

LONDON BOROUGH OF BARNET

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REPORT OF CABINET

REVENUE BUDGET & COUNCIL TAX 2006/2007

1. That the following recommendations are approved :-

BALANCES

2. That having taken account of all matters set out in the Chief Finance Officer's report on Reserves and Balances as set out at Appendix A to Cabinet Members' report:-
 - (a) the appropriate level of General Fund balances be determined at £10m;
 - (b) the strategy for achieving and maintaining this level of balances in 2006/07 or future years be as set out in Appendix G to the Cabinet Members' report.

REVENUE BUDGET AND COUNCIL TAX

3. The forecast revenue outturn for the year 2005/6 and the estimates of income and expenditure for 2006/6 be approved
4. That it be noted that the Chief Finance Officer under his delegated powers has calculated the amount of 135,103 (band D equivalents) as the Council Tax base for the year 2006/7 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.
5. That the following amounts be now calculated by the Council for the year 2006/7 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-
 - (a) £715,210,640 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act;
 - (b) £499,485,045 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;
 - (c) £215,725,595 being the amount by which the aggregate at 5.(a) above exceeds the aggregate at 5.(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;
 - (d) £79,160,995 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant or additional grant increased or reduced (as appropriate) by the amount of the sums which the Council estimates will be transferred in the year from:-
 - (i) its collection fund to its general fund and;
 - (ii) its general fund to its collection fund in accordance with Sections 97(3) and (4) and 98 (4) and (5) respectively of the Local Government
 - (iii) Finance Act 1988;

- (e) £1,010.82 being the amount at 5.(c) above less the amount at 5.(d) above, all divided by the amount at 4. above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year 2006/2007;

London Borough of Barnet Valuation Bands (£)

A	B	C	D	E	F	G	H
673.88	786.19	898.51	1,010.82	1,235.45	1,460.07	1,684.70	2,021.64

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

6. That it be noted that for the year 2006/7 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:-

Greater London Authority Valuation Bands (£)

A	B	C	D	E	F	G	H
192.41	224.47	256.54	288.61	352.75	416.88	481.02	577.22

7. That, having calculated the aggregate in each case of the amounts at 5.(e) and 6. above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2006/7 for each of the categories dwellings shown below: -

Council Tax for Area

A	B	C	D	E	F	G	H
866.29	1,010.66	1,155.05	1,299.43	1,588.20	1,876.95	2,165.72	2,598.86

8. That in accordance with Section 38(2) of the Act the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 1.6 above pursuant to Section 30 of the Local Government Finance Act 1992 within a period of 21 days following the Council's decision.

HOUSING REVENUE ACCOUNT AND RENTS

9. That the Housing Revenue Account estimates for 2006/7 be approved.

10. That, with effect from Monday 3 April 2006:-
- (a) The rent of all Council dwellings, with the exception of those included under Recommendation (11.), be changed in line with the Government's proposals on rent restructuring outlined in this report, producing an average increase of 5.0%
 - (b) That the rents of all properties relet for whatever reason be moved upwards to the formula rent. Where formula rent is below actual rent no reduction will be made.
 - (c) That service charges for all tenants of all flats and maisonettes based on the services they receive be increased to the following charges (per week, 48 week basis):-

Caretaking	£4.74
Caretaking Plus	£6.13
Block Lighting	£0.76
Grounds Maintenance	£0.49
Quarterly caretaking.	£0.62
 - (d) That there is an increase of 25% on the charge for space and water heating
11. That, with effect from Monday 3 April 2006: -
- (a) The basic rents of dwellings in the Council's equity sharing scheme at Moorlands Avenue, NW7 be increased as follows:-
 - Current basic rents of £2,097 to £2,202 per annum
 - Current basic rents of £1,932 to £2,028 per annum.
 - (b) The net rents of dwellings in the equity share scheme at Friern Hospital be increased by 5.0%.
12. That, with effect from Monday 3 April 2006, the rents of Council garages be increased by 5.0%.
13. That the Chief Executive be instructed to take the necessary action including the service of the appropriate Notices.

KEY PRIORITY PLANS

14. That the Key Priority Plans be approved.
15. That the Chief Officers be authorised to implement the detailed proposals set out in the Key Priority Plans within the resource constraints identified, in consultation with Cabinet Members as appropriate.

PRUDENTIAL CODE AND BORROWING LIMITS

16. The Prudential Indicators set out in Appendix F be recommended for approval to Council and that the Chief Finance Officer be authorised to raise loans, as required, up to such borrowing limits as the Council may from time to time determine and to finance capital expenditure from financing and operating leases subject to:

- (i) the appropriate provision having been made in the estimates for 2006/07;**
- (ii) authorisation (where necessary) of the expenditure by the appropriate Government Department;**
- (iii) a decision of the committee concerned or under delegated/urgency powers to incur the capital expenditure and that the Cabinet Resources be instructed to approve new projects up to the value of surplus resources outlined in this report, having regard to the priorities identified.**

CAPITAL

- 17. That the capital programmes be approved, and that the Chief Officers be authorised to take all necessary action to implement them.**

COUNCIL REVENUE BUDGET & COUNCIL TAX 2006/2007.

INTRODUCTION

The Cabinet Members submitted their proposed recommendations to Council on the 2006/7 budget and council tax.

The Council's budget is a financial expression of its services and levels of provision but also a conditioner of them. It links the priorities and objectives of the Council as expressed in the Corporate Plan having regard to resources available and taxation consequences of spending decisions. This has been reinforced by the officers' Budget Board Policy-Led review of services and budgets at the start of the 2006/07 budget process.

The Council is required by law to set its budget having considered its estimates of expenditure and income, and for its call on the collection fund to be sufficient to meet its budget needs. This must be done before 11 March 2006 and a meeting of the Council has been arranged for 7 March 2006 to achieve this.

RISK MANAGEMENT ISSUES

Financial risks are addressed in the advice on Reserves and Balances from the Chief Finance Officer set out in Appendix A. A significant emerging risk, however, is the capitalisation of redundancies for 2005/06 and 2006/07, which is currently estimated at close to £3m and would impact directly on balances if not achieved.

For the HRA, further slippage in the regeneration scheme programmes increases the risk of escalating repairs costs. The HRA Business Plan assumed a minimal level of repairs for those estates, based on a programme of demolition which has already slipped.

COMMENTS MADE BY THE CHIEF FINANCE OFFICER

This whole report and Appendix A is about the council budget.

The Chief Finance Officer is recommending that Cabinet consider his report on Reserves and Balances (Appendix A) and determine an appropriate level of balances and a strategy for achieving that level in 2006/07 and subsequent years. It should be noted, however, that balances are currently not forecast to be at a level recommended by the Chief Finance Officer by 31.3.06 or 31.3.07.

The Council Constitution (see later in this report) requires Cabinet to take account of recommendations from the external auditor on matters such as the level of reserves and provisions. Relevant comments from the External Auditor are included in Appendix A (section 10).

Staffing implications arising from these budget proposals were reported to General Functions Committee on 19 January 2006.

Any ICT and property implications are included in the Forward Plan statements at Appendix C.

It is a requirement of the Local Government Act 2003 that the Council should have regard to the Chief Finance Officer's report on the adequacy of balances when making the budget calculations. Any decision by Council on the level of reserves that differs from that of the Chief Finance Officer will need to be recorded in the decision to demonstrate the Council had fulfilled this statutory requirement.

The Local Government Act 2003 requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves, although the final decision on the level and utilisation of reserves rests with the Council and this is set out in the Chief Finance Officer's report at Appendix A.

Financial Regulations (Part 1, Section 2) within the Council Constitution state the following:-

- (i) Cabinet will finalise its recommendations to Council on the budget, council tax and rent levels taking account of the results of budget consultation. This will normally be in February, following announcement of the Final Local Government Finance Settlement.
- (ii) Cabinet's recommendations to Council must be made in time for Council to set the budget and council tax before 11 March of the preceding financial year to the financial year to which the recommended budget and council tax relate.
- (iii) The budget that Cabinet recommends to Council must be based on reasonable estimates of expenditure and income, and take account of:-
 - outturn forecasts for the current year;
 - guidance from the Chief Finance Officer on the appropriate level of reserves, balances and contingencies;
 - financial risks associated with proposed budget developments, reductions and ongoing projects;
 - affordability of prudential borrowing over the period of the council's financial forward plan;
 - recommendations from the external auditor on matters such as the level of reserves and provisions.
- (iv) The budget recommended by Cabinet to Council will incorporate the latest projection of income from fees and charges. During the year Cabinet Resources Committee may approve changes to fees and charges, including the introduction of new charges.

THE BUDGET PROCESS

A preliminary assessment of the 2006/07 budget was set out in the Financial Forward Plan approved by Council in March 2005, which forecast a council tax increase of 10.9% based on information available at the time on Government grants and local spending requirements.

Arrangements for consulting residents on the budget were reported to the Resources, Performance & Partnerships Scrutiny Committee on 13 February 2006. Consultation with business ratepayers took place on 22 February 2006.

Scrutiny Committees have reviewed the draft budget and Key Priority Plans. Any recommendations will be reported separately to Cabinet.

