and Treasury Management Strategy
2006/07 – 2010/11**

Analysis of Capital Expenditure by Service

9. The table below summarises planned capital expenditure by service and is for information.

Service	2004/05 Actual	2005/06 Estimate	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
	£000	£000	£000	£000	£000	£000	£000
Community, Housing and Social Services	16,491	24,380	27,491	24,037	23,468	14,022	13,990
Education, Children's and Leisure	18,964	27,931	29,197	20,393	9,822	431	0
Environment, Streetscene and Parks	12,280	16,087	17,069	16,624	6,424	6,194	6,194
Finance and Corporate Resources	8,063	13,628	13,092	2,130	1,800	1,050	1,000
Vehicle Replacement Fund	740	1,480	1,412	1,250	1,650	1,633	1,314
Total	56,538	83,506	88,261	64,434	43,164	23,330	22,498

Limits to Borrowing Activity

10. The first key control over the Council's borrowing activity is to ensure that over the medium term net borrowing will only be for a capital purpose. The Council needs to ensure that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for the current and the following two financial years.
11. The Director of Finance & Corporate Resources reports that the Council complied with the requirement to keep net borrowing below the equivalent of the CFR in 2004/05, and no difficulties are envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.
12. A further two Prudential Indicators, the authorised limit and the operational boundary, control the overall level of borrowing undertaken.
13. The authorised limit represents the limit beyond which borrowing is prohibited. This limit must be set and revised by Council. It is the expected maximum borrowing needed with some headroom for unexpected movements and is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The operational boundary is based on the probable level of external debt during the course of the year; it is not a limit and actual borrowing may vary around this boundary for short times during the year. It acts as an indicator to ensure that the authorised limit is not

**Prudential Indicators and Treasury Management Strategy
2006/07 – 2010/11**

breached. Both the authorised limit and operational boundary cover all external debt of the Council; they are gross of investments and separately identify borrowing from other long- term liabilities such as finance leases.

14. **The Council is asked to approve the following authorised and operational limits and to delegate authority to the Director of Finance & Corporate Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and long term liabilities, in the light of appropriate appraisals of the options available and best value for money.**

	2004/05 Original £000	2005/06 Original £000	2006/07 Estimate £000	2007/08 Estimate £000	2008/09 Estimate £000	2009/10 Estimate £000	2010/11 Estimate £000
Authorised limit for external debt							
Borrowing	270,000	270,000	300,000	320,000	350,000	350,000	350,000
Other long term liabilities	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total	290,000	290,000	320,000	340,000	370,000	370,000	370,000
Operational Boundary – external debt							
Borrowing	224,000	230,000	250,000	265,000	265,000	265,000	265,000
Other long term liabilities	18,500	18,500	18,500	18,500	18,500	18,500	18,500
Total	242,500	248,500	268,500	283,500	283,500	283,500	283,500

15. The Director of Finance & Corporate Resources is of the view that the authorised limits and operational boundaries are consistent with the Authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing and with its approved treasury management policy, statement and practices. The limits are based on the estimate of the most likely, prudent, but not worst case scenario, with additional headroom included in the Authorised Limit to allow for unusual cash movements.
16. The Council's actual external debt at 31st March 2005 was £213.3m comprising £198.0m borrowing and £15.3m other long term liabilities. It should be noted that the actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

**Prudential Indicators and Treasury Management Strategy
2006/07 – 2010/11**

Affordability Prudential Indicators

17. Affordability is one of the key factors the Council needs to have regard to when considering its capital investment plans. The Prudential Indicators relating to affordability assess the impact of planned capital investment on the overall finances of the authority. Separate prudential indicators are required to assess the impact on the Council's budgets, General Fund and HRA, and the financial impact on residents and tenants, i.e. on the council tax and housing rents.
18. The ratio of financing costs to net revenue stream measures the proportion of the budget required to fund net interest, debt repayments and revenue contributions for capital investment. Separate indicators are required for the General Fund and HRA and estimates have to be set for 2006/07 and the following 2 years. This indicator identifies the trend in the cost of capital against the net revenue stream. Note the indicator for the General Fund for 2005/06 is lower than the subsequent years as the basis for calculating the indicator has changed. From 2006/07 the revenue stream is lower as funding for schools expenditure is now by means of a specific grant rather than through the revenue support grant mechanism, thus increasing the ratio.

The Council is asked to approve the following estimates for this indicator, which are based on current commitments, the proposals in the budget report and the medium term financial plan.

Ratio of financing costs to net revenue stream

	2004/05 Actual	2005/06 Compa- rator	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
	%	%	%	%	%	%	%
General Fund	4.22	4.90	7.79	8.12	8.25	7.86	7.60
HRA	25.15	23.60	22.07	21.36	20.87	20.32	19.73

19. The estimated incremental impact of capital investment decisions on the Council Tax measures the estimated impact on the Band D council tax of proposed changes to the approved capital programme. Specifically it identifies the impact on the council tax of the revenue consequences of the proposed changes in the General Fund capital programme recommended in this budget report compared to the Council's existing commitments and current plans. This indicator has to be calculated so that the effect of decisions to vary capital expenditure can be quantified separately from changes in resources (e.g. capital receipts), except where the receipts arise directly as a result of the expenditure. The recommended additions to the capital programme in Section 9 of the report are to be funded from unsupported borrowing. The principal repayment of new borrowing takes place the year after it has occurred, so that the effect of the increase in borrowing to finance the increased programme is not felt fully until the subsequent year. Hence the larger increases from 2007/08 onwards. The estimates for 2007/08 include assumptions about the level of government support and assume no change in the council tax

**Prudential Indicators and Treasury Management Strategy
2006/07 – 2010/11**

base. The increase over the medium term reflects, in the main, the major investment in the proposed highways network. As noted in section 7 of the report these costs will be offset to some extent by increased income from parking. The additional costs have been included in the Council's medium term financial plan to ensure they are affordable.

The Council is asked to approve the following estimates for these indicators.

Incremental impact of capital investment decisions on the Band D Council Tax

	2006/07 Estimated £	2007/08 Estimated £	2008/09 Estimated £	2009/10 Estimated £	2010/11 Estimated £
Impact on Band D Council Tax (£ p.a.)	3.12	14.46	21.13	22.04	22.65

20. The estimated incremental impact of capital investment decisions on Housing Rent levels is similar to the Council Tax calculation. Specifically it identifies the revenue impact, expressed as a change in weekly rent levels, of the proposed changes in the HRA capital programme recommended in this budget report compared to the Council's existing commitments and current plans. Whilst this indicator is required it is somewhat notional for housing authorities in England as the rent restructuring regime means that any change in revenue costs arising from increased capital expenditure needs to be compensated for by a reduction in other HRA costs. The financing costs arising from the increase in HRA borrowing for Decent Homes will be funded by government support to the HRA. In 2009/10 and 2010/11 the HRA will extend its programme of grants to vacate, which would result in a notional rent increase of £0.15p in both years; this borrowing will be unsupported.

The Council is asked to approve the following estimates for this indicator.

Incremental impact of capital investment decisions on Housing Rent levels (£ per week)

	2006/07 Estimated £	2007/08 Estimated £	2008/09 Estimated £	2009/10 Estimated £	2010/11 Estimated £
Impact on average weekly rent				0.15	0.15

Treasury Management Strategy 2006/07 – 2008/09

21. Treasury Management is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Code. It covers the borrowing and investment activities and the effective management of associated risks. Its activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management in January 2002.

**Prudential Indicators and Treasury Management Strategy
2006/07 – 2010/11**

22. The Council's Financial Regulations require an annual strategy to be reported to full Council outlining the expected treasury activity for the forthcoming 3 years. A further report is produced after the year end to report on actual activity for the year.
23. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service.
24. This strategy covers:
- The current treasury position
 - The expected movement in interest rates
 - The Council's borrowing and debt strategy
 - The Council's investment strategy including investment criteria
 - Treasury Management Prudential and performance indicators.

The Current Treasury Position

25. The Council's detailed treasury position is highlighted in the following table.

		31/3/05 Actual	31/3/06 Estimate
		£m	£m
Fixed Rate Debt	PWLB	168,043	197,043
	Market	30,000	30,000
Variable Rate Debt	PWLB	-	-
	Market	-	-
Total Debt		198,043	227,043
Other Long Term Liabilities		15,284	15,000
Total		213,327	242,043
Fixed Investments		124,850	135,000
Variable Investments		12,650	20,000
Total Investments		137,500	155,000
Net Borrowing		75,827	87,043

The Expected Movement in Interest Rates

26. The Council employs a treasury consultant (Butlers), to advise on treasury strategy, to provide economic data and interest rate forecasts, to assist planning and reduce the impact of unforeseen adverse movements. Butler's advice is set out in paragraphs 27 to 34.
27. *The Monetary Policy Committee announced the long-awaited cut in base rates following its August meeting. However, the downturn in the UK interest rates cycle is expected to be prolonged and shallow with the low point not being too wide of the 4.25% level (currently 4.5%).*

**Prudential Indicators and Treasury Management Strategy
2006/07 – 2010/11**

28. *GDP growth had been substantially weaker than anticipated as the slowdown in house price inflation and higher debt servicing costs combined to undermine consumer-spending growth. Activity is expected to remain weak through the balance of 2005 but to stage a recovery in 2006.*
29. *The Bank of England believes that the rebound in consumer activity, together with continued strength in public sector spending and a rise in corporate investment, will encourage higher growth in the future. This is open to debate and it is clear that the forecasting of interest rates in the current climate is difficult and a cautious approach is needed in treasury activity*
30. *The international economic situation creates further uncertainty in the forecast. UK longer-term interest rates have been influenced by US interest rates, which currently appear unrealistically low, and there continues to be risk of an upward shift in rates. The exact timing of this is however difficult to predict.*
31. *There are significant risks to the forecast, which expects positive but low world and UK economic growth. Further weakness in growth could see short and longer term rates return to historic lows, although there is a higher probability within the forecast that rates will return to historic norms and shift to a higher level.*
32. *The expected movements in interest rates are as follows:*

Percent	Base Rate	5-year Gilt	20-yr Gilt	50-yr Gilt
<i>2005/06</i>	<i>4.6</i>	<i>4.2</i>	<i>4.5</i>	<i>4.1</i>
<i>2006/07</i>	<i>4.3</i>	<i>4.4</i>	<i>4.6</i>	<i>4.1</i>
<i>2007/08</i>	<i>4.5</i>	<i>4.5</i>	<i>4.7</i>	<i>4.1</i>
<i>2008/09</i>	<i>4.8</i>	<i>4.8</i>	<i>4.7</i>	<i>4.3</i>

33. *The key risks to the forecasts surround the strength of the US recovery. Since this will be the key driver of world growth, and like the UK borrowing drives much of the growth, a fall in consumer confidence may see the US recovery falter and the upward pressure on UK short and long-term fixed rates will cease.*
34. *The Treasury team has undertaken a number of longer-term investments during 2005/06 which will help mitigate the effect of falling interest rates that are anticipated during 2006/07.*
35. *It is also anticipated that the level of surplus cash balances will fall during 2006/07 as reserves are used to finance the capital programme.*

The Council's Borrowing and Debt Strategy

36. *The introduction of the Prudential Code and uncertainty over future interest rates increases the risks associated with the treasury strategy. As a result the Council will take a cautious approach to its treasury strategy.*
37. *Long-term fixed interest rates are expected to rise and base rates are expected to remain relatively flat. The Director of Finance & Corporate Resources, under delegated powers, will take the most appropriate form of borrowing depending on*

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the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that if base rates are relatively cheap borrowing will be kept short pending longer term rates falling.

38. The Director of Finance & Corporate Resources will continue to monitor prevailing rates for any opportunities to reschedule debt during the year.
39. The treasury management strategy is based on the Council borrowing requirement for capital purposes of £27.0m. This will be resourced through internal borrowing (by using surplus cash balances) or external borrowing (notably from the PWLB). The actual strategy will be dependant on the interest rate trends during the year. The Treasury team have anticipated that long term rates are likely to increase over 2006/07 and hence have borrowed in January 2005 £14m at 3.7% over 45 years, to help finance next year's capital programme.

The Council's Investment Strategy (including investment criteria)

40. The main principles governing the Council's investment criteria are:
- to maintain the security of its investments - the Council maintains a policy regarding approved categories of investment
 - to maintain sufficient liquidity in its investments;
 - achieving an appropriate yield on its investment.
41. To achieve these objectives the Council will use criteria in accordance with Government regulations. This splits investments into two types specified and non-specified investments. Descriptions of these are set out below:
42. **Specified Investments** – to qualify for this category the investment must be both denominated in sterling and have a maturity of less than one year as well as having a "high" credit rating.

Specified Investments (Max period 364 days)

The proposed investment limits and minimum credit worthiness (based on one of the three main credit rating agencies) for specified investments is as follows:

a) Financial Institutions: (Banks & Building Societies)

Up to a maximum of £25 million subject to the following minimum credit ratings:

Minimum Rating Categories	Fitch Ratings	Moody's	Standard & Poors
Short term rating	F1	P-1	A-1
Long term rating	A	A3	A+
Support	2		
Legal	B		

b) Money Market Funds:

Up to a maximum of £25 million with any one financial institution that hold a minimum of AAA fund investments.

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c) Debt Management Office Deposit Account Facility:

No limit, all funds guaranteed by the UK Government.

d) Local Authorities:

The limit on investments is £25 million

Credit ratings are monitored on a daily basis through an alert service with Butlers. Any changes in ratings are immediately recorded in the Council's system and amended ratings are used to assess whether the institution qualifies for specified investment status.

43. **Non-specified Investments** – are investments that do not meet the specified investment definition. The Council's investment strategy identifies the general types of investment to be used during the year, sets a limit on the overall amount to be held in such an investment, and lays down guidelines for making decisions on such investments.

For non-specified investments it is proposed that the following criteria will be applied.

a) Institutions that do not qualify for Specified Investment status.

The Council may invest with Building Societies, many of which do not have credit ratings. The Council will only lend to Building Societies based on the following criteria:

- Building Societies with assets of over £3 billion. The limit on investments is £10 million and maximum length of investment would be 364 days.
- Building Societies with assets of between £1 billion to £3 billion. The limit on investments is £ 5 million and maximum length of investment would be six months.

b) Investments in excess of one year

The Council will only lend for more than one year where the funds are not required within the financial year or for the period of the loan and then only with the express approval of the Director of Finance & Corporate Resources.

For investments over one year, the Council will only lend to a financial institution if it has the following long term rating criteria:

- A financial institution with an "AA-" long term rating (or equivalent) from one or more of Fitch, Moodys or Standard & Poors. (Maximum investment limit: 5yrs).

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Investments in excess of one year will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator.

In the normal course of the Council's cash flow operations it is expected that both specified and non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

The maximum level of non-specified investments has been set at the following ratio

	Minimum	Maximum
	%	%
Specified investments	25	100
Non-specified Investments	-	75

c) External Cash Managers

The Council will only invest in cash investments (subject to the criteria and limits set out above) or "AAA" money market funds. Where the Council can establish that it holds funds that will not be required within the financial year (i.e. non core cash) then in certain circumstances, subject to the overall priorities of security and liquidity, the appointment of an external manager to manage the investment of those funds may be appropriate. It is recommended that approval for the appointment of an external manager in these circumstances be delegated to the Director of Finance & Corporate Resources in consultation with the Lead Member for Finance.

Investment Strategy

44. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of falling by ¼% in early 2006 and potentially rising again in 2007. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts. It is likely that investment decisions will be made for longer periods with fixed investments rates to lock in good value and security of return if opportunities arise. The Director of Finance & Corporate Resources, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.
45. To meet the requirements for specified/non specified investments the Director of Finance & Corporate Resources, together with the Council's Treasury Advisors – Butlers Ltd, have drawn up a set of proposed parameters that ensure that the Council only make investments based on a prudent approach with a special emphasis upon security and liquidity.
46. Any revision of the criteria will be submitted to the Council for approval.

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47. Council is asked to approve the investment criteria and limits set out in paragraphs 40 to 46.

Treasury Management Prudential Indicators and Limits on Activity

48. The introduction of the Prudential Code sees the replacement of the S45 limits imposed by the Local Government and Housing Act 1989, with four new prudential indicators:

- Upper limits on variable rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.
- Total principal funds invested for periods longer than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

49. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.

50. The Council is asked to approve the following prudential indicators:

	2004/05	2005/06	2006/07	2007/08	2008/09
TREASURY MANAGEMENT	Upper Limit	Upper Limit	Upper Limit	Upper Limit	Upper Limit
Maximum Interest Rate Exposure on total debt					
Fixed rate as % on total debt	100	100	100	100	100
Variable rate as % on total debt	25	25	25	25	25
Fixed rate as % on investments	100	100	100	100	100
Variable rate as % on investments	100	100	100	100	100
Maximum Interest Rate Exposure on net debt					
Fixed rate as % of net debt*	200	200	200	200	200
Variable rate as % of net debt **	50	50	50	50	50

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Maturity Structure of Fixed Borrowing %	2004/05		2005/06		2006/07		2007/08		2008/09	
	Limits		Limits		Limits		Limits		Limits	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Under 12 months	0	20	0	20	0	20	0	20	0	20
12 months to 2 years	0	20	0	20	0	20	0	20	0	20
2 years to 5 years	0	50	0	50	0	50	0	50	0	50
5 years to 10 years	0	75	0	75	0	75	0	75	0	75
10 years and above	25	100	25	100	25	100	25	100	25	100
Max Principal Sums Invested > 364 Days (£m)	£50m		£50m		£50m		£50m		£50m	

**This is the upper limit for fixed interest rate exposure calculated as a percentage of net outstanding principal sums (borrowing & investments).*

*** This is the upper limit for variable interest rate exposure calculated as a percentage of net outstanding principal sums (borrowing & investments).*

Performance Indicators

- 51 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking.
- 52 It anticipated that the following indicators will be used to demonstrate the effectiveness of the treasury function:
- Debt – Borrowing - Average rate of borrowing for the year compared to average available
 - Debt – Average rate movement year on year
 - Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

SCHEME DESCRIPTION	2006/07 Estimate Expenditure £'000	2007/08 Estimate Expenditure £'000	2008/09 Estimate Expenditure £'000	2009/10 Estimate Expenditure £'000	2010/11 Estimate Expenditure £'000	Total Estimate Expenditure £'000
ADDITIONS TO CAPITAL PROGRAMME						
NEW PROGRAMMES FUNDED BY PRUDENTIAL BORROWING						
Annual Programmes						
Extension of Disabled Facilities Grants programme				1,100	1,100	2,200
Enabling Programme				1,600	1,600	3,200
Grants to Vacate (HRA borrowing)				1,000	1,000	2,000
Housing Assistance Grants				770	770	1,540
Street Scene				2,750	2,750	5,500
Corporate Repairs & Maintenance				1,000	1,000	2,000
Subtotal - Annual Programmes	0	0	0	8,220	8,220	16,440
ECSL						
Edmonton Youth Centre	100					100
Schools Access	500	500				1,000
Schools Fire Precautions	400	400				800
Additional Schools Condition	830	823				1,653
ESSP						
Montagu Road Flood Alleviation	250					250
Highways	10,000	10,000				20,000
<i>Bridges/Watercourses:</i>						
Turkey Brook/Mile & Quarter Bridlepath	80					80
Upstream Montagu Rd/Salmons			90			90
Turkey Brook/Cattlegate		160				160
Whitewebbs		150				150
Little Bury Street	130					130
Maidens Bridge			140			140
Hazelwood Lane/New River		120				120
Outdoor facilities, Multi Use Games Areas etc	40					40
New River Loop	150					150
Heritage Economic Regeneration Scheme	100					100
Public Toilets	75					75
Grovelands Park	50					50
FCR and CEX						
CCTV Ponders End	138					138
Energy Management	50	50	50	50		200
TOTAL - PRUDENTIAL BORROWING	12,893	12,203	280	8,270	8,220	41,866
SUPPORTED BORROWING						
CHASS						
Works to Stock	4,797	4,797				9,594
Mental Health Supported Borrowing	141	137				278
TOTAL SUPPORTED BORROWING	4,938	4,934	0	0	0	9,872
TOTAL BORROWING	17,831	17,137	280	8,270	8,220	51,738
ADDITIONAL GRANT FUNDING						
CHASS						
Major Repairs Allowance				8,752	8,720	17,472
Improving Information Management	161	163				324
ECSL						
Youth Capital Fund	132	132				264
Integrated Children's IT	120	167				287
Devolved Schools Capital	4,034	4,231				8,265
General Sure Start	3,181	2,938				6,119
Targeted Capital - Winchmore and Chace Schools	1,115	5,034	5,420	431		12,000
ESSP						
Transport for London				3,444	3,444	6,888
TOTAL - GRANTS	8,743	12,665	5,420	12,627	12,164	51,619
TOTAL ADDITIONS TO PROGRAMME	26,574	29,802	5,700	20,897	20,384	103,357
VEHICLE REPLACEMENT PROGRAMME	1,412	1,250	1,650	1,633	1,314	7,259

