

MEETING TITLE AND DATE:Council 22nd February 2006**REPORT OF:**

Director of Finance & Corporate Resources

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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	2006/07
	£'000	£'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 section106 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	396	0	0	0	0
Resources					
- 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

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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.

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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.

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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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Change Fund	0.054	Now included in Children's Grant (above)		To develop integrated services
Young People's Substance Misuse	0.379	TBC	TBC	To provide services for substance misusers
Safeguarding Children	0.690	Ceased 2005/06		To implement findings of Laming Inquiry
Child Adolescent Mental Health Services	0.649	0.662	0.676	To provide mental health services
Teenage Pregnancy	0.157	0.151	0.151	To implement local teenage pregnancy strategies
Asylum Seekers Grant				Funding arrangements for Asylum Seekers are no longer dependant on specific grant
	2.948	Ceased 2006/07		
Youth Justice Board	0.326	TBC	TBC	To develop the Youth Justice Service within Enfield
YOT Children's Fund	0.161	0.072	0.072	To develop the Youth Justice Service within Enfield
Supported Employment	0.005	Ceased 2005/06		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	7.172*	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	10.789	To support improvement in teaching and learning in schools
School Standards Grant	5.024	5.188	5.413	DfES grant paid 'direct' to schools
General Sure Start Grant (includes the Early Years and Neighbourhood Nursery Initiatives Grants)	3.251	4.167	4.374	Includes Early Years development and Neighbourhood Nursery Initiatives
Sure Start	1.378	1.033	0.500	Early years development in Craig Park and St Peters wards
Teachers' pay performance	5.032	Inc. in Dedicated Schools' Grant		Teachers salary enhancements
New Opportunities Fund	0.139	0.079	TBC	Out of hours clubs in schools
Learning Skills Council	18.910	20.575	20.494	Funding schools for post 16 pupils
Private Finance Initiative	4.890	4.890	4.890	Private Finance Initiative Grant
Transitional Budget Support	1.300	Ceased 2005/06		Support to schools in financial difficulties
Student Support Mandatory Awards	0.217	0.060	TBC	Awards for Students in Further Education
Others	0.377	0.317	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	TBC	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.

APPENDIX 3

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)

APPENDIX 5

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.	(100)
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.	(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. Note: to be used to fund financing costs of capital investment. (375)</p>	
<p>Efficiency Savings</p> <p>Environment, Streetscene and Parks Department</p> <p>- 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)</p> <p>- 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>	
<p>Education, Children's Services and Leisure Department</p> <p>- Review of the technical support within the Library Service. (26)</p> <p>- Reduction in care purchasing budgets for looked after children. (133)</p> <p>- Reductions in budgets for the management and development of leisure centre facilities. (80)</p> <p>Community, Housing and Adult Social Services Department</p> <p>- Restructure of the Assessment and Income Billing team. (30)</p> <p>Finance and Corporate Resources Department</p> <p>- 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)</p>	

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.

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

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.

Analysis of growth and savings over departmental budgets

	Unavoidable Cost Increases		Investment in	Agreed Savings	Other	Proposals for	Total
	Budget	Inflation	Priority		Adjustments	savings or	Movements
	Pressures		Services		(NLWA)*	increases in	Dept. Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education, Children and Leisure Services							
Schools							
Education	338	397	0	-448		-277	10
Children's Services	273	680	0	-513		-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		-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		-260	140
Chief Executive	122	160	512	-155		8	647
Strategic Management and Democratic Support							0
Capital Charges and Interest Payments	501	0	290	-1,000		0	-209
Levies	0	170	0	-75	-1753	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

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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.

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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%).*

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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
Bridges/Watercourses:						
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

CURRENT CAPITAL PROGRAMME

APPENDIX 12

SCHEME DESCRIPTION	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	Total
	Projected Expenditure	Projected Expenditure	Projected Expenditure	Projected Expenditure	Projected Expenditure	Projected Expenditure	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

CURRENT CAPITAL PROGRAMME

APPENDIX 12

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

CURRENT CAPITAL PROGRAMME

APPENDIX 12

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	Projected Movement	Estimated Reserve as at 31 March 2007
	£000s	£000s	£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.