THE NATIONAL FRAMEWORK & 2006/2007 SETTLEMENT

The Local Government Minister announced the Provisional Local Government Finance Settlement on 5 December 2006. Consultation on this closed on 11 January 2006. The Final Settlement was debated in Parliament on 6 February 2006, although the Minister released the details on 31 January 2006.

Government announced additional funding above the 2004 Spending Review amounting to £305m (2006/07) and £508m (2007/08). Government claims to have provided further relief of spending pressures over and above these amounts although no tangible benefits are expected. This followed pressure by local government for additional funding to meet increasing costs.

A new Formula Grant allocation system has been introduced providing grant figures for 2007/08 in addition to 2006/07. Formula Spending Shares (FSS) are no longer used and Government assumptions on the national level of council tax that were previously built into the system have been dropped. The Settlement now only sets out final Aggregate External Finance (AEF) for 2006/07 and provisional figures for 2007/08.

National Figures	2005/06	2006/07	2007/08
	£bn	£bn	£bn
Total Assumed Spending (TAS)	79.6		
Aggregate External Finance (AEF)			
Revenue Support Grant (RSG)	26.7	3.4	4.2
National Non-Domestic Rates (NNDR)	18.0	17.5	17.5
Other Specific Grants	15.4	41.2	43.4
	60.1	62.1	65.1
Assumed Council Tax Yield	19.5		

Note: RSG and Specific Grant figures reflect several transfers in 2006/07, including £25bn in respect of the new Dedicated Schools Grant.

Overall, Formula Grant has increased by 3.0% in 2006/07 and 3.8% in 2007/08. For London, this is lower at 2.7% and 3.4% respectively.

The Settlement continues the system of 'floors' without ceilings. All authorities above the floor contribute a fixed proportion of their excess above their floor to finance the floor authorities. The minimum grant increases for education and social services authorities are :-

2006/07	2.0%
2007/08	2.7%

Barnet is at the floor in both 2006/07 and 2007/08.

The new allocation system is called the Four Block Model with grant allocated in the following ways: –

- (i) Relative Needs Formula (RNF) which is related to Formula Spending Shares (FSS) in that it tries to reflect differences in cost due to deprivation etc. Notional spending is still used to calculate RNF for each authority but figures are presented as proportions of a national total. On their own, these proportions are meaningless and prevent any comparison of local spending with Government assumptions.
- (ii) Relative Resources (RR) which is a reduction based on each authority's relative ability to raise council tax.
- (iii) a central allocation based on a standard amount per head.
- (iv) a damping factor to provide a minimum increase or floor as set out above. Authorities above the floor have their grant reduced to pay for the cost of the floor protection.

Appendix B provides a copy of the Government's guide to the settlement and explanation of the new system including a summary of Barnet's NRF proportions which demonstrates the complexity, difficulty in explaining and interpreting the new method. The increased complexity could enable Ministers to make greater judgemental changes to allocations without consultation and is a reason why local government generally opposed this change during consultation.

There have also been significant alterations in funding responsibility and calculation of RNF. The key changes are as follows:-

- funding of schools via the new ring-fenced Dedicated Schools Grant (DSG) which has been financed by deducting the 2005/06 schools budget from authorities' formula grant. Barnet spent £2.4m in excess of its 2005/06 school's FSS so the deduction results in a loss of £2.4m Formula Grant in 2006/07. The grant loss is built into Barnet's base grant upon which the 2% floor is calculated.
- transfer of all Residential Allowances and part of Preserved Rights special grants into Formula Grant.
- additional grant arises from the introduction of a free Concessionary Fares scheme nationally which benefits Barnet by almost £1.7m.
- Resource Equalisation whereby RNF is increased to reflect actual spending on Social Services. As Barnet is deemed to be a relatively wealthy authority, this adjustment results in a loss of grant to the council.
- a new Children & Younger Adults Social Services formula allocations methodology. The resulting distribution changes are so great that the Government has been forced to damp the changes by introducing minimum increases in formula allocations for these blocks (2.0% in 2006/07 and 2.7% in 2007/08). This is paid for by scaling back increases of authorities above the floor at a level of 85% which is unsustainable and could force changes to the grant regime when the 3-year settlements are introduced in 2008/09..
- the interest receipts element has been removed, but insufficient data is provided under the new system to isolate the impact on Barnet.

For business properties, there are two multipliers

- (i) the small business non-domestic rating multiplier for small business qualifying for a new small business relief scheme (i.e. those with a rateable value in London of less than £21,500); and
- (ii) the non-domestic rating multiplier which includes a supplement to pay for the new scheme.

The non-domestic rating multiplier to be applied in 2006/07 is 43.3p, which is reduced to 42.6p for small businesses.

The Local Government Finance Settlement for Barnet is set out in the following table. The figures are fairly meaningless in terms of identifying the cause of grant changes to Barnet as they bear no clear relationship to the cost of services provided.

Grant Elements	Adjusted 2005/06	2006/07	2007/08 Indicative Allocations
	£'000	£'000	£'000
Relative Needs Amount		76,236	77,601
Relative Resource Amount		(52,772)	(54,085)
Central Allocation		56,266	58,230
Floor Damping		902	532
Formula Grant	78,933	80,632	82,278
Dedicated Schools Grant	163,159	175,023	187,293
Total Grant for Comparison	242,092	255,655	269,571

Comparative figures for 2005/06 are only available for Dedicated Schools Grant and Formula Grant which includes significant adjustments in respect of additional grant for concessionary fares (£1.686m) and Preserved Rights moving from specific to formula grant (£1.658m).

The Settlement provided an adjusted formula grant increase of £1.7m which is the minimum 2% guaranteed by the Government. However, London already operates a free concessionary fares scheme so there is no additional cost in this respect and the £1.686m can be treated as new money providing a real grant increase of £3.385m (4%). This increase has to meet the cost of inflation, full year effects, service demands and funding transfers for all non-school services. The indicative grant increase for 2007/08 is only £1.646m which is the grant floor of 2.7% after adjustments (the actual cash increase is only 1.7%).

The new Dedicated Schools Grant provides cash increases of £11.864m (7.3%) for 2006/07 and £12.270m (7.0%) for 2007/08. The Council has no choice but to passport these increases to the Schools Budget. The grant increases for schools are in stark contrast to those for other local services where council tax increases are likely to be capped at around 5%.

Government revisions in population and other data incorporated in earlier grant settlements are being made by a series of grant amending reports and changes to authorities' adjusted base when calculating grant floor protection. The first amending report (re 2003/04), was issued last year and although Barnet's notional figures

increased, it was not sufficient to exceed that year's floor protection. New amending reports for 2004/05 and 2005/06 have been issued and will be paid in 2006/07. Barnet will receive a total of £568,000. This grant is separate from the figures in the table above.

Overall, the changes have resulted in Barnet receiving the minimum grant increases for 2006/07 and 2007/08. This is below national average increase in each year and fails to compensate for grant losses in previous years. A robust response to the settlement consultation was made, but to no avail.

CAPPING

A statement on the provisional settlement by Phil Woolas, the Minister of State for Local Government, included the following warning on capping :-

‘.... we expect to see average council tax increases in each of the next two years of less than 5%. There is, following today's announcement, no excuse for excessive increases. Local government should be under no illusions; if there is excessive increase, we will take capping action – as we have done over the last two years’.

The Minister subsequently added that authorities should not use previous capping principles as a guide for 2006/07 or 2007/08, which makes it unnecessarily difficult for local authorities to determine whether their council tax increases for 2006/07 will be capped.

To support their position on capping, Government has issued Alternative Notional Amounts (ANAs) to enable a like for like comparison with the budget requirements in 2005/06. The only adjustment within the ANA for Barnet is the introduction of the Dedicated Schools Grant, which when deducted from the 2005/06 budget produces an ANA for Barnet of £208,178,000 after rounding up.

Whilst introducing some uncertainty around how capping may be implemented in 2006/07, the capping legislation itself requires the Secretary of State to determine whether the budget requirement (not the level of council tax) for a financial year is excessive, and this must be done by reference to criteria specified and published by the Secretary of State. The criteria must be decided in accordance with a set of principles, which must include comparison with a previous year – the earliest year for this purpose being 1998/9. Different principles can be used for different classes of authority (e.g. London Boroughs, Districts, and Counties) and in previous years when some councils were formally warned the criteria used were a combination of change in budget requirement and council tax over a 1-year and 3-year period. The legislation allows the Secretary of State to designate councils for "in-year" capping, or to nominate a maximum budget requirement for the following year.

Authorities that are either designated or nominated may make representations to the Secretary of State. There is also the option to challenge in the courts, but from previous experience councils have found that the House of Lords has viewed the question of whether a budget requirement is excessive to be a matter of political judgement for the Secretary of State, who is not bound by a council's view of expenditure needs.

A copy of the capping regime is set out in Appendix D(ii).