Recommendations

- 1 The above schemes totalling £103,357k are incorporated in the capital programme 2006-2011
- 2 That additional borrowing be undertaken to finance the programmes shown above (New Programmes £41,866k plus supported borrowing on Works to Stock and Mental Health £9,872k)
- 3 That replacement vehicles be financed by the vehicle replacement fund to the sum of £7,259k

SCHEME DESCRIPTION	2005/06 Projected Expenditure	2006/07 Projected Expenditure	2007/08 Projected Expenditure	2008/09 Projected Expenditure	2009/10 Projected Expenditure	2010/11 Projected Expenditure	Total Projected Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EARMARKED SCHEMES							
Disabled Facilities Grant	1,900	1,900	1,900	1,900			7,600
					1,900	1,900	3,800
Eurobins and Multi surface play provision	266						266
IT Workplan	3,768						3,768
Mental Health - Social Exclusion	143						143
Regeneration - Industrial Estates	1,150	2,898					4,048
		161	163				324
TOTAL EXPENDITURE ON EARMARKED SCHEMES	7,227	4,959	2,063	1,900	1,900	1,900	19,949
BLOCK PROGRAMME							
Enabling Programme	3,408	2,762	1,200	1,600			8,970
					1,600	1,600	3,200
Works to the Stock	10,500	12,000	14,000	18,248			54,748
		4,797	4,797				9,594
					8,752	8,720	17,472
TOTAL EXPENDITURE ON BLOCK PROGRAMME	13,908	19,559	19,997	19,848	10,352	10,320	93,984
DISCRETIONARY SCHEMES							
Buy Backs (inc chaddlewood)	0	0	120	100			220
Grants to Vacate	1,521	1,000	1,000	1,000			4,521
					1,000	1,000	2,000
Housing Assistance Grants	770	621	620	620			2,631
					770	770	1,540
CMHT - 58/60 Silver Street Refurbishment	122						122
Welfare Adaptions	100	100	100				300
Learning Disability Day Services	100	721					821
Integrated assessment and care management service	50	390					440
Park Avenue Day Centre	250						250
Ruth Winston House	200						200
General Match funding - Regeneration	132						132
		141	137				278
TOTAL EXPENDITURE ON DISCRETIONARY SCHEMES	3,245	2,973	1,977	1,720	1,770	1,770	13,455
COMMUNITY HOUSING AND ADULT SOCIAL SERVICES							
TOTAL CAPITAL PROGRAMME	24,380	27,491	24,037	23,468	14,022	13,990	127,388
Sources of Funding							
Earmarked Resources	-16,377	-22,511	-19,941	-19,092	-9,552	-9,520	-96,993
General Receipts & Borrowing	-8,003	-4,980	-4,096	-4,376	-4,470	-4,470	-30,395
CAPITAL RESOURCES	-24,380	-27,491	-24,037	-23,468	-14,022	-13,990	-127,388

EARMARKED SCHEMES

Schools Access Initiative	961	38					999
		500	500				1,000
Targeted Capital	3,438	3,886	115				7,439
		690	3,157	3,437	216		7,500
		705	3,135	3,445	215		7,500
New Deal for Schools 2000/01	6						6
Reduction in Class Sizes - Key Stage 2	38						38
Devolved Capital	3,206	4,034	4,231				11,471
Schools Condition and Modernisation	3,708	3,915	1,712				9,335
		830	823				1,653
New Opportunities for PE and Sport in Schools	2,983	43					3,026
City Learning Centres	791	20					811
Children's Centre programme	2,343	1,134	50				3,527
Integrated Children's IT system	241						241
		132	132				264
		120	167				287
		3,181	2,938				6,119
TOTAL EXPENDITURE ON EARMARKED SCHEMES	17,715	19,228	16,960	6,882	431	0	61,216

DISCRETIONARY SCHEMES

Oakwood Library	383						383
People's Network	143						143
Forty Hall Developments	250	283					533
Disabled Access Bowes/Bullmoor Libraries	152						152
Millfield House	42						42
		100					100

SCHEME DESCRIPTION	2005/06 Projected Expenditure	2006/07 Projected Expenditure	2007/08 Projected Expenditure	2008/09 Projected Expenditure	2009/10 Projected Expenditure	2010/11 Projected Expenditure	Total Projected Expenditure
DISCRETIONARY SCHEMES							
Edmonton Heritage Economic Regeneration Scheme	928						928
Green Dragon Lane footpath	100						100
Cleansing and Recycling - LPSA	62						62
Carriageways Patching	100						100
Minor Improvement Works	100						100
Bridge Maintenance	208						208
Safety Fencing	51						51
Watercourses	100						100
Right of Way	52						52
Street Lighting (pending PFI)	120						120
Street Scene improvements	2,475	2,750	2,750	2,750			10,725
					2,750	2,750	5,500
Street Scene improvements: LPSA	4,000						4,000
CCTV Southgate/Palmers Green	126						126
Road Safety LPSA	80						80
Broomfield Bridge	320						320
		250					250
		10,000	10,000				20,000
		80					80
				90			90
			160				160
			150				150
		130					130
				140			140
			120				120
		150					150
		100					100
Improvements at Pymmes Park to green flag status	209						209
Jubilee Park Forest Road	10						10
Jubilee Park Elsing Road	291						291
Montagu Recreation Ground Annexe	109						109
Parks - 2 Children's Playgrounds	826						826
		40					40
		75					75
		50					50
TOTAL EXPENDITURE ON DISCRETIONARY SCHEMES	10,267	13,625	13,180	2,980	2,750	2,750	45,552
ENVIRONMENT, STREET SCENE AND PARKS TOTAL CAPITAL PROGRAMME	16,087	17,069	16,624	6,424	6,194	6,194	68,592
Sources of Funding							
Earmarked Resources	-7,204	-3,444	-3,444	-3,444	-3,444	-3,444	-24,424
General Receipts & Borrowing	-8,883	-13,625	-13,180	-2,980	-2,750	-2,750	-44,168
CAPITAL RESOURCES	-16,087	-17,069	-16,624	-6,424	-6,194	-6,194	-68,592
BLOCK PROGRAMME							
Capitalised Repairs and Maintenance	1,750	3,074	1,750	1,750			8,324
					1,000	1,000	2,000
Category 1 Repairs		2,000					2,000
Disability Programme	500	471					971
TOTAL EXPENDITURE ON BLOCK PROGRAMME	2,250	5,545	1,750	1,750	1,000	1,000	13,295
DISCRETIONARY SCHEMES							
Property Strategy Phase 1							
Broadfield House	2,560	40					2,600
9 Centre Way	1,112						1,112
Arlington House	1,306	120					1,426
Access Centre - Civic Centre	50	1,404	30				1,484
Contingency and Associated Fees	554	10					564
IT Workplan							
CIT Items	1,853						1,853
Corp: Land Acquisition							
Nags Head Road	6						6
North/South Road	208						208
Feasibility Studies	100	100	100				300
Corp: Admin Buildings							
Enfield Public Safety Centre	150						150
CCTV Monitoring Station	48						48
Triangle House - Phase 2	200						200
Enfield Town Palace Exchange	200	5,485					5,685

SCHEME DESCRIPTION	2005/06 Projected Expenditure	2006/07 Projected Expenditure	2007/08 Projected Expenditure	2008/09 Projected Expenditure	2009/10 Projected Expenditure	2010/11 Projected Expenditure	Total Projected Expenditure
Corp: Other Discretionary							
Pilot community Access Centre	150						150
Post Room Franking Machines	33						33
Melling Drive Acquisition	330						330
Enfield Arms Site Acquisition	1,000						1,000
Broomfield House	89						89
Capel manor farm	200						200
Capel manor Classroom/Toilet	8						8
Disposal Programme	200	200	200				600
Turkey Street	85						85
CCTV Cameras and associated infrastructure	936						936
		138					138
		50	50	50	50		200
TOTAL EXPENDITURE ON DISCRETIONARY SCHEMES	11,378	7,547	380	50	50	0	19,405
FINANCE AND CORPORATE RESOURCES TOTAL CAPITAL PROGRAMME	13,628	13,092	2,130	1,800	1,050	1,000	32,700
Sources of Funding							
Earmarked Resources	-3,592	-1,130	0	0			-4,722
General Receipts & Borrowing	-10,036	-11,962	-2,130	-1,800	-1,050	-1,000	-27,978
CAPITAL RESOURCES	-13,628	-13,092	-2,130	-1,800	-1,050	-1,000	-32,700
VEHICLE REPLACEMENT FUND Replacement vehicles	1,480	1,412	1,250	1,650	1,633	1,314	8,739
Sources of Funding							
Earmarked Resources	-1,480	-1,412	-1,250	-1,650	-1,633	-1,314	-8,739
CAPITAL RESOURCES	-1,480	-1,412	-1,250	-1,650	-1,633	-1,314	-8,739
TOTAL CURRENT CAPITAL PROGRAMME	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL EXPENDITURE	83,506	88,261	64,434	43,164	23,330	22,498	325,193
Sources of Funding							
Earmarked Resources	-44,305	-43,394	-40,176	-31,176	-15,060	-14,278	-188,389
General Receipts & Borrowing	-39,201	-44,867	-24,258	-11,988	-8,270	-8,220	-136,804
TOTAL CAPITAL RESOURCES	-83,506	-88,261	-64,434	-43,164	-23,330	-22,498	-325,193

Notes

- 1 Highlighted projects are those to be added to the programme
- 2 Those figures in italics are estimates based on the continuation of government support

Other Risks

Education, Children's Services and Leisure Department

- **Demand led services**

There are a number of areas within the Department's services that are statutory and demand led. If criteria are met, the Council must incur the expenditure. Examples include funding for nursery education for 3 and 4 year old children in private and voluntary sector settings, placement of children with special education needs in independent and out borough settings, purchasing care packages for vulnerable children, giving financial support to families with no recourse to public funds, and providing care for unaccompanied asylum seekers. Budgets for all of these areas are at risk from changes in numbers of children receiving services and some are at risk of price change.

- **Staffing**

Children's Services staffing budgets do not allow for significant use of agency staff. If recruitment and retention difficulties are not resolved, this will give rise to significant use of agency staff and will result in a budget pressure.

- **Schools' PFI Scheme**

There is a contractual dispute on the schools PFI scheme that will require legal and technical expertise to resolve. As with any contractual dispute, there is the possibility that the Council may need to make additional payments to the contractor. In this case the costs would fall on the Schools' budget.

- **Extended Schools and Children's Centres**

The Government's initiatives for the development of extended schools and children's centres are being implemented and as with schemes of this nature, there may be some budget risks in the initial period until the services are established.

- **Income from Schools**

A number of services are reliant on income from schools for services provided on a traded basis. There are risks associated with this income.

- **Legal Services**

The cost of legal representation in children's cases is difficult to control due to the complexities of some of the situations and is therefore an area of budget risk.

Community, Housing & Adult Social Services Department

- **Return of North Circular Road properties to Transport for London**

This could have a substantial impact on homelessness expenditure and is likely to take place in 2007/08.

- **Reduction in numbers in Temporary Accommodation**

The government target of reducing the number of families in temporary accommodation in half by 2010 is likely to be challenging and the financial impact of this has yet to be assessed.

- **HB Subsidy for Temporary Accommodation**

The government has again deferred planned changes to the housing benefit subsidy arrangements for temporary accommodation but this remains a highly significant risk in the medium term. The benefits budgets remain a high risk, rent allowances, non HRA and HRA rent rebates are all volatile and the subsidy payment arrangements have still not been confirmed although the Council has received some information based on the interim claim for 2004/05. The total benefit budget is £165m.

- **Homelessness**

All Homeless budgets, being demand led, remain volatile and therefore high risk.

- **Administration of Council Tax**

The administration budgets for the payment of benefits and the collection of Council Tax are high risk due to challenging income targets and proposed budget reductions in 2006/07.

- **Adult Care Purchasing**

Three drivers for care purchasing risk are set out below:

Demand

The basis of preparation of care purchasing budgets is known levels of activity together with those that might reasonably be foreseen, based on demographic forecasts and historic trends. There remains however the possibility that demand will exceed these assumptions. The causes of increased demand may come from an increasing number of adults entitled to support, but more commonly, an increasing level of dependency within the existing client groups. While plans to deal with such a risk do not currently involve a review of eligibility criteria, a review of the cost effectiveness of the way in which needs are met is being considered.

Price

The majority of services to clients are provided by the independent and voluntary sectors. In negotiating contracts with these providers the council seeks to strike a fair balance between a meaningful increase in recognition of providers costs and affordability to local taxpayers. In relation to specialised services for clients with more complex needs, the requirements of providers for increases above inflation represent the highest risk area. Although the number of clients affected may not be large, the budgetary impact of increasing already high cost packages is significant. Sustainability of the independent sector is an area of risk nationally. The Council also maintains some in house provision, which is subject to the same cost pressures as other providers. Managing these to ensure service provision represents good value for money for local taxpayers and meets targets for efficiency savings to evidence this is a further area of financial risk.

Review of Supporting People schemes

The Supporting People service is coming to the end of its programme of scheme reviews. In 2005/06, the outcome of a number of scheme reviews was a withdrawal of supporting people grant funding leading to an increase in the elements of combined social care packages being met from care purchasing budgets. This has been a feature of budget monitoring in 2005/06 with the ongoing effects of these reviews in 2006/07 being dealt with in budget estimates for the new financial year. However, as some scheme reviews will not be considered until the latter part of

2005/06 there is a risk of further schemes being decommissioned with a consequent increase in costs to the care purchasing budgets of the relevant client groups.

- **Workforce Recruitment and Retention**

Competition in the social work sector is strong both between council employers and agencies. Proposals are under consideration for a number of measures intended to stabilise the existing complement of social work staff and reduce the level of vacancies. Outcomes of previous targeted campaigns has been variable and while the financial impact of these measures is planned to result in no additional net expenditure, there remains a risk that financial incentives will not be sufficient in themselves to attract candidates of appropriate calibre, or that there are enough candidates actively seeking appointment.

In the meantime, where posts cannot be left unfilled, agency staffing is an established route to provide cover, but at a significant financial premium.

Environment, Streetscene & Parks Department

- **Catering, Transport & Cleaning Services**

The Catering, Transport and Cleaning Services operation consists of a number of high value services which depend almost exclusively on income from trading, principally from schools who have the option to buy these services elsewhere. The impact of pay, single status, and other increases in costs can result in price increases which, unless carefully controlled, would lead to the organisation becoming uncompetitive. The potential resulting loss in business would be significant for the Council.

Although the previous deficit situation has been turned round to one of surplus, this service continues to be regarded as high risk because of the large sums involved, and is subject to close monitoring.

- **Waste Services**

Recent years have seen a huge expansion in recycling activities with significant internal investment, large increases in costs and, conversely, growth in income in the form of "recycling credits". Additionally, the service provides refuse collection and street cleansing which operate within tight budgets given the increased workloads of these services to cover new areas arising from the increase in properties and the adoption of new roads. Efficiencies have been introduced and there has been investment in new vehicles and equipment designed to maximise efficiency and provide improved services. Commercial waste generates significant income but is constantly under pressure from private sector competitors.

- **Parks And Open Spaces**

This service has significant budgets for both income and expenditure and has a recent history of overspends. Restructures in recent years, under the auspices of the former Leisure Services Group, led to budget pressures and increased costs. Considerable work has taken place, and is continuing, to restructure and improve the service within available budgets, and the financial impact of the changes will require close monitoring. Income achievement is traditionally difficult to predict particularly due to the effects of weather conditions on golf, pitch hire and other outdoor pursuits.

- **Parking**

The net income from all public car-parking activities directly impacts on the Department's cash limit. Income is in the region of £8 million and achievement of this sum depends on a number of factors relating to driver behaviour. Significant sums are realised from parking offences, which lead to penalty charges. The 2006/07 budget is predicated on recent increases in income levels continuing.

Finance & Corporate Resources Department

- **Land Charges**

As always, the income is reliant on the buoyancy of the housing market. The achievement of the £1.376m target (5% lower than the 05-06 target) will need to be closely monitored.

- **Print Services**

A review and restructure of both print and photocopying services is currently being undertaken with a view to making significant efficiency savings. Implementation of the new arrangements will need to be closely monitored.

- **Property Strategy Review**

This initiative will need close monitoring throughout the year to contain expenditure within the budget provision made.

Chief Executive's Department

- **Enfield Public Safety Centre**

The EPSC is continually growing, servicing a larger area, with more cameras coming on board requiring increases to the contract. As the service continues to evolve it will need close monitoring to contain expenditure and achieve income levels.

ESTIMATED MOVEMENT IN EARMARKED RESERVES

RESERVE	Estimated Reserve as at 31 March 2006 £000s	Projected Movement £000s	Estimated Reserve as at 31 March 2007 £000s
PFI Investment Reserve	2,702	0	2,702
Council Development Reserve	7,244	-2,150	5,094
SAP Upgrade	58	275	333
Insurance fund	3,784	0	3,784
Repair & Maintenance of Council buildings	1,502	-85	1,417
Repairs Fund for Council houses	4,322	0	4,322
Repairs Fund for private sector housing leased to the Council	944	77	1,021
VAT Reserve Fund in case partial exemption limit is breached	512	116	628
HRA Capital Reserve to fund major repairs	8,336	-491	7,845
Vehicle and Equipment Replacement Fund	99	-94	5
Capital Reserve	5,709	-1,827	3,882
Investment in money saving and other initiatives	1,724	159	1,883
IT Investment Fund	2,633	-2,120	513
CCTV Replacement Fund	0	57	57
Restructuring and redundancy reserve	1,070	0	1,070
Other Specific Reserves	2,357	-753	1,604
Total Earmarked Reserves	42,996	-6,836	36,160

Note: It is likely that a contribution from the PFI Investment Reserve will be made during 2006/07 the extent of which is subject to final negotiations of the PFI Street Lighting Scheme.

MUNICIPAL YEAR 2005/06 REPORT NO. 292A

CABINET - 8.02.06
COUNCIL - 22.02.06

Joint report of:
 Director of Community, Housing & Adult
 Social Services
 Director of Finance & Corporate
 Resources

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AGENDA – PART 1	ITEM 8
SUBJECT -	DEC
HOUSING REVENUE ACCOUNT DRAFT REVENUE ESTIMATES 2006/07 (RENT SETTING)	
HRA/GF	ALL WARDS
CABINET MEMBER CONSULTED: CLLR MATTHEW LABAN	

1. EXECUTIVE SUMMARY

- 1.1 The report presents for approval the detailed revenue estimates of the Housing Revenue Account for 2006/07 following consultation with residents on the HRA budget position and the options for the rent proposals. Presentations were made to residents groups at meetings held on 15 November 2005 and 17 January 2006.
- 1.2 The Council is asked to approve the level of rents and service charges to be operative with effect from 3 April 2006 for Council tenants and also seeks approval to the rent levels for temporary accommodation.

2. RECOMMENDATIONS

- 2.1 That the detailed revenue estimates of the Housing Revenue Account for 2006/07 be approved as set out in table 1.
- 2.2 That the formula rents be increased by 3.2% in line with Government guidance.
- 2.3 The level of service charges as set out in para. 13.1 for those properties receiving the services be agreed for 2006/07.
- 2.4 The proposals for increases in other income as detailed in Appendices 2 and 3 be agreed for 2006/07.

3. BACKGROUND

- 3.1 Each year the Council is required by law to set the level of rents for Council dwellings for the forthcoming financial year after consultation with tenants. The decision must be taken early enough for tenants to be advised of any change at least 4 weeks prior to the date of change. The following sections

of the report set out the financial position on the HRA for Cabinet and Council to consider.

- 3.2 For 2006/07 the Government's subsidy determinations have been based on an increase in Enfield's rent of 3.2% applied to the 2005/06 formula rent.

4. FORMULA RENTS

- 4.1 Members will recall that the Government decided that by 2003/04 at the latest to introduce a new method for calculating Local Authority and Registered Social Landlord rents. Accordingly from 2003/04 Enfield rents are calculated using a formula based on the market value of the property, average earnings for London manual workers and the national average Council rent. The formula also takes account of the number of bedrooms in the property.
- 4.2 In addition to the rents, tenants may also be charged a service charge for certain communal services as appropriate. Government guidance gives some discretion over what services may be charged separately. The proposed charges for 2006/07 are shown in para 13.1 and reflect the full cost of providing the service. There are no proposals for new service charges in 2006/07.
- 4.3 The new formula rents, together with the separate charging for services, would mean significant increases or decreases for some tenants if introduced immediately. In recognition of this the Government decided that the move to the new formula rents would be phased over 9 years and that no rent should increase/decrease by more than £2 per week after adjustment for the annual guideline increase set by Government.