If Barnet were challenged to explain its budget and tax increase there are a range of issues the council might want to highlight, including:-

- the disastrous 2003/04 settlement, which is also referred to in the Annual Audit Letter and has not been redressed by subsequent settlements;
- the 2004/05 settlement leaving Barnet 3rd from bottom in London in respect to grant headroom after allowing for education passporting, a position which has not improved much in 2005/06 with Barnet being 13th from bottom in London in respect to grant headroom;
- Barnet being at the grant floor in both 2006/07 and 2007/08
- that Barnet has already budgeted for £48m reductions in the base budget over the last four years;
- the continued need to rebuild balances following the Section 11 Notice issued in 2003/04 by the external auditor, which although removed in 2004/05 is still crucial to current budget considerations.

REVISED REQUIREMENTS FOR 2005/2006

The latest revenue monitoring position being reported to Cabinet Resources Committee on 16 February 2006 will advise that balances are forecast to be £7.410m at 31 March 2006. After this report was finalised, the council was notified that it would be rewarded with £1.865m of LABGI¹.

There are no significant budget variations to the Housing Revenue Account. Any variations are to be met from the accumulated HRA balance.

BUDGET 2006/2007

The introduction of the Dedicated Schools Grant in 2006/07 is a major change to local authority funding. School expenditure is now shown as a net nil budget whilst Formula Grant reduces by a similar amount so that council tax overall remains unchanged. This accounts for the significant change between 2005/06 and 2006/07 gross budget figures.

Following an assessment of the Provisional Local Government Finance Settlement, Cabinet's draft budget proposals, including efficiencies of £6.248m, were announced to Council on 20 December 2005, and would have resulted in a council tax increase of 3.29%

The budget to be recommended to Council on 7 March 2006 is set out in detail in Appendix C. A net reduction of £2.03m in the budget is proposed over the draft discussed at Council in December. Proposals for 2006/07 along with any major variations are explained in Key Priority Plans.

The Prudential Code enables councils to borrow without Government approval, subject to certain controls and reserve powers – basically, the cost of borrowing has

¹ LABGI – Local Authority Business Growth Incentive

to be affordable over a period of years. Provision for prudential borrowing to fund the capital programme and the additional cost of this borrowing are explained further on in this report.

Barnet Local Strategic Partnership (LSP) has been awarded £1m Neighbourhood Renewal (NRF) funding in both 2006/07 and 2007/08. The grant is to tackle deprivation and social exclusion in the most deprived areas. The LSP is responsible for allocating NRF monies and performance managing the use of this funding, although the Council acts a secretary and treasurer to the LSP. Projects are being considered by the LSP on the basis that there is no on-going cost that would fall to the Council in later years.

GENERAL FUND BALANCES & RESERVES

The Chief Finance Officer's report in Appendix A sets out the position on General Fund balances. The following is a summary:-

	£m
Balances @ 31 March 2005	5.0
Budgeted Contribution in 2005/06	3.0
LABGI (31.12.04 to 31.12.05)	1.9
Forecast Variations in 2005/06 (Month 8)	(0.6)
Balances @ 31 March 2006	9.3

This position might worsen due to slippage on 2006/07 budget savings, in-year budget problems and the realisation of some contingent liabilities etc.

A comprehensive risk assessment is set out in Appendix A, but it should be noted that the greatest risk at present is getting Directions for 2005/06 and 2006/07 from the Secretary of State to capitalise redundancy costs. Setting aside these risks, the draft budget currently leaves balances £0.7m below the minimum of £10m recommended by the Chief Finance Officer. Proposals for achieving and maintaining this level of balances are set out in the Financial Forward Plan at Appendix G.

In addition to General Fund balances, the Council may set aside specific reserves to fund projects or provide funding for future potential costs. The only reserves in the accounts are as follows:-

General Fund Specific Reserves	Estimated Balance 1.4.2006	Planned Variation	Estimated Balance 31.3.2007
	£'000	£'000	£'000
Donations	(205)		(205)
Lottery	(130)		(130)
Section 106	(185)		(185)
SPA	(65)		(65)
Totals	(585)	0	(585)

GREATER LONDON AUTHORITY

The Greater London Authority (GLA) precept incorporates the following budget requirements:-

- Mayor, GLA Assembly and corporate administration
- Transport for London;
- London Development Agency;
- Metropolitan Police Authority;
- London Fire & Emergency Planning Authority.

The Mayor commenced consultation on the budget and precept requirements on 19 December 2005, proposing a precept increase of 16.59% including the Band D surcharge for the Olympics of £20 – before adjustment of London wide council tax bases.

The Mayor's revised 13.35% tax increase was presented to and agreed by the London Assembly on 15 February 2006. The component parts are set out below, including the ongoing contribution to the 2012 Olympics at £20 a year on Band D:-

GLA Functions	2006/07	2005/06	Increase
	£	£	%
Metropolitan Police Authority	210.82	196.28	7.41
London Fire & Emergency Planning Authority	45.63	44.15	3.35
Transport for London	4.16	6.99	(40.49)
Greater London Authority	9.32	8.18	13.94
London Development Agency	0.00	0.00	-
Olympic Surcharge	20.00	0.00	-
Surplus on Borough Collection Funds	(1.32)	(0.98)	-
Total GLA Group	288.61	254.62	13.35

COLLECTION FUND

On 15 January 2006 (a date determined by Regulations) a forecast was made of the collection of previous years' council tax as at 31 March 2006. This calculation identified a deficit on the fund of £1.849m, which has been allocated between Barnet and the GLA, with the cost to Barnet being £1,471,050. The deficit has arisen as a result fewer new property completions than expected and a higher level of council tax exemptions. Based on current performance the estimated collection rate for 2006/07 has been retained at 98.5%, which takes into account of the effect on debt recovery that will result from changing over to a new local taxation system.

COUNCIL TAXBASE

There are two measures of the taxable capacity of the Authority. The first is the Inland Revenue Valuation Office list, which is adjusted for discounts and exemptions on the council tax system and is used by Government in Formula Grant calculations. The second is used for tax setting purposes and is a calculation made by the Chief

Finance Officer, representing the estimated taxable capacity for the year ahead and incorporating the estimated collection rate.

Under delegated powers, the Chief Finance Officer has calculated the 2006/07 taxbase as 135,103 Band D Equivalents.

Council Taxbase	Band D Equivalent	
	2005/06	2006/07
Number of properties	155,759	156,880
Estimated discounts	(13,259)	(13,680)
Estimated other changes	(5,363)	(6,317)
Total Relevant Amounts	137,137	136,883
Estimated non-collection (1.5%)	(2,057)	(2,053)
Contribution on lieu of MoD	273	273
Council Taxbase	135,353	135,103

COUNCIL TAX

The calculation of the council tax for Barnet is set out below:-

BUDGET	2005/06	2006/07
	£	£
Net Service Expenditure	375,102,230	221,859,030
Less : contribution from SPA	(6,691,000)	(5,491,000)
contribution from other reserve	(75,000)	(75,000)
Plus contribution to balances	3,000,000	0
Amending Report 2004/05	0	(499,701)
Amending Report 2005/06	0	(67,734)
BUDGET REQUIREMENT	371,336,230	215,725,595
Formula Grant	(130,373,685)	(13,046,430)
Business Rate Income	(108,093,535)	(67,585,615)
Collection Fund Transfers	1,303,050	1,471,050
DEMAND ON COLLECTION FUND	134,172,060	136,564,600
Council Taxbase	135,353	135,103
BASIC AMOUNT OF TAX	991.28	1,010.82

The GLA precept is £38,992,077 making the total demand on the collection fund £175,556,677.

The Council is required to set levels of council tax for each category of dwelling. As there are no special items within Barnet's or the Greater London Authority's budgets

affecting parts of the borough, there are only eight amounts of tax to set, as set out below:-

Council Tax Band	Barnet	GLA	Aggregate
	£	£	£
A	673.88	192.41	866.29
B	786.19	224.47	1,010.66
C	898.51	256.54	1,155.05
D	1,010.82	288.61	1,299.43
E	1,235.45	352.75	1,588.20
F	1,460.07	416.88	1,876.95
G	1,684.70	481.02	2,165.72
H	2,021.64	577.22	2,598.86

Individual Council Tax bills will reflect occupancy status with discounts for low occupancy (one or no adults) and exemptions for specific circumstances. In addition, residents will be eligible for Council Tax Benefit. In 2005/06, approximately 20% of council tax payers claimed a full or partial council tax rebate.

FINANCIAL FORWARD PLAN AND MEDIUM TERM FINANCIAL STRATEGY

It is now a requirement under the Prudential Framework that decisions on the budget must be taken in the context of the Forward Plan, with particular attention being paid to the affordability of prudential borrowing over a period of at least 3 years.

The Forward Plan is attached at Appendix G, based on the following key assumptions:-

- most of the forecast budget increases relate to estimated pay awards and inflation, London-wide levies, employer's pensions contributions, prudential borrowing costs and investment income and other known full year effects of previous decisions;
- resources for 2007/08 are based on the provisional settlement announced by the Government. Later years assume a 2.0% floor settlement. Indications of increases in grant are unlikely until the Government completes its 2007 Spending Review including a decision on whether the additional grant announced for 2006/7 and 2007/08 will continue
- future contributions to balances to achieve and maintain the target minimum £10m balances.

As indicated by the previous section, the Financial Forward Plan does not currently recognise any budget pressures or risks beyond 2006/07 as there is insufficient information upon which to base costs accurately, the one exception being

unsupported (prudential) borrowing where the full year effect of the capital programme is reflected.