5. REVIEW OF FORMULA RENTS

- 5.1 When the Government introduced formula rents for social housing, it also announced that the policy would be reviewed after three years. The review of rent restructuring was implemented in November 2005 with effect from 2006/07.
- 5.2 The key changes to the formula rents for social housing are:
- Larger properties – higher bedroom weightings for 3 and 4 bedroom properties and new higher weightings for properties with 5 and 6 or more bedrooms.
 - Harmonisation from April 2006 using the same formula for restructuring local authority (LA) rents as that currently used for the restructuring of Registered Social Landlord (RSL) rents and adopting the RPI as the inflation measure used in calculating LA rent increases.
 - Implementation: LA's should ignore the downward limit of RPI plus 0.5% minus £2 per week on rent changes in order to achieve restructuring on all properties for which rents need to fall by 2012.

- 5.3 As part of the subsidy determination for 2006/07 the Government has implemented the changes outlined above. Formula rents have been recalculated using the same formula as applies to RSLs under rent restructuring with the effect that formula rents are now 8.7% higher. This additional rent is paid to government through the subsidy mechanism however the government has made a number of other adjustments to the subsidy for 2006/07 with the effect that Enfield will suffer a loss of subsidy in 2006/07 of £550k whilst the average actual rent will increase by approx £0.30p more per week than it would have done under the previous formula.
- 5.4 In addition to the above changes ODPM also agrees the continuation of the transitional protection allowance on Management and Maintenance allowance up to 2007/08.

6. FINANCIAL MONITORING 2005/06

- 6.1 Before considering the proposals for 2006/07, it is necessary to review the estimates for the current financial year to determine the estimated level of the available balances at 31 March 2006, to reflect upon the major changes which have occurred during the year and to consider their ongoing impact into 2006/07 and future years. These have been highlighted throughout the year in the regular financial monitoring reports and the current position is indicating a saving of £533k.
- 6.2 A summary of the major changes during 2005/06 are shown in Appendix 1.

7. CONSULTATION ON THE LEVEL OF RENT FOR 2006/07

- 7.1 At the Residents' consultation meeting held on 15 November 2005, residents were advised of estimated budget pressures totalling £1.774m for 2006/07 compared with the projected deficit position for 2006/07 identified a year earlier of £1.319m. However, following receipt of the final subsidy claim and completion of the estimates the cost pressure has reduced to £0.285m. Details of the significant changes from last year's projected £1.319m deficit to the current position are shown in Appendix 5.
- 7.2 FECA COMMENTS
At the time of finalising the report no formal comments had been received from FECA.

8. BASE BUDGET FOR 2006/2007

- 8.1 Table 1 sets out the Base Budget for 2006/07 compared to 2005/06 and includes projections for the next two years, ie 2007/08 and 2008/09. Table 2 sets out assumptions for formula rents, inflation etc made in compiling the budget and projections.

TABLE 1 - HOUSING REVENUE ACCOUNT 2006/07 TO 2008/09

	2005/06 Original Budget £'000	2006/07 Estimate £'000	Variations £'000	See Para	2007/08 Projection £'000	2008/09 Projection £'000
Expenditure						
Supervision & Management – General	11,640	12,519	879	8.2.1	13,251	13,548
Supervision & Management - Special	4,897	5,093	196	8.2.2	5,269	5,450
Rents, Rates and other charges	913	931	18		950	969
Rent Rebates	1,623	1,053	(570)	8.2.3	706	392
Cost of Capital	24,523	22,624	(1,899)		22,850	23,079
Depreciation	9,171	8,933	(238)	8.2.4	8,855	8,796
Contribution to the repairs fund	14,302	15,179	877	8.2.5	15,955	16,754
Increased provision for bad & doubtful debts	400	400	0		400	400
Total Expenditure	67,469	66,732	(737)		68,236	69,388
Income						
HRA Subsidy – MRA	(9,171)	(8,933)	238	8.2.6	(8,855)	(8,796)
HRA Subsidy - Housing element	11,689	13,207	1,518	8.2.6	14,860	16,610
Net Subsidy	2,518	4,274	1,756		6,005	7,814
Rent Income						
Dwellings	(44,026)	(46,024)	(1,998)	8.2.7	(48,169)	(49,948)
Garages	(975)	(1,000)	(25)	8.2.8	(1,020)	(1,040)
Shops/Commercial	(1,797)	(1,964)	(167)	8.2.9	(2,004)	(2,044)
Service Charges	(2,810)	(3,173)	(363)	8.2.10	(3,236)	(3,301)
Total Income	(47,090)	(47,887)	(797)		(48,424)	(48,519)
Net Cost of Services	20,379	18,845	(1,534)		19,812	20,869
Adjusting Transfer from AMRA	(22,493)	(20,592)	1,901		(20,621)	(20,661)
Amortised Premiums and Discounts	358	386	28	8.2.11	386	386
Interest on balances	(850)	(1,000)	(150)	8.2.12	(1,000)	(1,000)
Right to Buy Mortgage interest	(50)	(10)	40	8.2.13	(10)	(10)
Net operating Expenditure	(2,656)	(2,371)	(285)		(1,433)	(416)
Housing Set a side (MRP)	0	0	0		0	0
Revenue Contribution to Capital Expenditure	2,656	2,371	(285)		2,656	2,656
(Surplus)/Deficit for year	(0)	0	0		1,223	2,240
Asset Management Account						
Income - interest charged to the HRA	(24,523)	(22,624)	(1,899)		(22,496)	(23,079)
Expenditure - Loan interest	2,030	2,032	(2)		2,210	2,418
Adjusting Transfer to Operating A/c	(22,493)	(20,592)	(1,901)		(20,286)	(20,661)
HRA Balance b/fwd	6,453	8,080			8,113	8,113
In year Surplus(deficit)	0	33			0	
Balance c/fwd	6,453	(8,113)			(8,113)	(8,113)

TABLE 2 - ASSUMPTIONS

	2006/07	2007/08	2008/09
Employee inflation + Additional superannuation	3.95%	3.95%	3.95%
Supplies and Service	2.00%	2.00%	2.00%
Repairs and Maintenance	5.53%	5.53%	5.53%
Insurances	5.00%	5.00%	5.00%
Garage income	3.20%	2.00%	2.00%
Other income	2.00%	2.00%	2.00%
RTB sales	79	59	44
Interest rate	5.59%	5.59%	5.59%
Subsidy			
Formula rent increase	3.2%	3.2%	3.2%
Major Repairs allowance	-0.8%	0%	0%
Management and Maintenance	6%	6%	6%

8.2 Explanations of the major variations for 2006/07, when compared with the budget for 2005/06 are as follows.

8.2.1 Supervision & Management General - increase of £879k

This is mainly due to increase in irrecoverable admin costs associated with RTB as a result of reduction in the number of estimated completed sales £440k. There is additional inflation on salaries amounting to £318k and an amount equal £80k is included in the estimate for Choice Based Letting Scheme.

8.2.2 Supervision & Management - Special - increase of £196k

This increase represents inflation on salaries and non-salaries expenditure.

8.2.3 Rent rebates - reduction of £570k

This is the decrease in payments to the General Fund for the loss of benefits payable by the Government because the average HRA rent is greater than the determined limit rent.

8.2.4 Depreciation – decrease of £238k

The accounts have to include an amount for depreciation of HRA assets each year. This sum is matched by subsidy payments by the Government. The reduction is due to a change in the basis of the subsidy calculation. See Para 8.2.6.

8.2.5 Contribution to Repairs Fund – increase of £877k

The increase is mainly attributable to inflation on the repairs and maintenance budget of £729k, and expenditure incurred on the repairs centre (Claverings) of £149k.

8.2.6 Subsidy – Increased payment of £1,756k to the Government

The Government is expecting additional payment of £1,756k. It is anticipated that there will be additional guideline rent of £2,353k, reduction in MRA of £238k and reduced support for capital of £80k. This is offset by additional £875k from the transitional relief on Management and Maintenance allowance and reduction in interest on mortgages of £40k.

8.2.7 Dwelling rents income – increase of £1,998k

This increase is the net effect of an increase in rents of £2,294k off set by the estimated loss of rent due to RTB sales of £296k. This represents the full year effect of sales of 79 in 2005/06 and part year effect of an estimated 79 sales in 2006/07.

8.2.8 Garages income – increase of £25k

This is due to inflation increase.

8.2.9 Shops/Commercial – increase of £167k

This is the assumed increase for inflation.

8.2.10 Service Charges income - increase of £363k

This reflects the level of additional properties sold during 2005/06, increase in charges and increase in estimated major works income.

8.2.11 Amortised Premiums and Discounts – increase of £28k

A share of the premiums on the early redemption of loans is charged to the HRA.

8.2.12 Interest on balances (income) – increase of £150k

High level of HRA balance anticipated.

8.2.13 Right to Buy mortgage interest (income) – decrease of £40k

This reflects increased redemption of mortgages.

9. MEDIUM TERM FINANCIAL PLAN - PROJECTIONS 2006/07 AND 2007/08

- 9.1 The latest estimates for 2007/08 and 2008/09, in table 1, show in year losses of £1.223m and £2.240m. These assume that the RCCO of £2.656m per year is maintained. This means that the HRA is unable to sustain the current level of revenue expenditure. If the current method of financing capital is to be continued further efficiency savings will need to be identified.
- 9.2 The latest estimates for 2009/10 and 2010/11 are showing in-year losses of £3.2m and £4.4m respectively and further efficiency savings will need to be identified to balance the accounts.
- 9.3 The stock options appraisal completed in July 2005 has identified that there is a £77m capital gap at 2010/11 increasing to £106m by 2034/35. As a result of this appraisal, the Council agreed to seek Government approval to set up an Arms Length Management Organisation (ALMO) and to bid for ALMO funding to cover the capital funding gap.

- 9.4 Officers are preparing an ALMO funding bid in the sum of approximately £50m. ODPM has yet to announce the timetable for the submission of bids. However, in anticipation of a favourable outcome, preparations are in hand for the setting up of the ALMO with effect from April 2007.

10. ALMO

- 10.1 A small project team has been set up to produce the ALMO bid and establish the new organisation. CMB have also set up a sub group to work with this team and oversee the project from a corporate perspective. Initial work has focused on the bid and the development of a project plan. A first draft of the bid has been produced and is currently being edited. It is anticipated that the final bid will be submitted to Cabinet on 1 March 2006, however this is dependent on the formal bidding round being announced.
- 10.2 In anticipation of a successful bid, work is being carried out to identify which functions will transfer to the ALMO, which will be retained by the Council and the range of support services the ALMO will need. The ALMO steering group on 17 January agreed the mechanism for selecting and recruiting ALMO shadow board members by the target date of 1 April 2006. Once the board is in place they will play a key role in setting up the ALMO, agreeing standards for performance and setting a course for 2 or 3 star inspection rating and delivery of the Decent Homes Standard by 2010.

11. CAPITAL FINANCE AND PRUDENTIAL CODE

- 11.1 The Prudential Code for Capital Finance requires the authority to have regard to affordability, prudence and sustainability when considering its capital investments plans and to set and keep under review a range of prudential indicators. The prudential indicators for the HRA are:
- estimated capital financing charges as a percentage of net revenue stream
 - estimated capital expenditure
 - estimated capital financing requirement
 - incremental effect of capital investment decisions on housing rents.
- 11.2 The General Fund Budget report for 2006/07 elsewhere on the agenda sets out the background to the prudential code and shows the indicators for the General Fund and HRA.
- 11.3 In essence the Prudential regime gives scope for the HRA to borrow for capital investment if the forecasts show that the resulting charges can be afforded over the medium to long term.
- 11.4 The 2006/07 Supported Capital Expenditure (SCE) for Housing is £4.767m, i.e. interest payments on this figure are funded by way of Housing subsidy, the current estimates and projections for the HRA include the revenue effects of borrowing to this level. In addition the HRA will fund the borrowing for the 2006/07 Grants to Vacate programme.

- 11.5 The Code subject to prudence, affordability and sustainability, gives scope to borrow above current levels. This facility will be reviewed as part of the business planning process during the year and its use will be evaluated as an alternative to the current RCCO to fund HRA capital expenditure. The current estimates have £4.220m as a contribution to capital over 3 years. However this produces an unsustainable revenue position, see para. 8.1 above without reductions in cost.

12. BUDGET POSITION AND RISK ASSESSMENT

- 12.1 The estimated position on balances for 2005/06 is set out below.

HRA Balances	£m
Actual Balance at 31.3.05	8.080
Plus: Estimated surplus for 2005/06	0.533
Less Budget for set up of ALMO	<u>-0.500</u>
Estimated Balance at 1st April 2006	<u>8.113</u>

- 12.2 As can be seen from para 12.1 it is estimated that balances at 1 April 2006 will total £8.113m. However in considering the use of balances in future rent strategies, it should be noted that it is prudent to retain a minimum sum of £1.2m. This will be reviewed over the next 12 month as part of the medium term financial plan and will reflect the budgetary risks, their likelihood and potential impact and the extent to which they have been provided for within the budget estimates.
- 12.3 It should also be remembered that in addition to the balances mentioned above, the repairs fund is £4.322m and capital reserves are £5.332m. There is also a bad debt provision of £3.997m, at the 31 March 2006. This is reassessed each year based on collection rates.
- 12.4 It must also be noted that balances cannot be used to sustain expenditure that is too high over the medium to long term. At best they can be used (as one off funding) to facilitate fundamental changes needed to bring the HRA back into balance. The capital reserve and repairs fund are to be used to fund major works programmes and are reflected in the calculation of the £77m gap. See para 9.1.
- 12.5 As part of the budget process a risk assessment has been undertaken. The detailed budget headings within the HRA were considered in terms of their risk factors (including the size of the budget, the degree to which it is demand led, its history of under or overspending and reliability of systems).
- 12.6 The areas of HRA expenditure identified as high risk are explained below. These budgets will be subject to close monitoring throughout the year.
- 12.6.1 **Supervision and management – special - £5.093m**
Potential increase in energy costs
- 12.6.2 **Responsive Repairs - £11.2m**

This is a large, demand led budget that needs close monitoring throughout the year, although in recent years expenditure has been within budget.

12.6.3 Rents & service charges - dwellings - £46.02m

The risks associated with the rents budget lie in the size of this budget along with the complex current changes under the Rent Restructuring regime and the sensitivity of RTB sales to possible changes in Government legislation.

12.6.4 Rent rebate subsidy limitation - £1.053m

12.6.5 Sale of Council House Administration Income - £440k (S&M general)

The costs of administering the sale of council houses under the RTB scheme can be charged against capital receipts. Given the increased level of withdrawals to sales there is a risk that this budget may not be achieved.

13. PROPOSED RENT AND OTHER CHARGES FOR 2006/07

- 13.1 It is recommended that the 2005/06 formula rents be increased in line with Government policy by 3.2% and that the rents for 2006/07 are set in accordance with the Government's policy of phasing in formula rents by 2012. This results in an average rent increase of 3.91%. In addition the following service charges be made to those tenants in receipt of the services:

	<u>Charge per week</u>	
	£	
Caretaking level (1) (resident)	4.02	
Caretaking level (2) (non resident)	2.47	
Concierge	11.92	
Grounds maintenance	0.66	
Heating fund (increase of 15%)	12.50	(average)
CCTV	2.21	

In addition to the above water and sewerage charges will continue to be collected through the rents on behalf of the water authorities.

- 13.2 There are no proposals at the present time to introduce new estate specific service charges, however the Housing Management Division are exploring with tenants the potential for local enhanced services in areas of safety and caretaking/cleaning services which could lead to additional charges being introduced in the future.

- 13.3 The formula rents regime sets upper limits on rents for different sized properties. In 2006/07 these caps are as follows:

6-bed	£126.59 per week
5-bed	£120.83 " "
4-bed	£115.08 " "
3-bed	£109.33 " "

2-bed	£103.57	“	“
1-bed & bedsits	£ 97.82	”	”

In cases where the formula rent exceeds the cap level the formula rent is set at the cap level and the actual rent will be moved in stages to the cap level.

- 13.4 Set out at Appendices 2 and 3 are proposed charge levels on other properties within the HRA, for temporary accommodation funded from the General Fund and for leaseholder service charges. These proposals have already been built into the draft estimates for 2006/07, and if these charges are to be varied, this would have to be met by a contribution from balances.
- 13.5 Shown in Appendix 4 are examples of the proposed rents for 2006/07 for different property types and sizes across the Borough.

14. ALTERNATIVE OPTIONS CONSIDERED

Two alternatives were considered, these were not increasing rents in line with the Government guideline and increasing rents above the guideline. Both these were discounted as not to increase rents would have meant significant loss of income and the need to reduce services to maintain the account in balance. To increase rents above the guideline was also discounted because with the increased income would be clawed back through the housing subsidy system.

15. REASONS FOR RECOMMENDATIONS

In view of the implications of the alternatives mentioned in para 14, it was decided to recommend increasing rents and service charges in line with Government guidance in order to maximise income and maintain service levels.

16. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

16.1 Financial Implications

The Local Government Act 2003 requires the Chief Finance officer to report on the robustness of estimates and the adequacy of proposed financial reserves. The 2006/07 HRA estimates show a balance budget and reserves are above the minimum required. However the medium term financial projections shows a deteriorating financial position.

16.2 Legal Implications

Under the Housing Act 1985, as amended by section 162 of the Local Government and Housing Act 1989 a local authority is to decide on the rent they charge their tenants. Such charge must be reasonable for the tenancy or occupation of the house. The authority is from time to time to review rents and make changes, as circumstances require. There is no method laid for assessment of rents but the law requires that the rent of houses of any class of description to bear broadly the same proportion to private sector rents. In addition, in preparation for the HRA all authorities need to estimate as accurately as possible the total level of income that they need to raise from rents.

17. PERFORMANCE MANAGEMENT IMPLICATIONS

Setting a balanced budget for 2006/07 should enable the HRA performance targets to be met.

18. PUTTING ENFIELD FIRST

In developing the rent proposals for 2006/07 there have been two consultation meetings. In addition, the Tenant Involvement Unit has continued developing training for tenants on a range of issues. This consultation and training is consistent with the vision of:

- Quality health and care services for vulnerable people in Enfield
- Supporting the delivery of excellent services
- Economically successful and socially inclusive
- Improving quality of life in Enfield

Background papers:	Where located:	Contact:
Director of Finance & Corporate Resources Dept		
Resources Working Papers	9 th floor, CC	Fiona Peacock extn 5033
DoE Subsidy and Item 8 determinations		
HRA Business Plan	--	--

APPENDIX 1

2005/06 BUDGET MONITORING -VARIATIONS

<u>Budget Head</u>	<u>Variation</u> <u>£'000</u>
1. Repairs Admin No change to budget.	0
2. S&M General The amount of expenditure that the HRA can offset against RTB receipts has reduced with the introduction of the pooling of capital receipts.	300
3. S&M Special The concierge budget is projecting an overspend of £85k due to the contract price rising by more than anticipated. There is also a small overspend of £9k on Community Alarm.	94
4. Rent – dwellings Housing rent income is expected to be greater than budgeted due to the reduction in RTB sales.	-355
5. Rents – non dwellings Additional income from shops is projected due to a number of rent reviews.	-282
6. Interest on HRA balances and RTB mortgages Due to the high level of balances an additional £100k interest is projected.	-100
7. Leaseholder Service Charge income Major works income is projected to be more than originally budgeted.	-190
Total	<hr/> -533 <hr/>

APPENDIX 2**OTHER PROPOSALS FOR INCREASED INCOME****1. Homeless Accommodation - Hostel Licence Charges**

- 1.1 There are 17 HRA hostel premises providing 118 units of temporary accommodation. The rents for 2006/07 will range between £31.44 and £112.64 per week. This compares with the range in 2005/06 of between £30.55 per week and £110.91 per week. In addition an amenity charge of up to £8.50 per week will also be charged.
- 1.2 On multiple occupancy hostels, the Community, Housing and Adult Social Services Department is responsible for payments of the Council Tax (CT). In these cases, an additional charge has to be added to the rental to represent the CT payment. The charge is calculated to ensure that the CT cost of each hostel is fully covered. The CT charge made to tenants is included for Housing Benefit purposes.

2. North Circular Road Properties

Rents for North Circular Road properties have been calculated in the same way as for the Council's permanent housing stock. However for those North Circular Road properties that have been shortlived by Housing Associations, it is proposed to increase the rents charged to the Associations in line with the increase applied by Transport for London.