The Government is expected to introduce 3-year grant settlements starting in 2008/09, as part of the 2007 Spending Review. This should provide a more stable environment within which to undertake effective financial forward planning as there should be far greater certainty over future grant levels. Changes in responsibility for local authorities would also be less likely to take place at short notice. However, there is currently a risk that population growth centred around Barnet's regeneration schemes will not be recognised in Government forecasts, which would result in a shortfall in grant increases to match demand.

The Chief Finance Officer has identified key issues within the 2006/07 budget (Appendix A). A number of these will be ongoing, and will be added to over the coming 3-4 years by the following risks and opportunities:-

- Lyons Inquiry
- Council tax revaluation (postponed until after the Lyons Inquiry)
- Spending Review 2007
- AEF grant floor has not been announced beyond 2007/08
- Levies
- LPSA Reward Grant
- Local Authority Business Growth Initiative beyond 2006/07
- Redundancy capitalisation
- Licensing Act
- Civil Contingencies Act
- Election Bill
- Modernising Core Systems (ongoing efficiency savings)
- Children Act
- Government's 10-Year Childcare Strategy
- ICT Infrastructure & technology refresh
- Housing Benefit reform
- Planning fees and Planning Delivery Grant
- Primary Schools Capital Investment Strategy
- Highways street lighting PFI
- Office accommodation strategy
- Health White Paper
- Review of responsibilities of the Mayor for London.

The Government's efficiency initiative (Gershon) requires local authorities to achieve 2.5% annual efficiency saving targets. Barnet has produced significant efficiency savings in recent years. The addition of the 2006/07 savings to the £13m already identified may mean that the combined cashable / non-cashable target annual

savings of £19.32m is achieved by March 2007; one year before the deadline. Furthermore, focus of the council's efforts so far has been in identifying cashable savings and work to identify non-cashable efficiencies will result in the target being exceeded.

Proposals for a draft medium term financial strategy is shown at Appendix H. This will be the first time a summary has been published showing the framework to support the financial forward plan. It will be developed further over the coming months with a report to Cabinet early in the new Municipal term, incorporating a combined Financial Forward Plan and Strategy on budget options for later years.

HOUSING REVENUE ACCOUNT

INTRODUCTION

The HRA is a statutory ring-fenced account of the Council, covering all revenue expenditure and income relating to the housing stock. The Council is required to construct a budget to ensure that the account for the year does not show a debit balance.

The summary HRA is shown in Appendix A. This includes a number of development proposals, which are shown in detail in the Performance Management Plan.

RENT RESTRUCTURING

Government introduced rent restructuring and convergence for local authority and registered social landlords (RSLs) over a 10-year period starting April 2002. All rents would be calculated on the same basis, with 70% based on average earnings for the region (adjusted for numbers of bedrooms) and 30% based on the valuation as at January 1999.

The Government undertook consultation during the summer of 2005 on the three-year review of rent restructuring. The proposals therein were not introduced for 2005/06 but are to be implemented for 2006/07. They involve a recalculation of base formula rents in line with those used for housing association properties, together with higher weightings for properties with three or more bedrooms. The result is that rent increases for local authority tenants will be higher than under the previous formula.

Rents will still move towards a target figure for each property. Following the formula, rents in Barnet would increase by an average of 5.56% in 2006/07 – however the Government has capped the increase at an average of 5%. It has promised that local authorities will be compensated in full for this, although full details as to how are awaited. The increase to any individual property is limited to inflation (deemed to be 2.7%) plus 0.5% plus £2 per week (on a 52 week basis).

HOUSING SUBSIDY

The trend of shifting resources away from London has been continued in this year's subsidy settlement. For Barnet the management allowance has been set at £634.72 (an increase of 6.1%) while the maintenance allowance is set at £1,099.30 per dwelling (an increase of 7.6%). The above inflation increases are meant to offset the effect of subsidy withdrawn through the guideline rent – as a result of the changes to the rent restructuring calculations described above this has risen by 8.1%. The net result is that Barnet suffers a loss of £1.5m on these elements, before the effect of the compensation referred to above is considered.

The Major Repairs Allowance is also paid as part of housing subsidy. Barnet's allocation has reduced by 0.5% per dwelling to £712.22 despite the level of inflation affecting the building industry. The total for 2006/07 is £7.939m, a reduction of £173,000 from 2005/06.

SERVICE CHARGES

Service charges for tenants were introduced in 2003/4 for specific services (mainly caretaking), and it is proposed that these be increased in line with the overall rent increase cap of 3.2%. Charges for these services will not generally recover the full cost of their provision.

HRA SUMMARY & WORKING BALANCE

Total expenditure for 2006/7 is estimated at £49.118m, including payment of £8.999m to the Government in respect of housing subsidy. The proposed average rent increase of 5% and increase in tenant service charges is estimated to raise £1.992m before the effect of sales is taken into account.

Energy prices have continued to rise far in excess of inflation and it is necessary to pass these charges on in respect of space and water heating. It is proposed to increase these charges by 25%

It is proposed that rents for the Council's shared ownership schemes and hostels be increased in accordance with the general rent increase. It is also recommended that rents on garages be increased by 5%.

2006/7 will be the third year of Barnet Homes' management of the housing stock. Further adjustments remain necessary in respect of service level agreements, both in respect of Barnet Homes and of the 'retained' HRA.

The HRA working balance stood at £5.8m on 31 March 2005. It is now anticipated that the HRA will break even in 2005/06 but for 2006/07 the estimates provide for a contribution from the balance of £785,000 resulting in a reduction to £5.1m at 31 March 2007. A balance of £4.3m is still required to be held against possible underwriting calls on regeneration schemes.

HRA MINIMUM REVENUE PROVISION (MRP)

Until 2004/05 there was a statutory requirement for the HRA to be charged with the MRP, which was approximately 2% of the HRA debt. This had the effect of reducing outstanding housing debt by that sum. The housing subsidy mechanism provides compensation for this to an approximately equal amount. The Government's removal of the legal requirement and the subsidy results in there being no equivalent reduction in debt unless a voluntary charge is made; without subsidy this has to be found from within HRA resources. Whilst the policy of not making a charge is entirely robust from a legal and accounting perspective, the merits of making a charge are being considered; some housing authorities have chosen to do so and investigations are taking place to explore the extent of this.

CAPITAL PROGRAMME

INTRODUCTION

The capital programme sets out the plans for investment in buildings, roads, equipment, other assets and capital grants over 2005/6 to 2008/9 and beyond.

Decisions on the level of capital expenditure depend on the availability of the following sources of funding which are listed in the order they would normally be applied:-

- Private Finance Initiative (PFI) credits
- grants to meet capital expenditure
- the Major Repairs Allowance (MRA) within the HRA
- Section 106 agreements
- capital receipts (proceeds from the sale of land and buildings)
- direct revenue contributions
- Special Parking Account
- contributions from school balances
- Other public-private partnerships.
- borrowing and revenue resources available to meet financing costs

The recommended capital programme, including total spend of £70.681m in 2006/07 is set out later in the report. It is based upon current forecast resources details of which are discussed in the following paragraphs.

The self-regulatory Prudential Framework gives local authorities freedom to determine the amount of capital investment they can fund by borrowing based on affordability, prudence, sustainability and good practice. The Government supports some of this investment by the use of Supported Capital Expenditure (SCE) allocations - either revenue or capital, which are further classified as either a single capital pot or ring fenced:-

- SCE(R) – notional capital allocations that feed into either the Capital Financing Relative Needs Assessment or the Housing Subsidy and which are often called supported borrowing. Borrowing over and above these allocations will not attract Government grant support, and so will need to be financed from the council tax. It is also extremely questionable whether councils grant floor actually benefit from SCE(R);
- SCE(C) – capital grants, which may be ring fenced to specific projects or form part of the single capital pot and be available for general use.

The latest SCE(R) announcements for Barnet are set out below:-

Service Block	2005/06	2006/07	2007/08 Provisional
	£'000	£'000	£'000
<u>Formula Grant (General Fund)</u>			
Housing Investment Programme	4,621	0	0
Education	1,346	3,634	4,081
Personal Social Services	286	285	287
Schools Targeted Funding	0	681	
Formula Grant SCE-R	6,253	4,600	4,368
<u>Housing Subsidy (HRA)</u>			
Housing Investment Programme	2,883	2,128	2,128
ALMO Supported Capital Expenditure	15,094	16,074	
HRA Subsidy SCE-R	17,977	22,802	6,496
Total SCE-R	24,230	27,402	10,864

Allocations relating to transport are provided by Transport for London grants.

From 2006/07 Government support for local authority housing capital investment programmes will not be provided through the Formula Grant system. Support for work on private housing and other activity will be in the form of capital grant to be announced later in 2006.

The full revenue cost of this borrowing is provided in the respective General Fund revenue accounts.

Barnet's street lighting PFI. A preferred bidder has been appointed and the final contract is being negotiated. This will be subject to final business case approval. The contract will commence in 2006/07.