3. Garage Rents

- 3.1 There are 2 types of garages which are let to Council tenants, leaseholders and private tenants, wire cage (multi-storey block) and the standard lock-up.
- 3.2 A 'non Council tenant premium' is also charged on all lets to private tenants, and any Council tenant or leaseholder who rents more than 2 garages. It is proposed that the rents be increased by 3.2% in line with Government guidance. The proposed charges for 2006/07 are:

	2005/06 Weekly Net Rent £	2006/07 Suggeste d Net Rent £
Category (G1) Standard Lock-up Garages	7.11	7.34
Non Council tenant premium (NCTP)	1.88	1.94
Category (G0) Garages in multi-storey blocks	4.09	4.22

4. Communal Heating Charges

- 4.1 The Council has 1791 properties in 71 blocks of flats serviced by communal heating systems. The properties do not have individual metering. There are a mixture of electric, gas and oil fired systems but the charges for tenants (which are reviewed annually) are calculated on a pooled basis rather than on the cost of the fuel used by individual systems. Since 1996 leaseholders have

been charged a proportion of the actual cost of the fuel used in their blocks, calculated on the basis of individual property rateable values.

- 4.2 In 2006/07 the costs of gas and electricity will rise by 57% and 20% respectively. Based on this level of increase in fuel costs it is estimated that the heating charge will have to increase by 15%.

5. Private Sector Leased Properties and Bed & Breakfast Accommodation

- 5.1 In 2001/02 the Council reviewed its policy of pooling homelessness costs and concluded that the overall interests of homeless households and the Council were best served by retaining the policy of pooling homelessness costs and setting a single rent irrespective of accommodation type and size. The review also concluded that the rent should reflect the overall cost to the Council of providing temporary accommodation but it should not exceed the HB cap level because of the impact on homeless families and the fact that the collection of such sums above this amount would be unrealistic. However, with effect from April 2003 the Government introduced new subsidy arrangements for B&B accommodation, which meant that the Council would receive no benefit by setting rents for those properties above the HB threshold level.

- 5.2 The Housing Benefit threshold has remained at £223.51 so it is proposed that B&B rents remain at that level. However costs of homeless have increased slightly since the rents for PLA and PSL were set 4 years ago and the GF budget consultation contains proposals to increase these rents by £5 per week.

6. Community Alarm

Charges will be increased by 7%. For tenants in sheltered blocks this will mean an increase from £4.30 to £4.60 per week.

7. Summary of Charges

	2005/06 £	2006/07 £
Hostel licence charges	30.55 to 110.91	31.44 to 112.64
Garage rents		
G1 Standard lock up	7.11	7.34
Non Council Tenant Premium	1.88	1.94
G0 Garages in multi-storey blocks	4.09	4.27
Communal Heating	10.87 average	12.50 average
Private Sector Leased property	285.00	290.00
B&B	223.51	223.51

APPENDIX 3

ADMINISTRATION/MANAGEMENT CHARGE FOR LEASEHOLD UNITS

1. The administration and management charge is a flat rate added to the cost of services to cover the preparation of estimates and actual costs, billing consultation on repairs and improvement works and estate management.
2. It is estimated that at 31 March 2007 there will be 4585 sold flats.
3. At the end of each financial year, the actual cost is determined and an appropriate adjustment made to the charge.
4. The cost of administration and management for 2006/07 is estimated at £692,900 and it is, therefore, recommended that the charge for 2006/07 be fixed at £152 per leasehold unit. This compares with the 2005/06 charge of £143.00.

APPENDIX 4

EXAMPLES OF RENTS IN 2006/07

Type			Edmonton		West		East	
			2006/07 Rents		2006/07 Rents		2006/07 Rents	
			Actual	Formula	Actual	Formula	Actual	Formula
Bungalows		2 Bedroom	£67.72	£83.19	-	-	-	-
Houses		2 Bedroom	£75.84	£83.19	£78.20	£85.17	£73.50	£81.20
		3 Bedroom	£83.28	£90.32	£87.43	£96.26	£83.82	£88.33
		4 Bedroom	£91.44	£87.45	£102.82	£111.32	£94.51	£99.43
Flats	Low rise	1 Bedroom	£62.01	£66.15	£63.37	£68.13	£64.42	£64.47
		2 Bedroom	£65.00	£73.28	£77.19	£75.26	£69.34	£71.30
Flats	High rise	1 Bedroom	£57.24	£60.20	£63.48	£64.17	£58.86	£60.20
		2 Bedroom	£65.99	£67.33	£73.81	£71.30	£69.17	£67.33
Maisonette	Low rise	2 Bedroom	£71.68	£73.28	£74.02	£75.26	£70.10	£73.28
	High rise	2 Bedroom	£66.06	£67.33	-	-	-	-
Bedsits			£50.25	£57.04	£57.59	£62.98	£50.25	£57.04

The above are examples of the rents likely to be charged for specific properties in the areas indicated. They are not necessarily typical, nor the maximum or minimum rents which will be charged.

Service charges have been excluded, but will be payable in addition to the rent subject to the services provided to each property.

The rent calculation is a function of the formula rent (using the ODPM formula) and the existing 2005/06 net rent and is subject to various caps and limits.

APPENDIX 5

**SIGNIFICANT BUDGET CHANGES FOR 2006/07
BETWEEN FEBRUARY 2005 AND FEBRUARY 2006**

	£'000	£'000
Additional garage and shops rent		(98)
Inflation on repair costs		637
Reduction in depreciation		(88)
Additional dwelling rent income		(1,686)
Increase in Subsidy payment to Central Government		1,246
Irrecoverable admin costs associated with RTB		350
Increase in Leasehold service charges		(148)
Additional expenditure on Repairs Centre (Claverings)		90
Increase in inflation		341
Choice Based Lettings		80
Reduction in Rent Rebate Subsidy Limitation		(158)
Decrease in RTB mortgage interest		25
Reduction in cost of capital		(24)
Increase in rents, rates and other charges		(14)
General Budgets efficiency savings		(96)
Total costs identified at first rent setting meeting		457

Further savings/pressures identified:

Reconsideration of subsidy payment under Rent restructuring review	(435)	
Reconsideration of irrecoverable admin costs associated with RTB	90	
Interest on balances	(500)	
Review of inflation on repairs	(410)	
Additional inflation on Supervision & Management	(188)	
Review of dwelling rent income	(24)	
Increase in the income from shops and garages	(24)	
Review of cost of capital	(9)	
Increase in rent and service charges for Repairs Centre	59	
Reduction in Depreciation	(37)	
Review of RTB mortgage interest	(13)	(1,491)
		(1,034)

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MUNICIPAL YEAR 2005/2006 REPORT NO. 298

MEETING TITLE AND DATE:

Cabinet 8th February 2006
Council 22nd February 2006

Report of:

Director of Environment, Street
Scene and Parks

Agenda – Part: 1	Item: 13
Subject: Highway Maintenance Plan.	
Wards: All	
Cabinet Member consulted: Cllr. T. Neville	

Contact officer: Gary Barnes Tel 0208 379 3600 or e-mail gary.barnes@enfield.gov.uk

1.0 EXECUTIVE SUMMARY

This report deals with Enfield Council's Highway Maintenance Plan, which is available in the Members' Library.

The Highway Maintenance Plan sets out the background and legal duties for highway maintenance, identifies the main issues relating to network safety, serviceability and sustainability, and proposes an effective and objective mechanism for prioritising planned maintenance requirements in order to address customer service requirements.

2.0 RECOMMENDATIONS

It is recommended that Cabinet adopt the Highway Maintenance Plan.

3.0 BACKGROUND

- 3.1 The highway network is the largest and most visible community asset for which local authorities are responsible. It is used daily by the majority of people and is fundamental to the economic, social and environmental well being of the community. In order to fulfil its potential, it is therefore crucial that the highway network is adequately maintained.
- 3.2 The London Borough of Enfield is the Highway Authority for the borough road network. This comprises of 63.7km of Principal Roads and 506.6km of Non-Principal Roads as well as service/access roads, footway and footpaths and associated highway infrastructure elements such as highway structures, street lighting, street furniture etc.
- 3.3 Every highway authority is required by the Department for Transport to produce a Highway Asset Management Plan (HAMP), which sets out what it wants to achieve and how it intends to manage its highway network in the future. London Authorities are required to report on their progress through the Local Implementation Planning process. Enfield Council's Improvement plan for 2005/2008, 'Putting Enfield First', also contains an objective for the borough to produce a Highway Asset Management Plan.
- 3.4 The Highway Maintenance Plan will form part of Enfield's Highway Asset Management Plan. It sets out the background and legal duties for highway maintenance, identifies the main objectives relating to the management and maintenance of highways, and proposes an effective and objective mechanism for prioritising planned maintenance requirements.
- 3.5 The recently revised Code of Practice for Highway Maintenance Management called 'Well Maintained Highways' identifies the three main categories for consideration within a highway maintenance strategy as follows:
 - i) Network safety, dealing with compliance with statutory obligations and meeting the users' needs.
 - ii) Network serviceability, dealing with availability of the network, achieving integrity, maintaining reliability and enhancing the quality of the network.
 - iii) Network sustainability, which focuses on whole life costing, maximising the value to the community and maximising the contribution to the environment.
- 3.6 Enfield's Highway Maintenance Plan therefore aims to promote an 'asset management approach' to maintaining the highway network, seeking to address safety, serviceability and sustainability issues whilst aiming to meet users' needs.
- 3.7 The Highway Maintenance Plan describes Enfield's safety inspection regime, which has been developed in accordance with the previous

national best practice document for highway maintenance. Safety inspections are undertaken at intervals of either one month or six months, depending on the hierarchy of the road, footway or cycleway and defects are categorised according to the risk that they present to users of the highway. The intervention criteria that Enfield uses to assess whether remedial action should be taken is based on best practice and previous legal cases whilst having regard to affordability. Enfield's intervention levels are typically 25mm for tripping hazards on footways and 40mm deep potholes in carriageways, however the Plan makes it clear that professional judgement has to be used on a risk-based approach.

- 3.8 The Highway Maintenance Plan describes the approach that Enfield has used to prioritise planned highway maintenance schemes for the 2005/6 Borough Capital Programme. This has been based on the results of structural condition surveys which have then been adjusted to take into account a number of other factors relating to the highway hierarchy, safety inspection issues, transport, social, community and commercial considerations. The process provides an auditable and transparent method for developing a works programme based on clearly identified priorities. It is therefore proposed that the prioritisation process be adopted for the development of the programme for planned highway maintenance schemes for 2006/7 and subsequent years.
- 3.9 The prioritisation models for both carriageways and footways have been extracted from the Highway Maintenance Plan and are shown in Appendix 1.
- 3.10 The revised Code of Practice for Highway Maintenance Management contains comprehensive guidance and a set of recommendations to assist highway authorities to develop their asset management regimes over a period of time. Therefore the principles contained in this Highway Maintenance Plan will be reviewed and compared with the latest edition of the Code as part of the preparation of Enfield's Highway Asset Management Plan.
- 3.11 Officers will use existing highway maintenance working groups to ensure that Enfield's processes comply with industry standards and best value practices with the aim of achieving continuous improvement for the delivery of highway services.

4.0 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The highway Maintenance Plan contains processes for undertaking safety inspections, identifying highway defects, and prioritising and implementing remedial measures which have been proved in courts of law that Enfield is complying with its duty to maintain the highway network in accordance with the Highways Act. These processes will be continually reviewed as part of the HAMP, however adoption of an

alternative regime at the moment may not provide the same level of defence to this authority.

- 4.2 The Highway Maintenance Plan contains a process for prioritising planned highway maintenance schemes that has been piloted for the 2005/06 Borough Capital Programme. Alternative options for selecting schemes for treatment could include:
- i) treating specific areas of the borough in any one particular year;
 - ii) treating the busiest roads and footways first;
 - iii) treating the worst condition first with no regard to other issues;
 - iv) allocating maintenance funding to match highway improvement schemes.

None of the proposals i to iv above meet all the principles set out in the Highway Maintenance Plan.

5. REASONS FOR RECOMMENDATIONS

The Highway Maintenance Plan is considered to provide a robust regime for highway maintenance which is based on best value principles.

6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

6.1 Financial Implications

6.1.1 The Plan describes a recommended process for prioritising highway maintenance. It does not of itself commit the Council to a particular level of spend. Allocation of both capital and revenue resources to this service will continue to form part of the Council's ongoing budget planning processes.

6.2 Legal Implications

6.2.1 As Highway Authority, the Council has a statutory duty under Section 41 of Highways Act 1980 to maintain the roads for which it is responsible. In the event of any claim for breach of that duty it is a defence under the Act that the Council took all reasonable care in discharging its duty. The ability to demonstrate that the Council complies with national standards for the repair of highway defects clearly assists in demonstrating that the Council has done so.

7. PERFORMANCE MANAGEMENT IMPLICATIONS

7.1 The production of Enfield's Highway Asset Management Plan is an objective contained within the Council's Improvement Plan for 2005/2008

- 'Putting Enfield First'. The production of a Highway Maintenance Plan follows national best practice and will become an integral part of the Highway Asset Management Plan.

- 7.2 The following national and local performance indicators are relevant:
BVPI 223 - the condition of Principal Roads;
BVPI 224 – the condition of Non Principal Roads;
BVPI 187/LPSA 10 – the condition of category 1 and 2 footways;
ES PI 7 – dangerous damage repaired or made safe within 24 hours.

8. PUTTING ENFIELD FIRST

The maintenance and improvement of the borough's infrastructure contributes to the Council's Corporate strategy 'Putting Enfield First'.

Aim 1 - A Cleaner and Greener Enfield

Objective 1(b) - to upgrade and improve Enfield's roads and pavements

Action 1(b)(i) - to produce a Highway Asset Management Plan.

Seeking to address the transport problems of Enfield is consistent with "Putting Enfield First" aims to promote a fully integrated transport network and new solutions to manage and reduce traffic congestion, and to reduce road accidents especially among children.

Background Papers

'Maintaining A Vital Asset' – a publication produced by a working group led by the Department for Transport to introduce local authority members to highway asset management

Highway Maintenance Plan

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Table 1 – Core Carriageway Prioritisation Model

CRITERIA	SCORE
<u>Structural Condition</u> Information obtained from consultants' survey about the structural condition and treatment requirement of the roads (e.g. London Borough of Hammersmith and Fulham ROAD 2000 Survey and Scott Wilson Pavement Engineering UKPMS Survey). Ranking point maximum 100	up to 100
<u>Road Classification</u> Principal Road Classified Road Unclassified Road Service Roads	100 75 50 30
<u>Safety Inspection Factor</u> This is based on the Inspector's professional judgement of the condition of the road. The factors to be considered are the nature, extent and location of surface defects. The modes of deterioration are:- Flexible/Composite Carriageway <ul style="list-style-type: none"> • Whole carriageway minor deterioration • Whole carriageway major deterioration • Loss of Skid resistance • Edge deterioration • Wheel track rutting • Adverse camber • Surface Irregularity • Ponding Rigid Carriageway <ul style="list-style-type: none"> • Spalled joints • Cracking of slabs • Rocking and settled slabs • Surface spalling • Surfacing crazing • Differential movement 	Up to 5 Up to 20 Up to 20 Up to 10 Up to 10 Up to 15 Up to 20 Up to 10 Up to 10 Up to 15 Up to 20 Up to 20 Up to 15 Up to 15
<u>Transport Related Factor</u> <ul style="list-style-type: none"> • Bus Routes • Underground /Train Stations • Emergency Services • Cycle way on carriageway 	10 5 15 10
<u>Social/Community/Commercial Factors</u> <ul style="list-style-type: none"> • Educational Establishments – School • Educational Establishments – Colleges • Safer Routes to School /Crossing Petrol • Shopping Areas • Residential Homes • Hospitals • Public Buildings /Areas (Leisure Centres, Cinemas, Civic Amenities, Parks and Open Spaces) • Industrial Areas 	10 5 5 10 5 5 5 10

Table 2 – Core Footway Prioritisation Model

CRITERIA	SCORE
Structural Condition	
Information obtained from consultants' survey about the structural condition and the recommended treatment of the footway (e.g. London Borough of Hammersmith and Fulham ROAD 2000 Survey and Scott Wilson Pavement Engineering UKPMS Survey). Ranking point maximum 75	up to 75
Footway Category	
Category 1 : Main Shopping Centres Pedestrian Areas adjacent to Hospitals, Stations and Underground Stations	100
Category 2 : Medium Usage Routes Local Shopping Centres Adjacent to Schools, Colleges and Libraries.	75
Category 3 : Linking Local Access footways Industrial Areas	
Category 4 : Low usage Urban footways Little used Rural footways	50
	25
Safety Inspection Factor	
This is based on the Inspectors professional judgement of the condition of the road. The factors to be considered are the nature, extent and location of surface deterioration of the footway. The main modes of deterioration are:-	
Footway	
• Projections (Trips)	Up to 20
• Dangerously rocking flags	Up to 25
• Cracks or gaps between flags	Up to 15
• Potholes	Up to 20
• Surface irregularity	Up to 10
• Slippery surfaces	Up to 10
Kerbing	
• Loss of upstand	Up to 25
• Broken	Up to 5
• Spalled	Up to 10
• Badly aligned	Up to 15
• Badly tilted i.e more than 1 in 12	Up to 10
• Sunken channel, blocks or setts	Up to 10
Transport Related Factor	
• Bus Routes	10
• Underground /Train Stations	5
• Cycle way on footway	15

MUNICIPAL YEAR 2005/2006 REPORT NO.**MEETING TITLE AND DATE:**

Council
22nd February 2006

-

REPORT OF:

Director of Finance and Corporate
Resources.

Contact officer and telephone number:
Ian Sadler.
Ext 4644

Agenda - Part: 1	Item: 10
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<p>Subject: Contract Procedure Rules.</p>
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<p>Wards:</p>

<p>Cabinet Member consulted: Cllr. Michael Lavender.</p>

1. EXECUTIVE SUMMARY

All Councils are required to have in place a set of rules which govern and control the contracting policies of the Council. Enfield meets this requirement through its Contract Procedure Rules (CPR) which are contained within the Constitution.

Best practice however dictates that the CPR are kept under review and to this end a revised set of Contract Procedure Rules have been produced and are contained within this report.

This report describes the process by which the CPR have been redrafted and the reasons for the proposed changes

These revised rules were approved by the Audit Committee at it's meeting on 17th January 2006 and by the Constitution Review Group at its meeting on 9th February 2006.

2. RECOMMENDATIONS

1. That Council approve the revised CPR in the attached document and the revised CPR will then be implemented with effect from 1st April 2006.

3. BACKGROUND

- 3.1 Local Authorities are required by the Local Government Act 1972 (S135) to provide Standing Orders with respect to the making of contracts for the supply of goods and or materials or the execution of works.
- 3.2 This Council meets the requirement by having a set of Contract Procedure Rules included within the Constitution.
However best practice also requires that these rules are kept under periodic review and revised as necessary from time to time. Indeed the CPA “use of resources” assessment looks to ensure that this happens at least annually.
- 3.3 A corporate working group containing representatives from each Department within the Council has been meeting for the purpose of revising the Contract Procedure Rules.
This process has latterly been led by the Central procurement team.
- 3.4 Attached to this report as appendix 1 is a draft copy of the revised CPR.
- 3.5 The opportunity has been taken to completely rewrite the rules in a format which is easier to understand, in so far as it contains less jargon and is written in clear language. The rewrite is based upon research across other local authorities in order to achieve the best practice.
- 3.6 In order to improve the understanding of these CPR a glossary of terms used is attached. It is intended to produce a guidance manual in order to assist people with the use of the CPR in practical situations.
- 3.7 The financial thresholds contained within the rules have been reviewed to ensure that they are in line with the average financial thresholds, for similar transactions across London authorities. It is intended that these levels are reviewed on a an annual basis in order that they remain at a level which provides for the maximum flexibility, but also ensures that control is still firmly maintained.
- Appendix 2 to this report tabulates the changes which are proposed to the main financial limits contained within the CPR.
- 3.8 Local Authorities are now being actively encouraged to enter into partnering arrangements on a number of fronts, working with the voluntary sector right across the spectrum to partnering arrangements in the construction industry. The creation of these partnerships is clearly a form of procurement which in all case will be executed in accordance with the CPR.
- 3.9 At one level the activity of partnering is a different type of contract so these rules have been written with the greatest degree of flexibility included which will enable all types of contracts to be procured. However recognising the significance of this type of activity a set pf partnership

procedure rules are being developed which will also be submitted to this committee and Council in order to govern this type of activity.

3.10 These partnership rules will ensure that partnerships are procured and governed in a secure and appropriate manner. In many cases the governance of the partnerships will be as significant as the procurement.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 There are no alternative options to consider as the Council is required to maintain such a set of rules. The Council has complete discretion as to the contents of the CPR.

5. REASONS FOR RECOMMENDATIONS

5.1 The final approval of these rules by Council is required by legislation. However the terms of reference of the Audit committee give it responsibility for these rules and the Constitution Review Group has a wide ranging responsibility for the Constitution, consequently that group need to see the CPR prior to them being submitted to Council

6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

6.1 Financial Implications

6.1.1 There are no specific financial implications arising from this report.

6.2 Legal Implications

6.2.1 Local Authorities are required by the Local Government Act 1972 (S135) to provide Standing Orders with respect to the making of contracts for the supply of goods and or materials or the execution of works.

6.2.2 This Council meets that requirement by having Contract Procedure Rules within its Constitution.

6.2.3. Legal Services have been consulted throughout the review of contract procedure rules.

6.3 Property Implications

There are no property implications since there are separate property procedure rules which control the management of Council Property.

6.4 Internal Audit

The internal audit section has been involved in reviewing the draft CPR as they have been developed and have made a number of suggestions that have been incorporated into this final version. Clearly the increased flexibility given to Directors, they can now authorise waivers of CPR on their own behalf rather than through the Director of Finance and Corporate Resources and the increase in financial thresholds can be viewed as increasing the risk to the Council.

Full training on these revised CPR will be given to Directors and their staff by officers from Internal Audit, Central Procurement, Legal Services and Democratic Services. This training will highlight the increased responsibilities as well as the increased flexibility.

A risk assessment suggests that these are sufficient controls within the new arrangements to safeguard the Council's interests without a significant increase in risk.

7. PERFORMANCE MANAGEMENT IMPLICATIONS

Having such rules will assist the performance management of the Council by ensuring that all procurement is undertaken in a uniform manner and consequently the purchasing performance of the Council can be measured. Furthermore all procurement will be undertaken in a transparent manner which will be sufficiently robust to withstand external scrutiny

8. PUTTING ENFIELD FIRST

These rules ensure that procurement is carried out in a way that complies with all legislation and also ensures that best value is achieved. Consequently this will support the delivery of excellent services by the borough since it will ensure that the goods and services are procured in an effective manner.

Background Papers

Constitution of the London Borough of Enfield.

London Borough of Enfield



CONTRACT PROCEDURE RULES

DRAFT V0.8

Issue Date: February 2006

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SECTION 1 - INTRODUCTION AND PURPOSE

1.1 Primary Objectives

The Contract Procedure Rules set out the regulations that must be followed by *the Council* when it procures goods, services and works.

The rules have 4 primary objectives:

- (a) To ensure that the Council obtains value for money and fulfils the duty of achieving Best Value as defined in Section 3 of the Local Government Act 2003.
- (b) To ensure that the Council complies with English law and European law in force in England that governs the procurement of goods, services and works.
- (c) To establish procurement procedures which, when followed, should protect Members and officers of the Council from any allegation of acting unfairly or unlawfully which may be made in connection with any procurement by the Council of goods, services, or works.
- (d) To ensure that any risks associated with entering into the contract are assessed as part of the procurement process.

These Contract Procedure Rules form part of the Council's Constitution.

1.2 General Principles

Before any contract is made, there must be:

- (a) The proper authority of the Council in accordance with the processes set out in the Constitution or local scheme of delegation.
- (b) Adequate budgetary provision for the purpose.
- (c) Compliance with the procedure for taking key decisions as provided in the Cabinet Procedure Rules (Chapter 4.3 of Constitution) and the Access to Information Procedure Rules (Chapter 4.6 of Constitution)

1.3 Scope of Contract Procedure Rules

- 1.3.1 These rules apply to all procurement by the Council unless any such procurement is expressly excepted under these Rules, or subject to an exemption. (see 1.4 and Appendix A)

1.3.2 The rules apply to all procurement activity including:

- (a) **Spot/Defined Contracts** that are for a defined requirement for a firm price, normally a single purchase of goods or services.
- (b) **Call off contracts** that cover a list of defined products or services where the price structure is defined.
- (c) **Framework contracts** where the overall terms and conditions are agreed but the cost of each call off will vary dependent upon the requirement.
- (d) **Works Contracts** where contracts are let by public authorities for civil engineering and building works and works concession contracts
- (e) Any **consultants** used by the Council shall be appointed in accordance with these contract procedure rules.
- (f) **Partnering contracts**, which may be developed for specific activities, will also be subject to these rules.

1.3.3 If there is any change to English law or European law in force in England, which affects these rules, then that change must be observed until these rules can be revised. If these rules conflict in any way with English law or European law in force in England then that legislation takes precedence.

1.3.4 All contracts must be managed in accordance with the Financial Regulations relating to contracts, which may be found in the Constitution.

1.4 Exemptions and Exceptions

1.4.1 Unless a Contract falls within the list of general exceptions set out in Appendix A it can only be exempted from these Rules by an application for a 'Waiver'

1.4.2 Any individual provision within these Contract Procedure Rules may be waived so long as this will not lead to a breach of EU and UK regulations.

1.4.3 The appropriate Service Director, who may seek advice from Legal, Audit or CPT or consult with the relevant Portfolio Holder, may grant a waiver relating to contracts. Service Directors must ensure that any waiver will not breach EU and UK regulation before granting permission to waive Contract Procedure Rules.

- 1.4.4 Each Service Director will be responsible for maintaining records on all requests for a waiver and the decision made. They shall forward a copy of the waiver form to the Director of Finance & Corporate Resources. A 'Waiver Request Form' can be found on the Procurement Intranet site.
- 1.4.5 The Director of Finance and Corporate Resources will, on a bi-annual basis, provide a detailed report to the audit committee for any waiver, prepared by the Service Director, where the contract value is in excess of £100,000.

1.5 Officer Responsibilities

- 1.5.1 Each Director is responsible for purchasing within their service department and has the responsibility for ensuring compliance with these Rules, the *Financial Regulations* and all UK and European Legislation in force in England within that department.
- 1.5.2 Through the scheme of delegation this authority may be passed down to officers within each department. See section 1.6
- 1.5.3 An officer responsible for managing any contract must comply with the Council's *Code of Conduct* and the Council's *Strategy for the Prevention and Detection of Fraud and Corruption* and must not invite or accept any gift or reward in respect of the award or performance of any contract.
- 1.5.4 The officer must have regard to current guidance provided by the CPT and Legal Services and the principles of the *Council's Procurement Strategy*.
- 1.5.5 The Officer must establish if an existing *Approved Contract* exists before seeking to let another contract. This approved contract must be used unless there is an overriding reason not to. Where a non-approved contract is requested, this must be approved by the CPT.
- 1.5.6 The Officer must consult with the CPT prior to commencing any tendering activity where the contract value is anticipated to be greater than the *EU Threshold*. See also Section 2.1.4
- 1.5.7 The officer must ensure that agents, including consultants, acting on their behalf also comply with these rules.
- 1.5.8 The officer must ensure that when any employee or contractor arrangement may be affected by any transfer arrangement, such as Transfer of Undertaking Protection of Employment

(TUPE) that advice is obtained from the CPT and Legal Services before proceeding with inviting tenders or quotations.

1.6 Delegated Authority

1.6.1 Any procurement carried out on behalf of *the Council* may only be undertaken by officers with the appropriate delegated authority to carry out such tasks. This delegation must be included in the current scheme of delegation.

1.6.2 A copy of the scheme of delegation must be kept by each Director and reviewed at least annually.

1.7 Review and Amendment of Contract Procedure Rules

1.7.1 These contract procedure rules shall be reviewed and updated on a regular basis, not less than annually, by CPT in conjunction with Audit and CPR consultation team. Amended contract procedure rules shall be agreed and adopted by the full Council, as recommended by the Audit Committee.

SECTION 2 - PROCEDURE BY VALUE OF REQUIREMENT

2.1 General Principles

2.1.1. Obtaining *best value* is an underlying principle of these CPRs. The complexity of the procurement procedures that must be followed will vary depending on the value and risk.

2.1.2. The *total value* of the procurement is defined as the total anticipated contract/purchase value and this will be calculated as follows:

- (a) Where the contract is a capital or one-off purchase or for a fixed period, by taking the total price to be paid or which might be paid during the whole of the period;
- (b) Where the purchase involves recurrent transactions for the same type of items, by aggregating the value of those transactions over the contract period;
- (c) Where the total contract value over the full duration of the contract (not just the annual value) is uncertain, by multiplying the monthly payment by 48;

(d) For framework agreements and call off contracts with no guaranteed commitment the contract value will be the estimated value of call off's over the full duration of the contract;

(e) Where an in house service provider is involved, by taking into account redundancy and similar / associated costs.

(f) Where a partnering arrangement is to be put in place the total value of the likely partnership.

2.1.3. The value must be calculated in pounds sterling exclusive of Value Added Tax.

2.1.4. Contracts must not be artificially under or over estimated or divided into two or more separate contracts where the effect is to avoid the application of Contract Procedure Rules or EU Legislation.

2.1.5. The Council should make the best use of its purchasing power by aggregating purchases wherever practical.

2.1.6. A summary of the process and responsibilities can be found at Appendix B.

2.2 Low Value Transactions

2.2.1. Defined as transactions valued at or below £5,000 for goods or services, (or below £10,000 for works) that cannot be obtained via an existing Approved Contract.

2.2.2. Whilst obtaining value for money remains the primary objective multiple quotations need not be obtained provided compliance with this objective can be demonstrated.

2.2.3. For requirements under £1,000 a verbal quotation is sufficient.

2.2.4. A *written quotation* must be obtained for requirements over £1,000 before any order is processed and this must specify:

(a) The goods, services or works to be supplied;

(b) Where and when they are to be supplied;

(c) The value of the transaction;

(d) The Terms and Conditions including Payment Terms;

2.2.5. In the case of Works Contracts and Consultancy Contracts the use of pre agreed hourly/day rates is acceptable.

2.3 Intermediate Value Transactions below Formal Tender Threshold

- 2.3.1. Defined as transactions for goods or services valued at or over £5,000 (£10,000 for Works) but below £50,000 that cannot be obtained via an existing Approved Contract.
- 2.3.2. The criteria for selecting the most advantageous quotation must be established before the written quotations are invited.
- 2.3.3. At least 3 comparable written quotations must be sought.
- 2.3.4. If less than 3 potential *suppliers* can be identified seek approval to proceed using the Waiver Request Form (Appendix B).

2.4 Call Off from existing Approved Contracts

- 2.4.1. Where the requirement can be satisfied from an existing Approved Contract then the order will be considered an Exception to these rules as long as the call off arrangements defined within the individual contract are followed.

2.5 High Value Transactions

- 2.5.1. Defined as transactions for goods, services or works valued at or over the formal tender threshold of £50,000 but below the relevant current EU Threshold.
- 2.5.2. The formal tender process applies as set out in Section 3.

2.6 Requirements over EU Threshold

- 2.6.1. Defined as intended purchases for goods, services and works that exceeds the current EU Threshold.
- 2.6.2. Where the anticipated value of the contract exceeds the current EU Threshold¹ then the formal advice of the CPT should be sought prior to any tendering activity commencing.
- 2.6.3. All contracts that exceed £250,000 or which have a significant impact on the local community must be included on the Forward Plan.

¹ Available on the Procurement Intranet site.

- 2.6.4. All planned contracts where the value exceeds the current EU Threshold must be reported to the CPT.
- 2.6.5. All *EU Notices* will be published centrally by the CPT and sufficient time must be built into the planning process for requirements subject to EU Procurement Procedures.
- 2.6.6. Any tender activity following the EU Procurement Procedures must adhere to the award process defined in the notice.

SECTION 3 - COMMON TENDERING PRINCIPLES

3.1 Creation of Standing Lists

- 3.1.1. The use of and process for establishing and maintaining standing (approved) lists must be approved by the CPT prior to the creation of the list.
- 3.1.2. Unless the contract is one that is covered by the EU regulations, or where there is an existing framework agreement, the appropriate standing (approved) list must be used.
- 3.1.3. Standing lists shall be reviewed every two years.
- 3.1.4. Under current Housing Leaseholder Legislation (Leaseholder Reform Bill, 2003) leaseholders can nominate contractors for inclusion on a tender list, if their home is affected by the contract concerned. A tender from that contractor must be sought, if the tenderer agrees to bid.
- 3.1.5. Where works are being undertaken on behalf of schools the contractors invited to tender shall be agreed with the schools.

3.2 Tendering via a Standing List

- 3.2.1. At least 3 suppliers on the standing list must be invited to tender. In the event that fewer than 3 capable providers can be identified then either a full tender process should be undertaken or approval via a waiver must be sought. .
- 3.2.2 The selection of potential tenderers from the standing list must be made using *pre determined objective selection criteria* that must be documented.

3.3 Framework Agreements

- 3.3.1 Where the Council is able to call off from existing Framework agreements procured by central government agencies, other public sector bodies or the Council itself, then the Council may benefit from using those agreements without entering into a separate procurement.
- 3.3.2 The process for establishing and maintaining a Framework Agreement must be approved by the CPT and Legal Services prior to the creation of the Framework.
- 3.3.3 When procuring from (calling-off) a Framework agreement the Authorised officer must adhere to the process set out under the existing Framework agreement terms and should seek advice from CPT and Legal Services if in any doubt.

3.4 Joint Procurement

- 3.4.1 CPT shall approve any joint procurement arrangements with other Local authorities or public bodies including membership or use of Purchasing Consortia prior to the commencement of any procurement on behalf of the Council.
- 3.4.2 All joint procurement arrangements shall be compliant with the legislation relating to public sector procurement and shall be open to participation by LBE.

3.5 Advertising

- 3.5.1 All requirements over £50,000 must be publicly advertised through at least two of the following
 - (a) Publication of an OJEU notice, where appropriate;
 - (b) Publication on the LBE website;
 - (c) Publication in a dedicated contracts publication approved by CPT such as Contrax Weekly;
 - (d) Advertisement in the local press
 - (e) Advertisement in a relevant trade journal.

3.6 Pre-qualification

- 3.6.1 Unless the contract is one, which is covered by the EU regulations, or where there is an existing Framework agreement, the appropriate Standing List of approved suppliers must be used.

- 3.6.2 Non *EU notices*, no matter how transacted, must specify a time limit of not less than 10 working days, within which interested parties must express their interest in tendering.
- 3.6.3 Establish and publish the criteria for short listing.
- 3.6.4 After the expiry of the advertised time limit, invitations to tender should be despatched to a shortlist of interested parties assessed to be the most suitable from the expressions of interest measured against the stated criteria.

3.7 Pre-Tender Market Research and Consultation

- 3.7.1 Officers may review the market for a proposed procurement through discussions with suppliers and other research; but may not:
 - (a) Base any specification on one supplier's offering such as to distort competition;
 - (b) Make any indication or commitment to suppliers that their offering may be preferred by the Council;
 - (c) Suggest any procurement route which is not consistent with these rules;
 - (d) Enter into negotiations about price where a competitive procurement process has yet to take place.

3.8 The Invitation to Tender

- 3.8.1 At least 3 suppliers must be invited to tender, unless there is overriding business or legal justification that this is not required and in these circumstances an Exemption must be sought.
- 3.8.2 The specification and evaluation criteria must take into account the Council's priorities regarding Equality, Sustainable Procurement, Health and Safety and Value for Money.
- 3.8.3 The specification for the requirement must be adequate and fair to allow tenders to be sought and fit for purpose.
- 3.8.4 There must be an assessment of the quality of both tenderers and tenders by pre determined non-discriminatory evaluation criteria and weightings, including whole life cycle cost where appropriate.
- 3.8.5 The risks associated with the contract must be assessed.
- 3.8.6 A tender file must be maintained to record all matters associated with the tender.
- 3.8.7 The standard terms and conditions, which apply, must be stipulated. Where it is proposed that a form of contract be used,

which does not adopt the Council's *approved standard terms or industry standard terms such as JCT or ICE*; the use of such form must be approved by the Borough Solicitor.

- 3.8.8 The tender must explain how information provided in the tender will be treated with regard to statutory requirements.
- 3.8.9 Non EU Threshold Tenderers must be given adequate time to respond, consistent with the level of complexity of the requirement and, except where the industry norm is otherwise, this should be a minimum of 15 working days.
- 3.8.10 The Invitation to Tender must request that the tender is submitted in a plain envelope or package bearing a tender label giving only the tender title and opening date. The tender label must not identify the name of the tenderer.
- 3.8.11 Tenderers must be required to hold their tenders open for acceptance for a minimum of 90 days from the date of opening.
- 3.8.12 Invitations to tender must include a statement that the Council does not bind itself to accept the lowest tender or any other tender.
- 3.8.13 Details of expected tenders must be notified to the CPT at least 5 days prior to the tender opening date using the Tender Control Form on the Procurement Intranet site.

3.9 Receipt of Tenders

- 3.9.1 Every reply to an Invitation to Tender must be addressed to the Director of Finance & Corporate Resources using the yellow return address label.
- 3.9.2 Tenders submitted by fax, e-mail or other electronic means will not be considered unless specifically instructed by LBE in the Invitation to Tender. (This embargo may be changed in due course with the deployment of e-commerce.)
- 3.9.3 Tender packets or envelopes received must be date stamped and locked away until the specified time for their opening.

3.10 Tender Opening

- 3.10.1 The CPT or their nominee and at least one other officer must be present during the opening of the tender.
- 3.10.2 The CPT must ensure that all Tenders are opened at the same time when the period for their submission has ended.

- 3.10.3 A record of the tenders must be logged on the Tender Monitoring Form available on the Procurement Intranet site.
- 3.10.4 The opened tenders must be date stamped and signed by the two officers at the time of opening on the page containing the overall contract value, alternatively on the pages containing the price information, where no overall value is quoted.
- 3.10.5 Tenders should be opened within 24 hours of the closing date and time.
- 3.10.6 Tenderers must be informed that tenders received after the closing date or tenders not submitted in accordance with these Rules will be disqualified from consideration.
- 3.10.7 Late tenders received before all the other tenders have been opened may only be considered where the Service Director's permission is given. Advice may be sought from CPT or Legal Services.
- 3.10.8 Tenders which do not meet the requirements of contract procedure rule 3.10.7 may only be considered if:
- a) the failure to comply is the Council's fault.
 - b) the tender is late and it is clear without any contact with the tenderer that the tender was sent in such a way that in the normal course of events it would have arrived on time.
 - c) the Authorised officer is notified in advance.
- 3.10.9 A record of the tender opening must be signed and retained by CPT and the Authorised Officer responsible for the procurement.
- 3.10.10 An original version of the accepted tender must be retained in accordance with the Corporate Retention Schedule or for a minimum period of six years.

3.11 Errors in Tenders

- 3.11.1 The appropriate Service Director, with the prior approval of the Head of Legal Services, may permit a tenderer to correct an error or omission that, in the opinion of the Service Director, is an obvious one. Any such corrections will be recorded on the tender file.
- 3.11.2 Where financial error is identified in a tender for Works contracts the tenderer is required to standby or withdraw their tender in accordance with the principles of Alternative 1 of JCT Series 2 Practice Note 6 Main Contract Tendering or any re-enactment thereof. This is applicable for single stage tenders or quotes where the evaluation criteria is lowest price.

3.12 Tender Evaluation

- 3.12.1 Tenders must be assessed in accordance with the pre-determined evaluation criteria and weightings.
- 3.12.2 The results of the tender evaluation must be retained on the tender file
- 3.12.3 A *financial reference* should be taken up for all contracts with an anticipated value of over £100,000, which are not currently on a Standing List or Framework Agreement.

3.13 Negotiation

- 3.13.1 Officers may only carry out negotiations if:
 - (a) the tender is to be a single or multiple negotiated tender (and a waiver of these rules has been granted);
 - (b) the tender is above the EU thresholds and is in accordance with the EU requirements for a Negotiated tender (and a waiver of these rules has been granted);
 - (c) they are post tender negotiations in accordance with the rules set out below.
- 3.13.2 Where a competitive tender exercise cannot be carried out in accordance with the Councils Contract Procedure Rules, a single or multiple negotiated tender exercise may only be sought if a waiver of Contract Procedure Rules has been granted first. This negotiated process should only be used in exceptional circumstances.
- 3.13.3 Where procurement is conducted through either the Open or Restricted procedures within the EU Regulations no negotiations are permitted (including post tender negotiations), which may have the effect of distorting competition (for example fundamental changes to aspects of the contract, including prices changes and variations to the authorities requirements).
- 3.13.4 The authority may seek clarification from Supplier on their tender where appropriate.
- 3.13.5 Post-tender negotiations may only be entered into if the tender documents provide advance notice of this intention and the basis upon which the post tender negotiations will take place. This notification must be clear in the tender documents.