CAPITAL PROGRAMME

The full capital programme is set out in Appendix C with a summary below:-

<u>Capital Programme</u>	2005/06	2006/07	2007/08	2008/09
General Fund	£'000	£'000	£'000	£'000
Adult Social Services	5,616	372	369	
Education & Children	16,754	14,165	18,378	3,630
Housing General Fund	10,013	10,330	7,308	3,256
Highways & Environment	13,317	12,525	9,985	2,770
Resources	9,934	2,159	0	0
Other Services	2,996	979	0	0
	58,630	40,530	36,040	9,656
<u>Housing Revenue Account</u>				
Managed by Barnet Homes	26,964	30,151	30,246	29,121
Housing Regeneration	741			
	27,705	30,151	30,246	29,121
Total Programme	86,335	70,681	66,286	38,777

Due to limited General Fund resources, the significant changes to the non-HRA Programme from last year are the inclusion of slippage from 2004/05 into later years and the procurement costs of the Primary Schools Strategy.

The HRA programme for the improvement of homes is managed by Barnet Homes. It has entered into partnering agreements with the major contractors who will deliver the bulk of the programme until 2010/2011. Funding is via the ALMO Decent Homes borrowing, the Major Repairs Allowance, capital receipts and contributions from leaseholders. As yet the decent homes borrowing approvals have not been confirmed for 2006/07 and 2007/08.

The General Fund Housing programme totals £10.330m in 2006/07. It includes expenditure supporting housing association projects and Disabled Facilities Grant schemes. The programme includes funding from S106 monies of £3m.

The overall programme is reliant on external grants and revenue support to fund capital borrowing. Capital receipts are not forecast to fund a significant part of the programme except the Primary Schools Strategy that is reliant on receipts from the disposal of surplus educational sites to fund primary school improvements.

The following table summarises the estimated funding of the programme. It should be noted that borrowing now accounts for at least half of annual funding, whilst in 2006/07 it represents 33% of resources. The revenue consequences of borrowing are incorporated into the revenue budget.

Funding	2005/06	2006/07	2007/08	2008/09
<u>General Fund</u>	£'000	£'000	£'000	£'000
Government Grants	13,757	14,412	14,432	2,581
Other Contributions	3,489	4,751	5,254	2,730
Capital Receipts	7,514	7,615	4,703	651
Revenue Contributions	275	545	400	0
Borrowing	33,595	13,207	11,251	3,694
	58,630	40,530	36,040	9,656
<u>Housing Revenue Account</u>				
Major Repairs Grant	4,946	4,322	4,918	8,253
Contributions	2,550	4,267	4,416	3,000
Capital Receipts	2,232	3,360	4,568	1,668
Borrowing	17,977	18,202	16,344	16,200
	27,705	30,151	30,246	29,121
Total Funding	86,335	70,681	66,286	38,777

PRUDENTIAL CODE & BORROWING LIMITS

The prudential system gives freedom to local authorities to invest as long as their capital plans are affordable, prudent and sustainable. The CIPFA Prudential Code sets out the indicators that local authorities must use and the factors that they must take into account to show that they have fulfilled these objectives.

The principal constraint on capital investment will be the financial impact on the council tax and rent levels of the housing revenue account, which will be reflected in the indicators of affordability. It will be for the Council to decide on an appropriate level of borrowing in relation to its net capital financing costs and the level of council tax and housing rents.

For 2006/7, Government has provided local authorities with a mix of revenue support for capital financing costs based on notional capital allocations and capital grants via the single capital pot, but Government has still to decide whether to continue with the current arrangements or change the balance between revenue support for borrowing and capital grants.

The financial indicators under the Prudential Code and the 2006/07 Treasury Management Strategy & Annual Plan requiring Council approval are set out in Appendix F along with full details of their calculation and purpose.

Reserves & Balances

Report of the Chief Finance Officer

1 INTRODUCTION

1.1 The Local Government Act 2003 places a duty on the Chief Finance Officer to report to Council as part of the budget process on:-

- a) the robustness of the estimates; and
- b) the adequacy of the proposed financial reserves.

1.2 Professional guidance published in January 2003 by CIPFA recommends that in making this report to Council the following factors should be taken into account:-

- services' record in delivering budget developments and reductions;
- capacity to manage in-year budget pressures;
- key financial assumptions underpinning the budget (e.g. inflation provisions);
- robustness of forward plan estimates;
- general debt outstanding and tax collection rates;
- adequacy of insurance arrangements and budget provisions to cover major unforeseen risks;
- year end accounting arrangements (e.g. whether services are permitted to retain underspends);
- financial reporting arrangements.

1.3 The Council's Financial Regulations¹ were updated to reflect this guidance two years ago and state that *"the budget that the Executive recommends to Council must be based on reasonable estimates of expenditure and income, and take account of:-*

- *outturn forecasts for the current year;*
- *guidance from the Borough Treasurer on the appropriate level of reserves, balances and contingencies;*
- *financial risks associated with proposed budget developments, reductions and ongoing projects;*
- *affordability of prudential borrowing over the period of the council's financial forward plan;*
- *recommendations from the external auditor on matters such as the level of reserves and provisions."*

¹ Financial Regulations, Part 1, Section 2.5

- 1.4 This report addresses each of these factors and sets out my recommendations (as Chief Finance Officer) for General Fund balances, and how this impacts on decisions that Council must make on the 2006/07 Budget.

2 SERVICES' RECORD IN DELIVERING BUDGET DEVELOPMENTS & REDUCTIONS

- 2.1 Barnet has been faced within challenging grant settlements in recent years. In 2003/04 Barnet was at the grant floor (3.5%) compared to a national average grant increase of 6%. The grant position was affected by the 2001 Census and the process of Resource Equalisation as the Government moved from the regime of Standard Spending Assessments to Formula Spending Shares. In 2003/04, the settlement did not provide sufficient grant to achieve the required level of "passporting" to the Schools Budget, which required an additional contribution to be made from council tax. In 2004/05, Barnet's grant increase (5%) was again below the national average (5.7%), but in 2005/06 (6.6%) was slightly above the average (5.4%).
- 2.2 Over the three year period 2003/04 to 2005/06, the Council budgeted to deliver efficiency savings, service reductions and increased income totalling £37m. Because the Schools Budget is ring-fenced, these budget reductions had to be delivered entirely from the non-schools budget, which for 2005/06 stands at £208m (55% of total net service expenditure).
- 2.3 Achieving base budget reductions of £37m in three years is a significant undertaking and some slippage in this is inevitable, and in respect to budget decisions for 2002/03 to 2004/05 a total of £4m has been added back to the base budget in subsequent years:-
- £0.5m in respect to the 2002/03 budget;
 - £2.6m in respect to the 2003/04 budget;
 - £0.9m in respect to the 2004/05 budget.
- 2.4 It should be borne in mind that these figures comprise a mixture of increased income not being achieved and savings not being delivered. In respect to the 2005/06 budget, £1m has so far been added back to the draft 2006/07 budget in respect to increased parking income not being achieved. In total, therefore, £5m has been added back to the base budget in respect to £42m of savings budgeted for over a four year period 2002-2006, which equates to 12%.
- 2.5 Delivering savings of the level budgeted for in recent years is a substantial executive and management undertaking, which is not helped by having to respond to annual Government grant settlements just 3-4 months prior to the start of the financial year. Given this context I do not consider that slippage of this order gives any real cause for concern, but slippage has nonetheless occurred and is, therefore, a factor that must be taken into account in making a recommendation to Council on the level of General Fund balances.

- 2.6 On the other side of the coin is the risk that the cost of budget developments has been underestimated. Given the grant settlements that Barnet has received in recent years the level of service developments (excluding base budget pressures and the cost of prudential borrowing to fund capital investment) has not been significant – £3.3m in 2003/04, £2.4m in 2004/05 and £0.2m in 2005/06.
- 2.7 Developments are also provided for within the capital programme, where the risk of overspending or failure to deliver planned external funding contributions can translate into revenue implications through increased prudential borrowing and/or reductions in interest earnings on unused capital receipts. Over the past three years there have been some overspends on capital projects, one of the more significant being Mill Hill School expansion project – the original tender for the project was £2.963m, and the projected outturn was £3.343m.
- 2.8 At present there are no significant issues that cause me concern with the council's ability to deliver efficiencies and developments within budget, although experience of the past four years would suggest that £1m (12%) of the £9m budgeted for in 2006/07 might result in a call on balances.

3 CAPACITY TO MANAGE IN-YEAR BUDGET PRESSURES

- 3.1 Following on from the Section 11 Notice in February 2004 the council's financial standing, in terms of the level of balances, has considerably improved. The council's gross budget in 2005/06 is £690m, but in terms of assessing financial risks it is more appropriate to combine this figure with income and specific grants, which produces a total just over £1.0bn. In commercial terms this represents a significant level of "turnover" and variances from budget are inevitable, particularly when a significant amount of expenditure (e.g. adult and childrens services) and income (e.g. local land charges) is demand-led. It should, however, be borne in mind that even just a 1% variance equates to £10m.
- 3.2 In considering the council's capacity to manage in-year budget pressures I have reviewed the budget volatility reported in budget monitoring during the current and previous two years. The position can be summarised as follows:-

2003/04	Overspends	£15.4m	} £1.9m net overspend
	Underspends	£13.5m	
2004/05	Overspends	£15.4m	} £1.1m net underspend
	Underspends	£16.5m	
2005/06 (Month 7)	Overspends	£9.6m	} £0.9m net overspend
	Underspends	£8.7m	

These figures exclude the HRA and schools balances.

- 3.3 As with the delivery of budget developments and reductions, I do not consider these in-year variances to be exceptional, especially when considering the net variances achieved which clearly demonstrates management action to minimise overspending has been effective. Nonetheless, variances have occurred and are, therefore, a

factor that must be taken into account in making a recommendation to Council on the level of General Fund balances.

4 KEY FINANCIAL ASSUMPTIONS UNDERPINNING THE BUDGET

- 4.1 Provision for non-teacher pay awards is in line with the 3-year settlement agreed from April 2004. The cost of additional employer's pension contributions has also been made based on the latest 3 year actuarial valuation assuming no change in pension fund conditions. Inflation has been provided for in line with Government forecasts, or where alternative inflation indices or market conditions prevail, e.g. a significant provision over current forecasts of RPI has been made for renewing energy contracts during 2006/07.
- 4.2 Prudent assumptions have been made on the level of interest earnings and the cost of borrowing to finance capital expenditure that is currently approved within the draft budget and capital programme for 2006/07.
- 4.3 At this point in time there are no issues within the key financial assumptions underpinning the 2006/07 budget that give me cause for concern, and this is not an area that will feature greatly in my consideration of the level of balances.

5 ROBUSTNESS OF FORWARD PLAN ESTIMATES

- 5.1 An officer Budget Board was established at the outset of the 2006/07 budget process. It is chaired by the Director of Resources and also comprises the Deputy Director of Resources & Chief Finance Officer, Head of Corporate Support, Chief Education Officer, Head of Adult Services and Head of Highways & Design.
- 5.2 The members of the Budget Board have all been given the opportunity to review the budget proposals from every service, and in particular assess the risk of non-delivery of efficiencies and service reductions.
- 5.3 The Budget Board has also been particularly concerned at minimising the incidence of "cost shunting" between services, i.e. one service making a saving that requires other services to pick up the cost of continuing to provide the activity in question.
- 5.4 The Budget Board has considered risks within the draft 2006/07 budget in three ways. The first two are risks within the base budget and the proposed budget reductions, both of which could result in a call on balances if variances occurred. The third area is contingent liability risks not incorporated in the draft budget, which would be direct call on balances if they occurred and could not be offset by management action to identify compensatory savings. The items considered to be the greatest risk within all three areas are set out below.

Base Budget

- Rents, fees & charges

These come to around £60m in the revenue budget. Shortfalls that have arisen previously on parking income and local land charges demonstrate how achieving this income is not always within the council's control. In 2006/07 the council will also be re-introducing the pest control service on a self-financing basis, but there are obvious risks associated with providing a service in competition with other providers already in the market.

- Specific grants

Despite provisional figures for 2006/07 and 2007/08 being provided for some of the specific grants, there are some where uncertainty remains (e.g. Planning Delivery Grant).

A new grant the council, or rather the Local Strategic Partnership (LSP), will be receiving is £2m worth of Neighbourhood Renewal Funding (NRF). The allocation of this funding will be determined by the LSP, but there is a risk that the council will be left with a responsibility for ongoing costs in 2008/09 and beyond.

- Borrowing & interest earnings

The council, like all others, is subject to market fluctuations in interest rates that affect both short and long term borrowing and the short term investment of surplus cash.

- Accommodation strategy

This is more of an issue for future years in terms of creating a large fixed cost within the base budget, rather than being a potential overspending problem. The strategy approved by Cabinet Resources Committee in July 2005 relies heavily on the council continuing to lease the majority of its office accommodation requirement for a further 15 or more years. This creates a risk of not being able to reduce costs if a major downsizing of the staffing establishment occurs over this period and the council is unable to sub-let surplus space.

In terms of the 2006/07 budget, the risk is being minimised by delaying the signing of the new leases until all costs have been fully validated and the sub-leases to Barnet Homes have been signed.

- Council Tax collection

Around £180m in council tax will be collected in 2006/07 for the council and the GLA. Barnet has the largest taxbase in London by some margin, and has the 5th largest taxbase in the country. Non-collection of council tax measured in fractions of % points can have a significant impact on the budget. Similarly, over-estimation of the number of new properties and under estimation of

exemptions and discounts in the council taxbase can have the same consequences.

- Housing benefit and temporary accommodation

These items are highlighted as a risk simply because of their size and volatility – budgeted gross benefit payments of £119m, subsidy £117m and temporary accommodation income £8.2m.

- Placements – adults, looked after children, special educational needs

These items are also highlighted as a risk simply because of their size and volatility – budgeted adult placements £75m, looked after children £14.2m and special educational needs £6.5m.

Budget Reductions

- Looked After Children external placements (£750,000)

Members will have long experience of this being a volatile budget due to the nature of the service. The strategy to develop a greater number of lower cost options and reduce the number of out of borough residential placements is in place, but there always remains the potential for significant budget fluctuations to arise as a result of a very small number of additional looked after children. The comments here apply to the base budget as much as they do to this budget reduction.

- Street Enforcement Service (£850,000)

This involves a big restructuring of the service and is highlighted as a risk simply because of the size of the proposed saving.

- MCS efficiencies and benefits realisation (£1,438,000)

This is an aggregation of savings across the council that can be attributed in some way to Modernising Core Systems (MCS). As with the above item, it is highlighted as a risk simply because of the size of the proposed saving.

Items Not Incorporated in the Budget

- Asylum Seekers prior years' grant claims £1.7m

The grant instruction enabling the audit of the Asylum Seekers claim was withdrawn by Government before the audit of the 2002/03 accounts was undertaken. Similarly, claims in following years remain unaudited and the payments received from Government are less than the claims submitted, resulting in an increasing debtor in the Council's final accounts. The Home Office have now made arrangements to complete all outstanding audits across the country prior to April 2006. However, the delay exposes the Council to risk that when the audits are completed the amount finally paid may be less than the accumulated debtor.

- Prior year charges to PCT £1.6m

A significant level of work was undertaken with Barnet PCT during 2004/05 to establish a final position on outstanding monies owed to the Council. The final position was a debt of £1.6m, for which detailed invoices and backing papers have been submitted to the PCT. However, it is proving difficult to elicit payment and as a consequence although this is a valid debt, there is a risk of non payment.

- Total of 50+ legal cases

This is the current total number of litigation cases the council is involved in or which could arise. These have been risk assessed at a potential cost of £0.6m, although this would not all come due in 2006/07.

- Capitalisation of redundancies

The assumption is that redundancies arising from budget decisions and major restructurings will be capitalised, but the ability to do this always rests on a Ministerial decision to provide a Direction to capitalise. This Direction is not automatic and has to be applied for, so there is always a risk that the cost of redundancies could fall entirely on the revenue budget (i.e. balances). The cost is estimated to be around £4m in 2005/06 and 2006/7 based on actual and potential redundancies arising from proposed savings in the draft budget.

- Barnet Homes withdrawing from SLAs

Barnet Homes has the right to withdraw at six months' notice from most SLAs where the council provides accommodation and support services.

- 5.5 It is also important to consider the robustness of capital programme assumptions, in terms of estimates of project costs, anticipated external income and grant, and levels of capital receipts assumed to be supporting expenditure in the year.
- 5.6 The only significant project being added to the capital programme is the Primary School Capital Investment Strategy, but works are not scheduled to start until 2007/08. The draft capital programme provides adequate budget to enable the Wave 1 programme (2007-2010) to be worked up in more detail, both in terms of costs and estimated capital receipts to be generated (including the timing thereof). Any variances from the outline estimates reported to Cabinet on 5 December 2005 will be incorporated into the 2007/08 Budget and Forward Plan process.
- 5.7 A prudent assumption has been made on the level of capital receipts being generated in 2006/07, based on past experience.
- 5.8 The major sources of external funding for the capital programme are DfES Schools Modernisation (grant and supported borrowing) and TfL (grant). Assumptions built into the capital programme funding model are in line with notifications received.

- 5.9 Turning to later years, the Council now has a firm indication of grant in 2007/08. Current indications are that it will be another tight year financially with the council once again at the grant floor, although the earlier grant announcement will enable the council to forward plan with greater certainty during 2006/07.
- 5.10 Whilst I am of the opinion that expenditure and income estimates are as robust as can be expected based upon sound supporting evidence, there are some significant risks within and without the council budget that could seriously impact on the council's financial position if they arose.

6 GENERAL DEBT OUTSTANDING AND TAX COLLECTION RATES

- 6.1 The debts owed to the council as set out on the balance sheet are covered in part by various bad debt provisions, which were increased by £1.75m in 2004/05 to cope with a major write-off exercise to be undertaken in 2005/06. To date, approximately £672,000 has been identified for writing off against this provision since 1 April 2005 and there will be further amounts to come.
- 6.2 I currently have no significant cause for concern over the level of bad debt provisions for the routine accounts raised across the council for services provided where a charge is made and the income is not received up front. There are, however, significant debts outstanding from other public bodies, which relate to services and grant in previous years. These would add to the pressure on balances if not paid in full by these two organisations.