- 3.13.6 The Service Director must provide written approval for negotiations to be entered into.
- 3.13.7 Negotiations are to be conducted with all tenderers, unless there are clear reasons for excluding one or more tenderers. The reasons for any exclusions must be clear and, with regards post tender negotiations, the reasons must have been made clear in the tender documentation.
- 3.13.8 Where dialogue with tenderers is permitted, negotiations shall be conducted by a team of at least two officers, at least one of whom shall be from the CPT unless agreed otherwise in advance by the CPT.
- 3.13.9 Written records must be made and retained of all negotiations.
- 3.13.10 If an officer is in doubt on any negotiations, they should contact CPT and Legal Services for guidance.

3.14 Award of Contracts

- 3.14.1 A contract may only be awarded by an *Authorised Officer* with the requisite delegated authority to award contracts.
- 3.14.2 All contracts awarded with a value of over £30,000 must be reported to and recorded on the *CPT Contract Register* by the authorised Officer.
- 3.14.3 Where a contract award represents a Key Decision under the Council's Constitution, then the Council's Key Decision Making process must be used, as described in the Constitution.
- 3.14.4 For contracts subject to the full scope of the EU Directives, Officers must notify all tenderers of the intended award of contract, using the Proposed Award of Contract form found on the Procurement Intranet site, and must allow a minimum standstill of 10 calendar days between notification of a proposed award and entering into a contractually binding agreement. Officers may not make an award of contract, nor a conditional award of contract, until this standstill period has expired.
- 3.14.5 Where a contract exceeding the EU Threshold has been awarded CPT shall be informed with the details so that a Contract Award Notice can be published in OJEU no later than 48 days after the date of award of the contract.

3.15 Notification to Unsuccessful Tenderers

- 3.15.1 Following contract award, unsuccessful tenderers must be notified in writing by the Authorised Officer responsible for the procurement.
- 3.15.2 The Authorised Officer responsible for the procurement shall provide a debriefing to unsuccessful tenderers on written request from the contractor.
- 3.15.3 For EU Threshold contracts the Authorised Officer shall, within 15 days of receipt of a request in writing from the contractor, inform them of the reasons why they were unsuccessful.

3.16 Procurement by Consultants

- 3.16.1 Where the Council uses consultants to act on its behalf in relation to any procurement, then the Authorised Officer shall ensure that the consultants carry out any procurement in accordance with these contract procurement rules.
- 3.16.2 No Consultant shall make any decision on whether to award a contract or whom a contract should be awarded to unless specifically empowered to do so in writing by an an Officer or body authorised to confer that power.
- 3.16.3 The Authorised Officer shall ensure that the consultant's performance is monitored.

3.17 Statistical Returns

- 3.17.1 Each year the CPT shall make a statistical return to ODPM for onward transmission to the European Commission concerning the contracts awarded by the Council during the year under the European rules.

3.18 Contract Extension

- 3.18.1 Any contract which provides for (an) extension(s) may be extended in accordance with its terms subject to any necessary authorisation within the scheme of delegation.
- 3.18.2 The CPT and Legal Services must be advised of any intention to extend a contract
- 3.18.3 Where the terms of the contract do not expressly provide for an extension a waiver is required and are subject to any necessary

authorisation within the scheme of delegation. These should only be extended in exceptional circumstances and advice must be sought from CPT and Legal Services.

3.19 Termination of Contract

3.19.1 Termination of any contract may be carried out by the Authorised officer in accordance with the terms of that contract. However advice must be sought from the Head of Legal Services prior to termination.

SECTION 4 - CONTRACT AND OTHER FOMALITIES

4.1 Contract Documents

4.1.1. All Contracts must be in writing in a form approved by the Borough Solicitor.

4.1.2. Where the contract is for a value of up to £50,000, the use of a Purchase Order is an acceptable form of contract, which must make reference to the quotation and terms agreed.

4.1.3. Every Contract over £50,000 must, as a minimum, state clearly:

(a) description of the goods required or the scope of works or services to be provided;

(b) that the supplier may not assign or sub-contract without prior written consent;

(c) any insurance requirements;

(d) ombudsman requirements;

(e) requirements relating to legislative requirements;

(f) that charter standards are to be met if relevant;

(g) compliance with the law on health and safety at work;

(h) race relations, disability, anti-discrimination and equalities requirements;

(i) a right of access to relevant documentation and records of the contractor for monitoring and audit purposes, if relevant;

(j) pricing mechanism and arrangements for payment;

- (k) rights of termination;
- (l) protection against the contractor's defective performance by default provisions which are appropriate to the contract;
- (m) the contract period.

4.1.4. Acceptance of any contract over £50,000 would be the subject of at least a Delegated Action Report. Any such report must include legal, financial, property, performance and procurement implications.

4.1.5. The formal advice of the CPT (who may refer to Head of Legal Services) must be sought prior to award for the following contracts:

- (a) where the total value exceeds the EU Threshold.
- (b) those involving leasing arrangements.
- (c) those which are complex or involve a recognisable risk.
- (d) where it is an extension or variation to an existing contract that will bring the overall value over the EU Threshold.
- (e) where invoice payments are made to finance or factoring companies

4.1.6. Contract documents must be retained in accordance with the Corporate Retention Schedule or for a minimum period of six years from the contract end date and, if under seal (see para 4.5), for a period of twelve years.

4.2 Contract formalities

4.2.1. Agreements must be completed as follows:

TOTAL VALUE	METHOD OF COMPLETION	BY
Up to £50,000 (See 4.1.2)	Signature Use of Purchase Order or Written Contract for complex requirements	Officer with appropriate authority to enter into a contract (paragraph 4.4).

Over £50,000 but under EU Threshold where sealing is not appropriate (See 4.1.3)	Signature on Written Contract	Head of Department or Officer with appropriate authority to enter into a contract (paragraph 4.4).
£250,000 or above and contracts having a significant impact on the local community (see 3.13.3)	Signature on Written Contract	Key decision maker
Over EU Threshold (See 4.1.5)	Signature on Written Contract	Head of Department with appropriate authority, once the appropriate Cabinet Member has been consulted.
Contracts for sealing	Sealing	See paragraph 4.5.

4.2.2. All contracts for the supply of goods and services must be concluded before the supply begins, except in exceptional circumstances, and then only with the written consent of Legal Services.

4.3 Letters of Intent

4.3.1 In exceptional circumstances and with the prior approval of the Borough Solicitor a letter of acceptance can be issued to allow work to commence in advance of contract completion.

4.3.2 In the case of Works Contracts a tender acceptance letter in a form approved by the Borough Solicitor is acceptable in order to allow work to commence, although the issue of a formal contract must follow without delay.

4.4 Signature

4.4.1 The Officer responsible for signing the contract must have been granted the appropriate authority under the scheme of delegation and ensure that the person signing for the other contracting party has authority to bind it.

4.4.2 In the case of contracts for commissioning of care services, where the total value of the contract is not known, the officer responsible must have been granted authority to enter into commissioning contracts.

4.5 Sealing

4.5.1 A contract must be sealed where:

- a) the Council wishes to enforce the contract for more than six years after its end (e.g. for land or construction works); or
- b) the price paid or received under the contract is a nominal price and does not reflect the value of the goods or services; or
- c) a *bond* is established on behalf of the contractor(s) or their guarantors; or
- d) it is required by parties to the agreement; or
- e) the total value exceeds £250,000.

4.5.2 Where contracts are completed by each side adding their common seal, the affixing must be attested by or on behalf of the Head of Legal Services. The Head of Legal Services is responsible for the process of sealing contracts.

4.6 Bonds and Parent Company Guarantees

4.6.1 For every contract over £250,000 a *Parent Company Guarantee* or *Performance Bond* shall be required unless agreed otherwise with the Director of Finance and Corporate Resources.

4.6.2 The Council must never give a bond.

4.7 Prevention of Corruption

4.7.1 The officer responsible for the contract must comply with the *Council Code of Conduct* and the Council's *Strategy for the Prevention and Detection of Fraud and Corruption* and must not invite or accept any gift or reward in respect of the award or performance of any contract.

4.7.2 All contracts must contain an appropriate clause that provides protection and the right to terminate the contract in the event of a supplier offering any inducement, committing fraud or committing an offence under the Prevention of Corruption Acts.

4.8 Declaration of Interests

4.8.1. If it comes to the knowledge of a member or an officer of the Council that a contract in which he or she has a pecuniary interest has been or is proposed to be entered into by the

Council, he or she shall immediately give written notice to the Monitoring Officer and record it on the register of interests.

SECTION 5 - CONTRACT MANAGEMENT

5.1 Managing Contracts

- 5.1.1 Contract management is the process that enables both parties to the contract to meet their obligations in order to deliver the outputs required from the contract. It involves building a good working relationship between the Authority and the Supplier. It continues throughout the life of the contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise.
- 5.1.2 The key objective of contract management is to obtain goods and/or services as agreed in the contract and to achieve value for money. This involves balancing costs against risks and actively managing the customer-provider relationship. It also involves developing the supplier's continuous improvement capability over the life of the contract.
- 5.1.3 All contracts over the value of £50,000 and those of a complex nature below this value must have a designated Contract Manager whose name should be notified to the Supplier. Likewise, the Supplier must have a designated Contract Manager whose name is notified to the Authority. These resources must be identified and agreed before the contract is awarded.

Glossary of Terms

Approved Contract		A contract that has been created in accordance with the Contract Procedure Rules for call off or use by the Council. A list of contracts can be found on the Contract Register available via the Procurement Intranet site. If in doubt whether a contract is approved or not contact the Corporate Procurement Team
Approved Terms	Standard	Includes industry standard terms and templated terms and conditions set up for use by the Council
Authorised Officer		A person with appropriate delegated authority to act on the Council's behalf
Best Value		Under Best Value, each local authority has a duty to 'make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness' as set out in the Local Government Act 2003. This takes into consideration the 4Cs of Challenge, Compare, Consult and Compete.
Chief Officer		The officers defined as such in the Constitution
Code of Conduct		The code regulating conduct of Officers contained within the Council's Constitution
Competitive Dialogue		A procedure leading to the award of a contract whereby the Council produces a shortlist through a dialogue with those tenderers who are considered to have appropriate capacity. Based on the solutions discussed, sealed bids are sought from the short listed contractors This procedure is most appropriate for complex procurements where significant input is required from the market to inform the drafting of the specification.
Contract Register		A register located on the Procurement Intranet containing details of contracts entered into by the Council above the value of £30,000
Corporate Procurement (CPT)	Team	The CPT is part of the Finance and Corporate Resources Department and is responsible for supporting the Council in its procurement activity
Council		The London Borough of Enfield
Council's Procurement Strategy		Defines the overall approach to procurement related activity for the Council
EU Negotiated tender		A procedure leading to the award of a contract whereby the Council negotiates the terms of the contract with one or more persons selected by it. The procedure is a complex set of rules, and it is extremely difficult for contracting

		authorities to meet the requirements to allow the use of this procedure.
EU Notice		Notice posted in the Official Journal of the European Union (OJEU). Includes a Prior Indicative Notice (PIN), a Tender Notice or an Award Notice
EU Open tender		A procedure leading to the award of a contract whereby all interested persons may tender for the contract, duly advertised by notice, i.e. there is no limit on the number of tenders received nor may the Council consider the suitability of interested tenderers prior to submission of tenders.
EU Regulations		The UK regulations implementing the EC public procurement directives
EU Restricted tender		A procedure leading to the award of a contract whereby only persons selected by the Council may submit tenders for the contract, duly advertised by notice, i.e. the contract is advertised, where prospective tenderers are screened before being invited to tender ("selective tendering").
EU Threshold		The threshold at which EC public procurement directives must be applied if expected to be exceeded by the Total Value
Financial Reference		A financial risk assessment of the finances of a company, parent or group of organisations in order to establish their liquidity, profitability, stability and capability to support a contract of the value required.
Financial Officer		The most senior officer representing the Director of Finance and Corporate Resources designated by him to provide financial advice to the Chief Officer
Financial Regulations		The Financial Regulations contained within the Constitution
Framework Agreement		An agreement with suppliers whose purpose is to establish the terms governing contracts to be awarded during a given period, in particular with regard price and quality. It allows the Council to make specific purchases (call offs) from a supplier to provide goods, services or works in accordance with the terms of that agreement.
Industry Terms	Standard	Specific terms or conditions which are relevant only to the goods or service being purchased, or the industry sector or market within which the contract will operate
Officer		Council employees as defined in the Constitution
OJEU		Official Journal of the European Union
Parent Guarantee	Company	A contract which binds the parent of a subsidiary company as follows: If the subsidiary company fails to do what it has

promised under a contract with the Council, the Council can require the parent company to do so instead

Performance Bond	An insurance policy: If the contractor does not do what it has promised under a contract with the Council, the Council can claim from the insurer the sum of money specified in the Bond (often 10% of the contract value). A Bond is intended to protect the Council against a level of cost arising from the supplier's failure
Purchasing Cards	A Corporate Purchasing Card has been introduced for the purchase of low value goods and services.
Purchase Order	An order placed through the SAP or local approved procurement system
Standing List	A list of approved suppliers who have satisfied the Council's minimum standards. This encompasses ad-hoc lists.
Suppliers	Any person or body of persons providing, or seeking to provide, supplies, services or works to the Council
Tender Tenderers	A written response to an Invitation to Tender Suppliers who have been invited to submit a tender to the Council
Total Value	The whole of the value or estimated value (in money or equivalent value) for a group of similar commodities or services: <ul style="list-style-type: none"> • whether or not it comprises several lots or stages across the Council as a whole • whether or not it is to be paid or received by the Council as a whole or separate departments within the Council
Written Quotation	Must be in letter, fax or email and must be addressed personally, containing pricing information and delivery details. Printouts of catalogues are not written quotations

APPENDIX A

GENERAL EXCEPTIONS FROM CONTRACT PROCEDURE RULES

These Contract Rules apply to all Goods, Services and Works purchased by the Council, with the following exceptions:

- (a) Procurements of goods, services, or works where the procurement procedure to be followed by the Council is the subject of express legislation.
- (b) Low value purchases made by a *Purchasing Card* that are subject to guidelines issued On the Use of Purchasing Cards.
- (c) Works or services procured in an emergency because of a need to respond to events that were beyond the control of the Council (e.g. natural disasters such as flooding or fires) as long as any expenditure in excess of **£5,000** is reported to the CPT within 1 week using the Waiver Request Form available from the Procurement Intranet site. Any contract entered into by the Council under this Exemption must not be for a term of more than 6 months.
- (d) Contracts for the acquisition and disposal of land or property that are covered the Property Procedure Rules and Financial Regulations.
- (e) Contracts for employment for staff, except where an agency is used to supply the staff.
- (f) Works orders with utility infrastructure providers, e.g. Gas Mains.
- (g) Call off or orders placed against Approved Contracts or Framework Contracts where the procedures defined in the contract for call off are followed.
- (h) Any contract which has had an exemption agreed in accordance with rule 1.3.
- (i) Grants, but only where subject to the requirements of the Council's contract with the voluntary sector as approved by Cabinet.
- (j) The disposal of Council Assets that are covered by the Property Procedure Rules and Financial Regulations.
- (k) Care or Education placements for individual service users/pupils that are not covered by a Council framework contract.

CONTRACT PROCEDURES RULES SUMMARY

Value of Contract	Quotation/Tender Process	Who	Contract Documentation	Approval
Goods, Services and Works up to £1,000 see 2.2	At least one verbal quote	Service Area	Issue by Purchase Order or use of Purchasing Card	By authorised officer
Goods and services up to £5,000 see 2.2	Obtain quotation prior to issue of Purchase Order	Service Area	Issue by Purchase Order or use of Purchasing Card	By authorised officer
Works orders up to £10,000 see 2.2	Obtain quotation prior to issue of Purchase Order/Contract	Service Area	Issue by Purchase Order	By authorised officer
Goods, services and works below £50,000 see 2.3	Obtain at least 3 comparable written quotations	Service Area	Issue by Purchase Order/Contract	By authorised officer
Goods, services and works that can be satisfied from an existing approved contract see 2.4	Follow call off procedure within contract	Service Area	Follow call off procedure within contract	By authorised officer
Goods, services and works contracts between £50,000 and EU Threshold see 2.5	Follow tender process – Section 3	Service Area	Written form of contract approved by the Borough Solicitor. Completed under seal if appropriate. See 4.4 and 4.5.	By authorised officer
Goods and services over EU Threshold see 2.6	Formal review of requirement with CPT prior to proceeding. All EU notices to be published centrally by CPT. Contracts which have a significant impact on the local community represent a Key Decision and must be published on the Forward Plan	Service Area to review with CPT	Written form of contract approved by the Borough Solicitor. Contracts over £250,000 to be under seal. See 4.4 and 4.5.	By authorised officer. A Key Decision must be made by a Key Decision maker in accordance with the constitution
Works contracts anticipated to be over £250,000 in value see 2.6	Formal review of requirement with CPT prior to proceeding. All EU notices to be published centrally by CPT. Must be included on the forward plan	Service Area to review with CPT	Written contract, complete under seal as appropriate. See 4.4 and 4.5.	- ditto -
Works contracts over EU Threshold	Formal review of requirement with CPT prior to proceeding. All EU notices to be published centrally by CPT. Must be included on the forward plan	Service Area to review with CPT	Written contract, complete under seal as appropriate. See 4.4 and 4.5.	- ditto -

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Financial values contained within the CPR.

Current Values	Proposed Values
Quotes required Contract value Up to £5000 One £5001- £10,000 Two £10001 - £20000 Three	New regulations now require: Low Value transactions, Below £5,000 for Goods and Services Below £10,000 for works. Written quotation must be obtained but best value must be demonstrated. Intermediate Value Transactions Over the low value threshold but under £50,000 Three comparable quotations must be sought in writing
Tenders required Over £20,000	High Value Transactions Over £50,000 but below EU Threshold, Formal tenders must be sought. Over EU Limits Formal tenders in accordance with EU regulations must be sought. Advice from CPT must be sought.
Appointment of Consultants Quotes Required Over £5000 Two	Consultants are now treated in the same way as any other goods or services. The requisite number of quotes must be obtained, and the work must be subject to a written order.
Contract Conditions. Over £50,000 L & A damages clause Over £250,000 Where appropriate Parent Company guarantee Performance Bond Any other form of security approved by the Borough Solicitor.	No change No change No change

The values have not been increased for at least 10 years and some are in need of revision in order to prevent them from becoming a barrier to compliance.

In some cases it is not appropriate to amend the values as they are still effective.

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MUNICIPAL YEAR 2005/2006 REPORT NO. 308**MEETING TITLE AND DATE:**

COUNCIL – 22 February 2006

REPORT OF:Director of Finance & Corporate
Resources (Borough Secretary)**Agenda – Part: 1****Item: 11****Subject:**Proposed changes to the Council's
Constitution**Wards:** Not ward specific

Contact officer and telephone number:

John Austin – 020 879 4094

1. EXECUTIVE SUMMARY

This report sets out proposed changes to the Council's Constitution agreed by the Constitution Review Group (CRG) at their meeting on 9 February 2006. The reports considered by CRG and the recommendations to Council are highlighted in Sections 3-7 below and are appended to this report.

2. RECOMMENDATIONS

To approve the following changes to the Council's Constitution:

- (a) the merged terms of reference for the Staff Forum/Joint Consultative Group for Teachers (JCGT) (paragraph 3.1)
- (b) the new terms of reference for the Member Governor Forum (paragraph 3.2)

(recommendations continued overleaf)

- (c) the revised terms of reference for the Schools Forum, subject to the addition of the following to the first paragraph of section 3

“These elections to be carried out in accordance with existing and agreed processes and practices.” (See paragraph 3.3 of this report)
- (d) the composition of Community Housing Partnership Boards be amended as follows (paragraph 6):
 - (v) the Partnership Board elect a Chairman from amongst the councillor membership and Vice-Chairman from amongst the tenant representative membership each year.
- (e) the scheme of delegation in relation to planning be amended as follows (paragraph 3.5 of this report):
 - (i) to provide that any application which is to be refused planning permission may be determined under delegated authority, subject to the exceptions set out in the revised scheme;
 - (ii) to include authority to determine major planning applications for wholly industrial/commercial development as detailed in the report;
 - (iii) the applications covered under (i) and (ii) above be in consultation with the Chairman of Planning Committee; and
 - (iv) a report be submitted to Planning Committee in one year’s time reviewing the arrangements.

3. BACKGROUND

The Constitution Review Group considered the following issues at its meeting on 9 February.

3.1 Staff Forum / Joint Consultative Group For Teachers

Revised Terms of Reference for the Staff Forum/Joint Consultative Group for Teachers (JCGT) are set out in Appendix 1.

RECOMMENDED TO COUNCIL the merged Staff Forum/JCGT Terms of Reference for incorporation into the Council’s Constitution.

3.2 Member Governor Forum/Chairs Briefing

Revised Terms of Reference for the Member Governor Forum are set out in Appendix 2.

NOTED that representatives from all the schools in the Borough were invited to the meetings.

RECOMMENDED TO COUNCIL the Member Governor Forum's Terms of Reference be approved for incorporation into the Council's Constitution.

3.3 **Schools' Forum**

Revised Terms of Reference of the Schools' Forum are set out in Appendix 3.

RECOMMENDED TO COUNCIL the Schools' Forum Terms of Reference be approved for incorporation into the Council's Constitution, subject to the elections for headteacher and governor representatives being carried out in accordance with agreed practices.

3.4 **Proposed amendment to composition of Community Housing Partnership Boards**

A change in relation to the composition of Community Housing Partnership Boards to reflect appointments made is set out in Appendix 4.

RECOMMENDED TO COUNCIL that the composition of Community Housing Partnership Boards be amended as follows:

- (v) the Partnership Board elect a Chairman from amongst the councillor membership and Vice-Chairman from amongst the tenant representative membership each year.

3.5 **Scheme of Delegation - Planning Applications: Proposed renewal of amendments for major applications**

The proposed changes to the Scheme of Delegation were approved by Planning Committee at its meeting on 24 January 2006, subject to a review of the arrangements in one year's time. The proposals are set out in Appendix 5.

RECOMMENDED TO COUNCIL that the Constitution Review Group approved the recommendations set out below:

- (i) the revised scheme of delegation be amended to provide that any application which is to be refused planning permission may be determined under delegated authority, subject to the exceptions set out in the revised scheme;
- (ii) the revised scheme to include authority to determine major planning applications for wholly industrial/commercial development as detailed in the report;

- (iii) the applications covered under (i) and (ii) above be in consultation with the Chairman of Planning Committee; and
- (iv) a report to be submitted to Planning Committee in one year's time reviewing the arrangements.

4. REASONS FOR RECOMMENDATIONS

To introduce (i) more affective arrangements for appointments to certain outside bodies (ii) appropriate amendments to the Scheme of Delegation relating to planning applications.

5. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

5.1 Financial Implications

There are no financial implications.

5.2 Legal Implications

The Constitution sets out how the Council operates within legal requirements.

It is necessary to review the documents periodically to reflect changes in circumstances or to introduce more affective working practices as evidenced in the recommendations.

6. PUTTING ENFIELD FIRST

Aim 5 – Supporting the delivery of excellent services

Background Papers

None

APPENDIX 1

Terms of Reference

Staff Forum / Joint Consultative Group for Teachers (JCGT)

Terms of Reference to

1. discuss matters concerning educational issues and the education service in Enfield;
2. discuss matters submitted by the Member Governor Forum/Chairs' Briefing, Parents' Forum, education staffing groups and the education service as appropriate;
3. make suggestions and proposals to the Director, Member Governor Forum/Chairs' Briefing and/or the Cabinet via the Member with Portfolio for Education, Children's Services and Leisure and any relevant Scrutiny Panel.

Membership to comprise

- 5 Councillors 3 majority and 2 minority party
- 1 Member Governor Forum/Chairs' Briefing Representative
- 10 Teachers' Committee Representatives
- 9 Non-teaching Staff Representatives as follows:
- | | |
|--------------|-----------|
| UNISON | 3 members |
| Soulbury NUT | 1 member |
| TGWU | 1 member |
| GMB | 1 member |
| NAEIAC | 1 member |
| CYWU | 1 member |
| AEP | 1 member |
- 1 Lead Officer
- 1 Lead Headteacher

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Terms of Reference

Member Governor Forum

Membership:

- One representative (not necessarily the Chairman) from each Governing Body nominated by the governors to represent the views of the Governing Body and their School;
- 5 Council representatives including the Member with Portfolio for Education, Children's Services and Leisure (nominated annually by Council);
- The Director for Education, Children's Services and Leisure;
- Three education statutory co-optees (nominated annually by the London Diocesan Board for Schools, Westminster Diocese and the Agency for Jewish Education);
- The Chairmen of the Parents' Forum, Schools' Forum, and Staff Forum /Joint Consultative Group for Teachers;
- One Headteacher representative from each Sector (nominated by Headteacher's Conferences);
- A Lead Officer of the Education, Children's Services and Leisure Department;

Any member who is unable to attend a Forum meeting may nominate a substitute from within the body they represent to attend that meeting.

Remit:

- To consider a range of issues common to both the Council and governing bodies and to make recommendations to the Cabinet, via the Member with Portfolio for Education, Children's Services and Leisure and any relevant Scrutiny Panel;
- To consider matters concerning the Education, Children's Services and Leisure service referred by school governing bodies, Council Scrutiny Panels, the Policy Co-ordinating Group or other educational partners;
- To receive timely briefings from Education, Children's Services and Leisure Officers on matters being presented to school governing bodies;
- To assist in the development and review of policy including monitoring the impact of the policy;
- To consider priorities for resources in consultation with the Schools' Forum;
- To consult with and receive suggestions and proposals from the forums representing parents and staff.

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MUNICIPAL YEAR 2005/2006 REPORT NO. **301**

MEETING TITLE AND DATE:

Constitution Review Group -
9.2.06
Council - 22.2.06

REPORT OF:

Peter Lewis, Director of Education,
Children Services & Leisure

Agenda – Part:	Item: 7
Subject: Schools' Forum Amendment to Terms of Reference	
Cabinet Member Consulted: Glynis Vince	

Contact officer: Sangeeta Brown
Telephone number: 0208 379 3109
E-mail: sangeeta.brown@enfield.gov.uk

1. EXECUTIVE SUMMARY

In order to comply with changes in the regulation for school funding, this report sets out changes to the Terms of Reference of the Schools' Forum.

2. RECOMMENDATIONS

That the revised Terms of Reference of the Schools' Forum be approved.

3. BACKGROUND**3.1 The Schools' Forum**

3.1.1 The Schools' Forum was set up in response to the duty placed on the Local Authority to establish a Schools' Forum by January 03. The current terms of reference, see Appendix 1, have been operating since the first meeting of the Schools Forum on 10 December 02.

3.1.2 The Local Authority was required to consult Schools' Forum on:

- the Local School Funding Formula;
- issues, specified in regulations, in connection with the Schools' budget;
- service contracts;

3.2 Reasons for the need to revise the Terms of Reference

3.2.1 As part of the changes to School Funding arrangements for 2006/07, the regulations governing Schools Forum have been amended to widen the Forum's remit. Schools' Forum now can agree or refuse requests from the Local Authority to:

- increasing the level of central spending in the Schools' Budget above that provided by regulations
- varying the operation of the Minimum Funding Guarantee where it does not affect more than 20% of schools

Previously, the Local Authority had to seek the approval of the Secretary of State.

3.2.2 Other changes include a change in the composition of the membership of the Schools Forum. Currently, the executive member of the Local Authority is eligible to be a member of the Schools Forum with full voting rights and this is reflected in the membership of the Enfield Schools Forum.

3.2.3 Under the new regulations, executive members of the Local Authority are no longer eligible to be members of the Schools Forum with full voting rights but may only attend and participate in the discussion at meetings. However, the Local Authority can nominate a non-executive member of the Local Authority and also a senior officer with responsibilities for educational services for children within the authority to be a member of the Schools Forum.

3.2.4 The Schools Forum have assessed the current terms of reference and have agreed the amendments

3.3 Proposed Changes to the Terms of Reference

3.3.1 It is proposed that the terms of reference of the Schools Forum are amended to reflect the new regulations. The amendments in light of the new regulations would include:

- To remove the Lead Member for Education, Children's Services and Leisure and a representative from the Early Years Partnership from the membership of the Schools Forum and replace with Chair of Education, Skills and Leisure Scrutiny Panel and Assistant Director, children's Access and Support
- Paragraph 2.3 be amended as follows – "*The Forum may scrutinize and challenge the Council's application of funds to the Schools' budget, Delegated Schools' Budget, Central CSA Budgets and Capital Budgets. It may also scrutinize and challenge DfES/Central Government funding to Enfield Council for education.*"

and to add the following paragraphs

Paragraph 2.4 - “The Forum may agree or refuse requests from the Council to:

- increase the level of central expenditure in the Schools’ Budget above that provided for by regulations;*
- vary the operation of the Minimum Funding Guarantee for specific schools to avoid them receiving unfair budget outcomes.”*

Paragraph 2.5 – “The Forum will consider referrals from the Member Governor Forum/Chairs’ Briefing or any other consultative group.”

Paragraph 2.6 – “The Forum may request detailed information to assist it in carrying out its functions and the Council will use its best endeavours to provide such information.”

Paragraph 2.6 – “The Schools’ Forum will abide by any changes to statutory provisions or changes to the regulatory framework for Schools’ Funding. The Terms of Reference would be amended to reflect any such requirements.”

- *Paragraph 7.4 – “From time to time the Forum will set up ad hoc working groups to deal in greater detail with matters that require more time than is available in the full Forum meetings and will report to the full Forum meetings.”*
- *Paragraph 12.2 – “The Council will fund training course fees and reasonable travel expenses to enable attendance on such courses for members of the Forum to increase their expertise and knowledge to carry out their Schools’ Forum duties effectively. Applications for such fees/expenses should be made to the Assistant Director (Strategy and Resources). In the event of a dispute over whether a course should be funded, the Chair will be the decision-maker and will take account of the resources available from the budget for the Forum’s activities. This budget will be reviewed annually.”*

3.3.4 The proposed Terms of Reference incorporating the suggested amendments are attached at Appendix 2.

3.4 Participative and Consultative Process

The suggested changes were circulated to members of the Schools’ Forum in December 2006 and discussed at their meeting on 18 January 2006. The Schools’ Forum accepted the proposed Terms of Reference without amendment.

4. ALTERNATIVE OPTIONS CONSIDERED

The revisions to the terms of reference are required to meet the statutory requirements, which govern Schools Forums. Various alternative options were considered in relation to the membership of the Schools Forum and the option recommended best met the needs of the Schools Forum and the Authority.

5. REASONS FOR RECOMMENDATIONS

It is intended that the amendments recommended will enable the Authority to meet the statutory requirements governing Schools Forums.

6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

6.1 Financial Implications

6.1.1 The legislative changes in the powers of the Schools Forum now provide for the Schools Forum to give approval to a number of financial arrangements that may be proposed by the Authority, as follows:

- increasing the level of central spending in the Schools' Budget above that provided by regulations,
- varying the operation of the Minimum Funding Guarantee
- giving approval to expenditure being charged to the Schools Budget in respect of transport, severance costs of school budget employees, combined budgets, and borrowing costs, where there are related savings in the expenditure charged to the Schools Budget.

6.2 Legal Implications

S101 and schedule 3 of the Education Act 2005 make amendment to the funding process for schools and provide for an increase in the powers of the Schools' Forum.

6.3 Property Implications

There would be no property implications.

7. PUTTING ENFIELD FIRST

Quality Value for Money Services

The recommendations ensure the Schools' Forum operates within the statutory framework.

High Quality Education and Life Long Learning

The recommendation would:

- assist with maximising the resources available to support educational attainment;
- increase the availability of school places, delivering greater opportunities for parental choice in school admissions;
- work in partnership with schools to support school improvement and raise achievement and include under achieving and challenging pupils;
- secure effective strategic management of education across the Borough, improving the quality and range of support to schools.

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LONDON BOROUGH OF ENFIELD**SCHOOLS FORUM****TERMS OF REFERENCE****1.0 Definitions**

In these terms of reference the following expressions shall have the meanings assigned to them below:

‘The LEA’ shall mean the Local Authority of the London Borough of Enfield.

The ‘Regulations’ shall mean the Schools Forums (England) Regulations 2002.

2.0 Functions

2.1 In accordance with Regulations, the schools forum of the London Borough of Enfield shall:

- be consulted on the LEA’s school funding formula;
- be consulted on issues, specified in regulations, in connection with the Schools Budget; and
- be consulted on service contracts.

2.2 The LEA will also consult the forum on other matters connected with the Schools Budget or on matters connected with the LEA revenues and Council budgets or capital expenditure as it sees fit.

2.3 The forum will have no power to determine whether the LEA shall retain funding centrally for specific expenditure items (although the LEA can seek its advice on this).

3.0 Membership

3.1 The forum shall consist of the following members:

Schools members

- 4 primary sector headteachers
- 4 primary sector governors
- 4 secondary sector headteachers
- 4 secondary sector governors
- 1 special sector headteacher
- 1 special sector governor

Non-schools members

- 1 voluntary sector (representing RC, CE and Jewish schools)
- 1 Teachers Committee
- 1 Early Years Partnership
- 1 Member (Cabinet Member for Education and Skills)

Total of 22 members with non-schools representatives forming 18% of the total membership.

4.0 Substitutes

4.1 A member who is unable to attend a meeting may arrange for a substitute to attend to represent the same body and to have voting powers. This is to be notified in writing in advance of the meeting to the Clerk to the schools forum (marked for the attention of the Member Governor Service, Education Group) and shall remain effective until it is withdrawn.

4.2 A school member may only nominate a substitute member who:

4.2.1 is a governor of the same sector of school of which the member in question is a governor.

4.2.2 is a headteacher of the same sector of school of which the member in question is a headteacher.

4.3 The member appointed by the Church of England or Roman Catholic Diocese or United Synagogue may only nominate a substitute member if these bodies (by which the member was nominated) consent to the proposed nomination.

4.4 The member appointed by the Teachers Committee may only nominate a substitute who is also a member of the Teachers Committee.

4.5 The member appointed by the Early Years Partnership may only nominate a substitute who is also a member of the Early Years Partnership.

4.6 The Cabinet Member for Education may nominate another Member as a substitute.

5.0 Tenure of Office

5.1 Each member shall be appointed to the Forum for a period of three years.

5.2 Any member may resign by giving written notice to the Clerk to the Forum.

5.3 A member's appointment shall end if the member concerned ceases to hold the office by virtue of which he or she became eligible for appointment to the Forum.

5.4 In light of the intended review of the Education Service's participative and consultative arrangements the LEA shall exercise its powers to review the composition and constitution of the Schools Forum. In so doing, the LEA will ensure that all relevant parties are consulted and that any change continues to comply with the regulations.

5.5 The appointment of an individual who fails to attend three consecutive meetings or arrange a substitute will become void. (This rule will not apply to the Member of the Learning Skills Council who has observer status on the Forum).

6. The Chair and Vice-Chair

- 6.1 The Forum shall appoint from its membership a Chair and Vice-Chair.
- 6.2 In the event of an election the Chair and Vice-Chair will be appointed by a majority of the votes cast by individual members.
- 6.3 The Chair and Vice-Chair shall hold office for a period of one year. The election for these positions will take place at the first meeting and thereafter at the first meeting after the annual meeting of the Council.
- 6.4 In the event of a casual vacancy occurring in the office of the Chair or Vice-Chair the Forum shall at their next meeting elect one of their members to fill that vacancy and a member so elected will hold office until the first meeting after the annual meeting of the Council.
- 6.5 The Chair or Vice-Chair shall cease to hold office if s/he resigns her/his office by giving written notice to the Clerk, or if s/he ceases to qualify as a member of the Forum.

7.0 Meetings

- 7.1 The Forum shall meet at least twice each year.
- 7.2 Further meetings may be called with the agreement of the Chair or by decision of the Forum or to enable the Forum to carry out its tasks effectively.
- 7.3 Every member shall be given written notice and an agenda at least seven clear days before the date of the meeting.

8.0 Public Access

All documents and proceedings shall be open to the public unless the Forum resolves that there is good reason for documents or proceedings to be kept confidential.

9.0 Quorum

The quorum for the meeting shall be nine members representing 40% of the total membership.

10. Voting

Any question to be decided at a meeting of the Forum shall be determined by a majority of the votes of members present. In the case of an equality of votes the Chair shall have a second or casting vote.

11. Conduct and Declarations of Interest

- 11.1 In carrying out their functions, members of the Forum shall act in accordance with the seven principles of public life set out in the report of the Government Committee

on Standards in Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

- 11.2 Members of the Forum shall declare an interest in any proposal which directly affects a school at which they are a governor or headteacher or which their children attend or in which they have a pecuniary interest. Any member with such an interest shall declare it and withdraw from the discussion and take no part in the decision. Where it is clear that a decision in which a member has such an interest is likely to arise at a particular meeting, the member concerned may wish to invite a substitute to attend that meeting.

12. Expenses

Members of the Forum shall be entitled to claim reasonable expenses as outlined in the LEA's policy for the payment of such expenses.

LONDON BOROUGH OF ENFIELD**SCHOOLS FORUM****DRAFT TERMS OF REFERENCE**1. Definitions

In these terms of reference the following expressions shall have the meanings assigned to them below:

'The CSA' shall mean the Children's Services Authority of the London Borough of Enfield.

The 'Regulations' shall mean the

- Schools' Forums (England) Regulations 2002 and the Schools' Forum (England)(Amendment) Regulations 2005;
- Local Education Authority (LEA) and Schools' Budget Regulations;
- Minimum Funding Guarantee (MFG) in the Financing of Maintained Schools Regulations.

2. Functions

2.1 In accordance with Regulations, the Schools' Forum of the London Borough of Enfield shall:

- be consulted on the Local Authority school funding formula;
- be consulted on issues, specified in regulations, in connection with the Schools' Budget;
- be consulted on service contracts.

2.2 The Council will also consult the Forum on other matters connected with the Schools' Budget or on matters connected with the Local Authority revenue budgets or capital expenditure as it sees fit.

2.3 The Forum may scrutinize and challenge the Local Authority's application of funds to the Schools' budget, Delegated Schools' Budget, Central CSA Budgets and Capital Budgets. It may also scrutinize and challenge DfES/Central Government funding to Enfield Council for education.

2.4 The Forum may agree or refuse requests from the Local Authority to:

- increase the level of expenditure in the Schools' Budget above that provided for by regulations;
- vary the operation of the Minimum Funding Guarantee for specific schools to avoid them receiving unfair budget outcomes.

2.5 The Forum will consider referrals from the Member Governor Forum/Chairs' Briefing, any other consultative group and Schools' Governing Bodies.

- 2.6 The Forum may request detailed information to assist it in carrying out its functions and the Council will use its best endeavours to provide such information.
- 2.7 The Schools' Forum will abide by any changes to statutory provisions or changes to the regulatory framework for Schools' Funding; the Terms of Reference would be amended to reflect any such requirements.

3. Membership and Attendance

Headteacher representatives will be elected from the relevant headteachers' conferences and governor representatives from the Member Governor Forum/Chairs' Briefing.

The London Diocesan Board for Schools, the Westminster Diocese and the Agency for Jewish Education will represent the Church of England, Roman Catholic and Jewish schools in Enfield.

The Teachers' Committee will nominate a representative member.

The forum shall consist of the following members:

Schools members

- 4 primary sector headteachers
- 4 primary sector governors
- 4 secondary sector headteachers
- 4 secondary sector governors
- 1 special sector headteacher
- 1 special sector governor

Non-schools members

- 1 voluntary sector (representing RC, CE and Jewish schools)
- 1 Teachers' Committee
- Assistant Director Children's Access and Support
- Chair of Education, Skills and Leisure Scrutiny Panel

Total of 22 members with non-schools representatives forming 18% of the total membership.

Attendance

As well as members attending meetings, it is expected that the Lead Cabinet Member for Education, Children's Services and Leisure (ECSL), officers with resources responsibilities from the Local Authority and an officer from the Learning and Skills Council will attend and participate in meetings of the Schools' Forum.

4. Substitutes

- 4.1 A member who is unable to attend a meeting may arrange for a substitute to attend to represent the same body and to have voting powers. This is to be notified in writing in advance of the meeting to the Clerk to the Schools' Forum (marked for the attention of the CSA Support Officer, Planning Quality and Performance, EC SL) and shall remain effective until it is withdrawn.
- 4.2 A school member may only nominate a substitute member who:
- 4.2.1 is a governor of the same sector of school of which the member in question is a governor.
- 4.2.2 is a headteacher of the same sector of school of which the member in question is a headteacher.
- 4.3 The member appointed by the Church of England or Roman Catholic Diocese or United Synagogue may only nominate a substitute member if these bodies (by which the member was nominated) consent to the proposed nomination.
- 4.4 The member appointed by the Teachers' Committee may only nominate a substitute who is also a member of the Teachers' Committee.