7 ADEQUACY OF INSURANCE ARRANGEMENTS AND BUDGET PROVISIONS TO COVER MAJOR UNFORESEEN RISKS

- 7.1 The insurance provision is being increased in line with the planned contributions over a period of 3 years, as outlined in the response to the Section 11 Notice (March 2004) and the Financial Forward Plan approved by Council in March 2005. The requirement was to achieve an insurance provision of £7.2m.
- 7.2 Ongoing work to cleanse the claims database may slightly reduce this requirement, although there is also a £0.5m annual shortfall in the internal insurance recharges actioned in the accounts each year.
- 7.3 With the 2005/06 planned contribution to the insurance fund being made, the provision will be around £6.4m by 31 March 2006, barring any unforeseen calls being made on the fund. Allowing for some improvement in the claims database cleansing mentioned above, this puts us within around £1m of the required level of provision after allowing for the annual shortfall on internal recharges. The budgeted contribution of £1m in 2006/07 (originally £1.5m was provided for in the March Forward Plan) would address the remaining provision shortfall (estimated at £0.5m) and provide the base budget correction for internal recharges. The council budget in 2007/08 could then be reduced by £0.5m, leaving £0.5m in the base to correct the ongoing internal recharge shortfall.

- 7.4 There is no central contingency budget, so any unforeseen expenditure or loss of income would immediately become a call on balances, unless management was able to identify compensatory savings.
- 7.5 The draft 2006/07 budget headlines announced at Council on 20 December 2005 do not include the £3m planned contribution to balances set out in the Financial Forward Plan approved by Council in March 2005, which was in the response to the Section 11 Notice and an expectation that balances at 31 March 2006 would be around £8m. Given that balances at 31 March 2006 are currently forecast to be around £7m, this represents a change in the Council's response to the Section 11 Notice.
- 7.6 It is my view that the council should continue to make contributions to balances and this is dealt with more fully in section 12 of this report. No change to the planned contributions to the insurance provision should be made.

8 YEAR END ACCOUNTING ARRANGEMENTS

- 8.1 Some councils allow services to carry forward some underspends, with a lesser amount therefore being returned to central balances. Where services are allowed to accumulate surpluses for specific projects or to offset overspends in later years, this will clearly have an influence on the level of centrally managed balances.
- 8.2 Barnet does not operate the policy of allowing services to retain underspends, and indeed has required some services to achieve underspends in order to offset overspends in others. The one exception to this is schools, where they are allowed to retain underspends against the devolved budget shares they receive each year.
- 8.3 Although it did not eventually materialise, Members will recall some concern during 2003/04 that the Government settlement might cause aggregate school balances to be completely extinguished and thereby create a new pressure on centrally managed balances. This did not materialise, and aggregate schools balances were a relatively healthy £11m at 31 March 2005.
- 8.4 There are no aspects of the council's current year end accounting arrangements that impact on my consideration of the level of balances.

9 FINANCIAL REPORTING ARRANGEMENTS

- 9.1 Despite the significant reporting improvements that will flow from SAP, the External Auditor has commented on improvements made to budget monitoring reporting arrangements over the past couple of years.
- 9.2 In addition to the normal exception reporting arrangements, reports to Cabinet Resources Committee have included traffic light monitors on all the budget savings for two years now. Furthermore, Member Challenge on the detailed position on cost centre budgets takes place during the year.

- 9.3 The one area for improvement is in reporting on debt management. An attempt has been made to include reporting on debt over 90 days through the FirstStat arrangements, but this has proved problematic in that this can easily be distorted by large volumes of certain invoices being raised at specific points in the year. Enhancing this reporting will be an important improvement during 2006/07, and I will be keen to identify best practice from other councils.
- 9.4 Whilst SAP provides a platform from which to improve financial management reporting, it still requires commitment from budget holders across the council to fully understand the shift in responsibility that has also taken place, in that accountants are still there to support them in managing and monitoring their budgets but are no longer going to be doing it for them.
- 9.5 Overall, there are no issues in respect to financial reporting arrangements that especially impact on my consideration of the level of balances.

10 RELEVANT EXTERNAL AUDIT COMMENTS

2003/04 Annual Audit Letter

- 10.1 The Council was served with a Section 11 Notice by the External Auditor in February 2004, as part of the Annual Audit Letter for 2003/04. The response, approved by Council on 1 March 2004, included a planned ongoing contribution to balances in the Financial Forward Plan of £3m a year. Increasing the insurance provision to a level recommended by the external actuary was also agreed as part of the Council's response to the Section 11 Notice
- 10.2 The External Auditor took this ongoing commitment to increase balances into account when lifting the Section 11 Notice at the end of 2004/05, so any significant deviation from this and/or the planned level of balances in future years creates a risk of the External Auditor taking a different view about the council's financial standing. The following comments are taken from the 2003/04 Annual Audit Letter, which incorporated the Section 11 Notice:-

- *Financial Position*

The Council appears to be on track to deliver the majority of its plan and by bringing 2005/06 savings online early anticipates that it will achieve balances of over £4m by 31 March 2005. The Council also intends to budget for a further £3m to be added to reserves for both 2005/06 and 2006/07 which if achieved will take the level of balances to a more comfortable figure in excess of £9m.

We will continue to monitor the position closely but do not consider it necessary to issue a further Section 11 notice as part of this letter. We may however consider further public reporting if we are not satisfied that the Council is taking sufficient steps to maintain adequate levels of General Fund balances.

- *Action Needed by the Council*

Ensure that adequate General Fund balances are maintained in 2004/05 and beyond. Current plans to achieve balances of £7m by 31 March 2006 should be maintained.

- *Financial Standing*

The Council's financial position is improving although still very weak. Processes for the identification, monitoring and reporting of savings have significantly improved from previous years. Proposed increases to General Fund balances of £3m in both 2005/06 and 2006/07 need to be sustained.

We support the Council's proposals to include £3m increases to balances in both 2005/06 and 2006/07. We will keep this position under close review and consider whether we need to take any public action using auditor powers as the position unfolds.

- 10.3 It is important to differentiate here between the External Auditor's observations and recommendations. References to balances being £4m by 31 March 2005 and £7m by 31 March 2006 are not recommendations, they are observations that if the council achieved it's (not the external auditor's) then forecast outturn for 2004/05 of £1m, then an ongoing contribution of £3m a year to balances would deliver £4m by the end of 2004/05 and £7m by the end of 2005/06, assuming the outturn was in line with the budget in both those years.
- 10.4 It is important to be clear that in respect to the position at 31 March 2006, the External Auditor was merely supporting the Council's action in seeking to achieve balances of £7m by the end of 2005/06. These comments were based on information the council had supplied, as indicated in 10.3 above, and should not be misinterpreted as a recommendation that balances at 31 March 2006 should be £7m, as opposed to any other figure at that date.
- 10.5 The External Auditor has not stated what level of balances the council should have, but has attempted to guide the Council into what he considers to be a reasonable level of balances, whilst recognising it is for the Council to ultimately make that decision. In February 2004, External Auditor said the ongoing £3m contribution in 2006/07 should be made, in the knowledge that by the end of 2005/06 the council (based on it's forecast 2003/04 outturn) was hoping to see balances around £7m, such that the further £3m would take balances by 31 March 2007 to "a more comfortable figure in excess of £9m".
- 10.6 This is the only specific view expressed by the External Auditor about the actual level of balances the council should consider having, i.e. something in excess of £9m.

2004 Use of Resources

- 10.7 In the External Auditor's initial feedback on the CPA Use of Resources 2005, reference has been made to good progress on incorporating risk management into the budget process, which essentially reflects the work done in establishing a

central register on financial risks and uncertainties which is reviewed on a regular basis. Nevertheless, the External Auditor will rightly continue to expect continued progress on this issue.

2004/05 Annual Audit Letter

- 10.8 This was issued in January 2006 and is being considered in full by Cabinet at the same meeting as the 2006/07 budget. It highlights one of the key actions required of the Council is to continue focusing on maintaining a sound financial position and building up the level of general fund reserves to at least £10m, as well as maintaining its established focus on delivering recurrent efficiencies that do not impact on the service outcomes for corporate priorities.

11 LEGAL REQUIREMENTS

- 1.1 It is a requirement of the Local Government Act 2003 that the Council should have regard to the Chief Finance Officer's report on the adequacy of balances when making the budget calculations. Any decision by Council on the level of reserves that differs from that of the Chief Finance Officer will need to be recorded in the decision to demonstrate the Council had fulfilled this statutory requirement.
- 11.2 LAAP² Bulletins are intended to provide guidance that represents good financial management and which should be followed as a matter of course. Compliance with such guidance is recommended in the CIPFA³ 2003 Statement on the Role of the Finance Director in Local Government.
- 11.3 LAAP Bulletin 15 is a "Guidance Note on Local Authority Reserves & Balances". Section 7.2 of this guidance states the following:-

The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the CFO. To enable the Council to reach its decision, the CFO should report the factors that influenced his/her judgement (in accordance with paragraph 6.2) and ensure that the advice given is recorded formally. Where the CFO's advice is not accepted this should be recorded formally in the minutes of the council meeting.