5. Tenure of Office

- 5.1 Each member shall be appointed to the Forum for a period of three years.
- 5.2 Any member may resign by giving written notice to the Clerk to the Forum.
- 5.3 A member's appointment shall end if the member concerned ceases to hold the office by virtue of which he or she became eligible for appointment to the Forum.
- 5.4 In light of any review of the Education, Children's Service and Leisure Department's participative and consultative arrangements the CSA shall exercise its powers to review the composition and constitution of the Schools' Forum. In so doing, the CSA will ensure that all relevant parties are consulted and that any change continues to comply with the regulations.
- 5.5 The appointment of an individual who fails to attend three consecutive meetings or arrange a substitute will become void. (This rule will not apply to the Member of the Learning Skills Council who has observer status on the Forum).

6. The Chair and Vice-Chair

- 6.1 The Forum shall appoint from its membership, excluding non-executive elected members or eligible officers, a Chair and Vice-Chair.

- 6.2 In the event of an election the Chair and Vice-Chair will be appointed by a majority of the votes cast by individual members.
- 6.3 The Chair and Vice-Chair shall hold office for a period of one year. The election for these positions will take place at the first meeting and thereafter at the first meeting after the annual meeting of the Council.
- 6.4 In the event of a casual vacancy occurring in the office of the Chair or Vice-Chair the Forum shall at their next meeting elect one of their members to fill that vacancy and a member so elected will hold office until the first meeting after the annual meeting of the Council.
- 6.5 The Chair or Vice-Chair shall cease to hold office if s/he resigns her/his office by giving written notice to the Clerk, or if s/he ceases to qualify as a member of the Forum.

7. Meetings

- 7.1 The Forum shall meet at least twice each year.
- 7.2 Further meetings may be called with the agreement of the Chair or by decision of the Forum or to enable the Forum to carry out its tasks effectively.
- 7.3 Every member shall be given written notice and an agenda at least seven clear days before the date of the meeting.
- 7.4 From time to time the Forum will set up ad hoc working groups to deal in greater detail with matters that require more time than is available in the full Forum meetings and will report to the full Forum meetings.

8. Public Access

All documents and proceedings shall be open to the public unless the Forum resolves that there is good reason for documents or proceedings to be kept confidential.

9. Quorum

The quorum for the meeting shall be nine members representing 40% of the total membership.

10. Voting

Any question to be decided at a meeting of the Forum shall be determined by a majority of the votes of members present. In the case of an equality of votes the Chair shall have a second or casting vote.

11. Conduct and Declarations of Interest

- 11.1 In carrying out their functions, members of the Forum shall act in accordance with the seven principles of public life set out in the report of the Government

Committee on Standards in Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

- 11.2 Members of the Forum shall declare an interest in any proposal which directly affects a school at which they are a governor or headteacher or which their children attend or in which they have a pecuniary interest. Any member with such an interest shall declare it and withdraw from the discussion and take no part in the decision. Where it is clear that a decision in which a member has such an interest is likely to arise at a particular meeting, the member concerned may wish to invite a substitute to attend that meeting.

12. Expenses and Training

- 12.1 Members of the Forum shall be entitled to claim reasonable expenses as outlined in the CSA's policy for the payment of such expenses.
- 12.2 The costs of training course fees and reasonable travel expenses to enable attendance on such courses for members of the Forum to increase their expertise, and knowledge to carry out their School's Forum duties effectively, will be a first call on the schools' budget. Applications for such fees/expenses should be made to the Assistant Director (Strategy and Resources). In the event of a dispute over whether a course should be funded, the Chair will be the decision-maker and will take account of the resources available from the budget for the Forum's activities. This budget will be reviewed annually.

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MUNICIPAL YEAR 2005/2006 REPORT NO. **300**

MEETING TITLE AND DATE:

Constitution Review Group
 – 9 February 2006
 COUNCIL – 22 February 2006

REPORT OF:

Director of Finance & Corporate
 Resources (Borough Secretary)

Agenda – Part: 1**Item: 8****Subject:**

Proposed change to the Council's
 Constitution: Community Housing
 Partnership Boards Composition

Cabinet Member consulted:

Contact officer and telephone number:

John Austin – 020 879 4094

1. EXECUTIVE SUMMARY

This report sets out a proposed change to the Council's Constitution. If agreed by the Review Group, the recommendation will need to be made to Council on 22 February 06.

2. RECOMMENDATION

It is recommended that the following requirement in relation to the composition of Community Housing Partnership Boards be amended to reflect the actual appointments made:

- (v) the Partnership Board elect a Chairman from amongst the councillor membership and Vice-Chairman from amongst the tenant representative membership each year.

3. Community Housing Partnership Boards

- 3.1 The Community Housing Partnership (CHP) meetings were begun in 2004. The three Boards are based on three partnership areas in Eastern and Western Enfield and Edmonton. Their aim is to modernise the way in which the Council communicates with its stakeholders on Housing and associated issues, and to promote the exercise of residents' rights and enable the community to make decisions on local priorities, targeting resources to meet local needs.

3.2 The Community Housing Partnership Boards consist of nine tenants and leaseholders resident in the area of the CHP. Up to nine Councillors, appointed by the Council, also serve on the Board. Membership of the Community Housing Partnership Board is open to all tenants and leaseholders elected as estate representatives in their district.

3.3 Currently, the Membership of the Committee provides that:

(v) The Partnership Board elect a Chairman and deputy each year from amongst the councillor membership.

3.4 To ensure community involvement, each CHP has in fact appointed a Councillor as Chairman of the Board, and a tenant representative as Vice-Chairman. It is being recommended that the composition requirement in the Constitution is amended to reflect this, as follows:

(v) The partnership Board elect a Chairman from amongst the councillor membership and Vice-Chairman from amongst the tenant representative membership each year.

4. ALTERNATIVE OPTIONS CONSIDERED

To leave the situation as it is would mean that the Community Housing Partnerships were not operating according to the Council's Constitution.

5. REASONS FOR RECOMMENDATIONS

To enable the Council to better meet the aims and objectives of Community Housing Partnerships.

6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

6.1 Financial Implications

There are no financial implications.

6.2 Legal Implications

The Constitution requires that any changes to it are made via Constitution Review Group and approved by full Council. Chapter 2.7 (6) deals with the composition of Community Housing Partnership Boards.

7. PUTTING ENFIELD FIRST

Aim 5 – Supporting the delivery of excellent services

Background Papers

None

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MUNICIPAL YEAR 2005/2006 REPORT NO. **281****MEETING TITLE AND DATE:**

Planning Committee
24/01/06

REPORT OF:

Assistant Director
(Planning and Transportation)

Contact officer: Julian Jackson

Tel: 020 8379 3857

AGENDA - PART: 1	ITEM: 5
SUBJECT: Scheme of Delegation – Planning Applications Proposed renewal of amendments for major applications	

1. SUMMARY

- 1.1 The revised Scheme of Delegation, whereby major applications recommended for refusal can be determined under Delegated Authority, originally agreed for a temporary period in September 2004 was extended for a further temporary period at planning committee on 15th November 2005. It was agreed by the committee that the arrangements should be extended until the January 2006 meeting. This report seeks that arrangements for the refusal of major applications under delegated powers are made permanent.
- 1.2 The purpose of the revised scheme of delegations was to assist in meeting the Government's performance target for determining major applications.
- 1.3 In addition the report seeks further extension of delegated powers to allow officers to determine all major planning applications for industrial and commercial use (use and development within use classes B1 – B8). Such arrangements would assist further in meeting and exceeding the Government target for determining applications in 13 weeks.

2. RECOMMENDATION

- 2.1 That the revised scheme of delegation be amended to provide that any application which is to be refused planning permission may be determined under delegated authority, subject to the exceptions set out in the revised scheme.
- 2.2 The revised scheme including authority to determine major planning applications for wholly industrial/commercial development is detailed in appendix 1.

3. BACKGROUND

Government targets for determining major planning applications

- 3.1 The current Best Value Government targets for determining planning applications are 60% in 13 weeks for major applications; 65% in 8 weeks for minor applications and 80% in 8 weeks for other applications. The council over recent years and at the current time exceed government targets for the minor and other categories of applications. It is mainly on this basis that the service has been awarded significant Planning Delivery Grant over the last two years. However the service has not achieved the Government target for dealing with major applications. For 2004/2005 the council were made a performance 'standards authority' by the ODPM and were required to determine 52% of major applications in 13 weeks in order to avoid sanctions. In the event we achieved 55% and are no longer a standards authority. This decision was not made on the basis of the service meeting the target but the service's 'direction of travel' indicating potential to meet the target by March 31st 2006 (the end of this fiscal year).
- 3.2 Under the Governments current performance monitoring regime the key emphasis is on authorities dealing with major applications in an efficient manner. Accordingly the assessment for planning delivery grant allocations 2007/2008 will give significant weight to meeting targets in that area. In addition performance improvement in handling major applications is recognised corporately as a key objective as it is critical to the council further improving its Corporate Performance Assessment rating.

Impact on performance of extension to delegated powers

- 3.3 Since September 2004 36 major applications have been determined under delegated authority of which 32 (89%) were determined within the target period of 13 weeks. This has made a significant impact on overall performance figures. As you will see from the graph and table in Appendix 2 showing BVPI 109 performance monitoring over 2005/2006 the cumulative total for dealing with major applications within time by December 31st had risen to 55%. Clearly the revised delegated powers have greatly assisted in the improvement and it is critical that these arrangements continue if the council is to meet the required 60% target. For reasons stated above it is not only important in the short term that performance continues to improve but that improvement is sustained in the future. Accordingly this report seeks authority to determine major applications recommended for refusal under delegated powers on a permanent basis.

Determination of major applications for industrial and commercial development under delegated powers

- 3.4 At present the planning committee determines all major planning applications that are recommended for approval. In a lot of cases this approach is justified due to the scale, complexity and public interest in such proposals. However

there are a number of applications that are only presented to committee due to the proposals level of floorspace exceeding the 'major' threshold of 1000 square metres rather than for reasons of public or strategic interest. These types of applications are notably developments for wholly commercial or industrial development. These applications are for industrial, light industrial and warehouse and distribution uses which lie within use classes B1, B2 and B8 of the Use Classes Order. Applications for development wholly within these uses are usually situated within areas of the borough specifically designated for commercial and employment uses, surrounded by similar uses. As such the proposals do not usually have any impact on residential amenity or conservation and visual amenity issues. The matters for consideration are normally technical requirements such as servicing, parking and highways requirements. These applications are very rarely politically sensitive.

- 3.5 It is considered for the above reasons that there is justification for major planning applications for wholly B1-B8 development to be determined under delegated authority. Such an amendment would assist in meeting and exceeding the Government targets for determining major applications in 13 weeks. In 2005 whilst 7 such planning applications were determined by committee only 4 were determined within time (57%). All of the applications were determined by planning committee in accordance with the officer's recommendation.
- 3.6 The revised scheme would be subject to the existing provisions relating to councillor requests for an application to be determined by planning committee

4. LEGAL IMPLICATIONS

- 4.1 By Virtue of s101 of the Local Government Act 1972 a Local Authority may arrange for the discharge of any of their functions by a committee, sub committee or an officer of the authority. Where any function of a local authority is discharged by a committee then the committee may arrange for the discharge of any of those functions by a sub committee or officer of the authority.
- 4.2 The Borough Solicitor is satisfied that the council has sufficient powers to extend the scheme as set out in this report.

Appendix 1

SCHEME OF DELEGATION PLANNING APPLICATIONS

The Assistant Director (Planning & Transportation), Head of Development Control, Area Planning Managers and Principal Planning Officers (Subject to limitations imposed by the Assistant Director - Planning and Transportation) will determine all applications for planning permission and other development, enforcement and tree matters under the Planning Acts, the Planning and Compensation Act 1991, Section 11 of the London Local Authorities Act 1995, Sections 23 and 24 of the Local Government (Miscellaneous Provisions) Act 1976 and any statutory re-enactment or modification thereof and subordinate legislation made there under as scheduled. The Head of the Environmental Crime Unit and the Planning Supervisor – Environmental Crime Unit (Subject to any limitations imposed by the Assistant Director – Planning and Transportation) will determine enforcement decisions detailed in part (n) of the schedule.

SCHEDULE OF POWERS THAT MAY BE DELEGATED

Category	Relevant legislation
Applications for:	
a) Planning Permission	S.57-63, S.70, S299 of the Town and Country Planning Act 1990 Town and Country Planning (General Development Procedure) Order 1995
b) Advertisement Consent	S.220-223 of the Town and Country Planning Act 1990 S.9-14 of the Town and Country Planning (Control of Advertisement) Regulations 1992
c) Listed Building Consent	S.10-19 of the Planning (Listed Buildings and Conservation Areas) Act 1990
d) Conservation Area Consent	S.74 of the Planning (Listed Buildings and Conservation Areas) Act 1990
e) Certificate of Lawfulness of Development (existing and proposed development or use)	S.191-192 of the Town and Country Planning Act 1990 S.10 of the Planning and Compensation Act 1991
f) Prior approval of:	
Telecommunications	Part 24 of the Town and Country Planning (General Permitted Development) Order 1995
Agricultural development	Part 6 of the Town and Country Planning (General Permitted Development) Order 1995

Demolition	Town and Country Planning (Demolition – description of buildings) Direction 1995
g) Development by the Council and development on Council owned land	Regulation 3 and 4 of the Town and Country Planning General Regulations 1992
h) Other Authority Development	Article 10 of the Town and Country Planning (General Development Procedure) Order 1995
i) Reserved Matters	S.92-93 of the Town and Country Planning Act 1990
j) Variation of Conditions	S.73 of the Town and Country Planning Act 1990
j) Legal agreements associated with applications determined under delegated authority.	S.106 of the Town and Country Planning Act 1990 S.278 of the Highways Act 1980
k) Environmental Impact: Screening opinion Scoping opinion	Town and Country Planning (Environmental Impact Assessment) Regulations 1999 Part II Part IV
l) Works to protected trees	S.198 and 211 of the Town and Country Planning Act 1990
m) The making and confirmation of Tree Preservation Orders	S.198-199, S.201, S.300 of the Town and Country Planning Act 1990
n) In consultation with the Borough Solicitor the authorisation and service of: Planning Contravention Notices Breach of Condition Notices Enforcement Notices Stop Notices Injunctions Listed Building Enforcement Notices	S.171C of the Town and Country Planning Act 1990 S.1 of the Planning and Compensation Act 1991 S.187A of the Town and Country Planning Act 1990 S.2 of the Planning and Compensation Act 1991 S.172 of the Town and Country Planning Act 1990 S.183 of the Town and Country Planning Act 1990 S.187B of the Town and Country Planning Act 1990 S.3 of the Planning and Compensation Act 1991 S.38 of the Planning (Listed Building and Conservation Areas) Act 1990

Conservation Area Enforcement Notices	S.74(3) of the Planning (Listed Building and Conservation Areas) Act 1990
Special Enforcement Notices – Crown Land	S.294 of the Town and Country Planning Act 1990
Completion Notices	S.94 of the Town and Country Planning Act 1990
Tree Replacement Notices	S.207 of the Town and Country Planning Act 1990
Dangerous Tree Notices	S.23-24 of the Local Government (Miscellaneous Provisions) Act 1976
Notices requiring the proper maintenance Of land	S.215 of the Town and Country Planning Act 1990
Notices under S.11 of the London Local Authorities Act 1995	S.11 of the London Local Authorities Act 1995
Hazardous Substances Contravention Notices	S.24 of the Planning (Hazardous Substances) Act 1990
Advertisement Discontinuance Notices	S.224-225 of the Town and Country Planning Act 1990
Decisions not to take enforcement action	S.172 of the Town and Country Planning Act 1990
In consultation with the Director of Corporate Services, undertake:- Prosecutions arising from failure to Comply with the requirements of any Enforcement action taken under Section (n) of the Scheme of Delegation	

Subject to the following **EXCEPTIONS**:-

The determination of the following categories of application which are to be granted planning permission:

1. Detailed applications for the erection of 10 or more residential units.
2. Outline applications for residential development with a site area of more than 0.5 hectares.
3. Detailed applications for the erection of non-residential development (excluding extensions to existing buildings), in excess of 1,000 sq. metres (gross) unless the development is for wholly B1, B2 or B8 uses.
4. Outline applications for the erection of non-residential development with a site area of more than 1 hectare unless the development is for wholly B1, B2 or B8 uses.
5. Applications for the winning and working of minerals or the use of land for mineral working deposits.

6. Applications which are advertised as a departure from the Unitary Development Plan.
7. Applications for development in conservation areas and for listed building consent to which the Conservation Advisory Group raise objection.

The following applications are required to be determined Planning Committee:

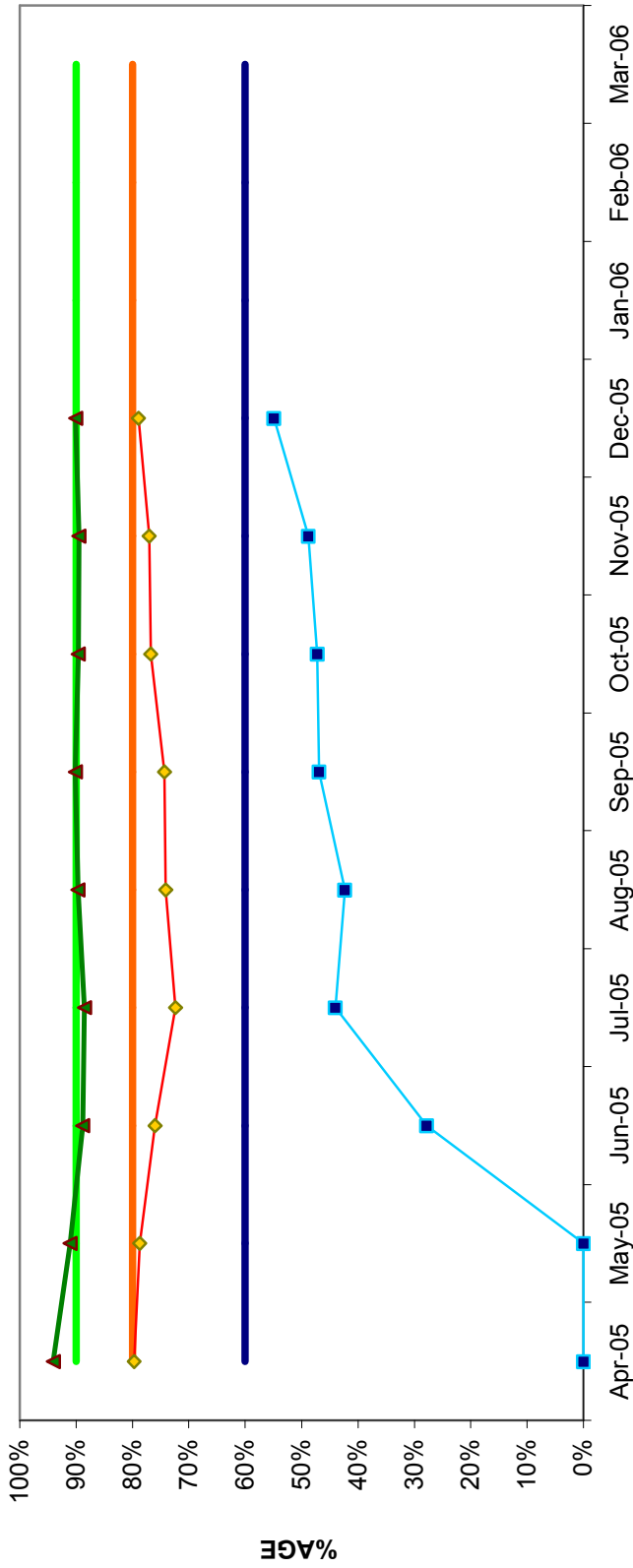
1. Applications that have been considered by a Panel of the Planning Committee.
- 2.. Applications which any Councillor requests in writing to the Assistant Director (Planning and Transportation) within 21 days of the circulation of details of the application should be determined by Committee, subject to agreement of the Chairman.
3. Any other application or issue which, by reason of its scale, impact upon the environment, or the level of public or likely Councillor interest, should, in the opinion of the Assistant Director (Planning and Transportation), be determined by the Committee.

Background Papers

Report No.104, Scheme of Delegation – Planning Applications Proposed Amendments for Major Applications - Planning Committee 16 September 2004

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BVPI109 PERFORMANCE MONITORING 2005-06



	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
MAJOR TARGET	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
MAJOR Cumulative	0%	0%	28%	44%	42%	47%	47%	49%	55%	60%	60%	60%
MINOR TARGET	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
MINOR Cumulative	80%	79%	76%	72%	74%	74%	77%	77%	79%	80%	80%	80%
OTHER TARGET	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
OTHER Cumulative	94%	91%	89%	89%	90%	90%	90%	89%	90%	90%	90%	90%

MONTH

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