[Paragraph 6.2 sets out a range of issues similar to those summarised in section 1.2 of this report.]

12 SUMMARY & RECOMMENDATIONS

- 12.1 From the above sections, the key financial risks that could cause balances to be reduced are set out below:-

² Local Authority Accounting Panel (LAAP)

³ Chartered Institute of Public Finance & Accountancy (CIPFA)

(i) Services' record in delivering budget developments & reductions

I have concluded in the report that slippage has occurred on budgeted savings in previous years, but that following management action any overspend has been within the level of current forecast General Fund balances. I have indicated that if previous results were any guide there could be a call of £1m on balances arising from savings not being delivered in full.

(ii) Capacity to manage in-year budget pressures

I have highlighted the scale of in-year budget variations in previous years, and that whilst these are not exceptional in an organisation the size of Barnet, they have nevertheless arisen and therefore need to be factored into my recommendation on balances.

(iii) Robustness of forward plan estimates

I have indicated in this report that whilst I am of the opinion that expenditure and income estimates are as robust as can be expected, there are some significant risks within and without the council budget that could seriously impact on the council's financial position if they arose.

12.2 I must have regard to comments made by the External Auditor, the most significant of which are set out in the 2003/04 Annual Audit Letter, extracts of which are included in this report. His comments are very clear, such that whilst not directing the council on the level of balances it should have (since he knows this to be inappropriate), he has expressed the view that a more comfortable position for the council would be to have balances in excess of £9m.

12.3 However the Council chooses to interpret the External Auditor's advice, it is required by the Local Government Act 2003 to take account of the advice and judgement of its Chief Finance Officer. If this advice is not accepted this should be recorded formally in the minutes of the council meeting. In guiding the Council to respond to the Section 11 Notice in February 2004 it was my belief that the council had to work over a relatively short period of time to achieve balances of at least £10m, and to maintain them at this level thereafter by continuing to forecast year end balances throughout the year and to include an appropriate contribution to balances in the draft budget for the following year as appropriate. **I am still of the view that the Council should be aiming to get balances to £10m.**

12.4 The Forward Plan agreed by Council in March 2004 and updated in March 2005 would have seen the £10m figure being finally achieved as part of the 2006/07 budget, by getting to £5m by 31 March 2005, £8m by 31 March 2006 and £11m by 31 March 2007.

12.5 The council signed a Local Public Service Agreement commencing April 2003, which set ambitious targets for service improvements over the three years ending 31 March 2006. Achievement of these targets in full or to a significant degree, will result in the payment of Reward Grant over a 2-year period (2006/07 and 2007/08), which is split 50:50 between revenue and capital. Based on performance

assessments provided by Heads of Service, which have been reviewed by the Corporate Performance Office, the council could be in line to receive revenue sums of £0.66m in both 2006/07 and 2007/08. The expectation is that these sums would be taken into balances, less any amounts the Council decided should be given to partners contributing to the achievement of service improvement targets. If it were assumed that the Reward Grant is achieved and that the full amounts were retained by the Council, then balances at 31 March 2007 could reach £7.66m based on current budget forecasts.

12.6 The Local Authority Business Growth Incentive (LABGI) scheme starts in 2005/06. The Government will pay additional grant to authorities whose total business rateable value increases above a certain threshold, which is intended to provide an incentive to promote local business growth and return some of the benefit to the local authority. There are no restrictions on the use of the grant, which is not determined until after the Inland Revenue have updated valuations at the end of each calendar year. Payment of any grant due will be before the end of the financial year.

12.7 The following summarises the current forecast position in General Fund balances:-

	£m
Balances @ 31 March 2005	5.0
Budgeted Contribution in 2005/06	3.0
LABGI (31.12.04 to 31.12.05)	1.9
Forecast Variations in 2005/06 (Month 8)	(0.6)
Balances @ 31 March 2006	9.3

12.7 This position will be improved to the extent that Barnet receives LPSA Reward Grant, but could worsen due to slippage on 2006/07 budget savings, in year budget problems and the realisation of some contingent liabilities etc. Setting these risks aside, the draft budget would leave a shortfall of £0.7m against the minimum £10m balances I have recommended at paragraph 12.3.

12.8 **Firstly, the Council must decide what it considers to be the appropriate level of balances given all the factors set out in this report. Secondly, if it considers an appropriate level to be £10m, or some other figure higher than the current forecast of £9.3m by 31 March 2006, it must determine a strategy for bridging the gap in 2006/07 and/or subsequent years.**

12.9 Before making a recommendation on how the council might get to this level of balances in the coming years, it is important to first consider the likely grant settlement in future years, and the scope to manage the level of balances over a longer period of time.

12.10 In 2006/07, setting aside the grant changes in respect to concessionary fares and the one-off Benefit from the Amending Reports, Barnet is firmly at the foot of the table of London Boroughs receiving just the 2% grant floor increase, along with 7 other boroughs.

- 12.11 In 2007/08, Barnet will again be on the grant floor (2.7%) along with two-thirds of London Boroughs. The grant increase is reduced to 1.7% when an adjustment is made for the transfer of revenue funding of capital to capital grants, and the position becomes worse still when you take into account the added pressure on council tax from losing £0.57m one-off grant from the Amending Report.
- 12.12 In 2008/09, the Government is expected to introduce a 3-Year Settlement. Given the provisional settlements for 2006/07 and 2007/08 show a worsening position for Barnet and London as a whole, there must be an expectation that Barnet will continue to be at the grant floor until at least March 2011. The message I am seeking to convey to Council here is that if Members consider it difficult to increase balances in 2006/07, the ability to do so in the subsequent four years will not be any easier.
- 12.13 Based on the forecast outturn for 2005/06, contributing £1m to balances in 2006/07 would achieve my recommended target of £10m. To repeat an earlier comment, it is for Members to determine the level of balances, however, Council is required to take into account advice from the Chief Finance Officer and other parties, such as the External Auditor.
- 12.14 There is no precise formula for calculating the figure but it should be determined after taking into account the financial risks facing the council, which are set out in this report. The council can certainly be managed with less than £10m balances, it is obviously doing so at present, but it's also the case that every significant budget variation that arises means having to assess the impact on balances. Too great an emphasis like this on the financial standing of the council can also divert executive and management attention from all the other corporate priorities around service delivery.
- 12.15 The level of council balances also has a direct link to the council's score on various aspects of CPA – Use of Resources, Direction of Travel and the Corporate Assessment itself. Within that context, a low level of balances also reduces the council's ability to take risks and so reduces the opportunity to make innovative improvements to service delivery.
- 12.16 If the Council decides that the appropriate level of balances target for balances should be a minimum £10m or some other sum above the forecast £7m set out above, but is not willing to contribute £1m in 2006/07, it should set out a strategy for achieving the target. This strategy could encompass a comprehensive review of the base budget against corporate priorities early in 2006/07, taking advantage of the greater certainty provided by the early Government announcement of 2007/08 grant. This would be something for the new Cabinet to consider when it is formed after the 2006 Municipal Elections.

13 HOUSING REVENUE ACCOUNT

- 13.1 The Local Government & Housing Act 1989 required the Housing Revenue Account (HRA) to be maintained as a ring-fenced account and prescribed the debits and credits for it. Any surpluses generated from the HRA can be used to support the account when it fails to break even and for any one year a budget can be set such

that there is a drawing on balances, but it is not permissible for an overall HRA budget deficit to be set. It is for the Council to determine what level of balances should be maintained. At 31 March 2005 the HRA balances were £5.8m, forecast to be £5.1m at 31 March 2007.

- 13.2 The following regeneration scheme underwriting agreements need to be considered alongside these balances, however, it is envisaged that one or more of the Principal Development Agreements will be signed before March 2007 and when they are signed the Underwriting Agreements fall away:-

West Hendon	£1.1m
Stonegrove	£1.3m
Grahame Park	£1.9m
Dollis Valley	£1.3m
Total	£5.6m

- 13.3 In the case of Stonegrove there is reasonable confidence that the liability could be met from land disposal rather than being a call on the HRA, and the West Hendon liability will be removed once the Principal Development Agreement is signed, which is likely to be in the spring of this year.
- 13.4 The principal items of expenditure within the HRA are management and maintenance costs, together with charges for capital expenditure (depreciation and interest). This is substantially met by rent and service charge income from dwellings, garages and commercial premises. However, the national housing subsidy system is a mechanism for redistributing resources between local housing authorities and for the year 2006/07 Barnet has to repay £8.5m to the pool – this figure is increasing annually. The subsidy settlement for 2006/07 (notified in December 2005) is far tougher than originally anticipated, as it was for all London Boroughs. As a result it may not be possible to make a contribution to balances in 2006/07 if the identification of further savings and efficiencies doesn't take effect quickly enough.
- 13.5 Balances were over £6m from 2001/02 until 2004/05 and will, according to current projections, be restored to that level by the end of the current year. Gross expenditure plus gross income for the HRA will be approximately £96m in 2006/07, of which 20% is subsidy and capital charges and therefore fixed. For the remainder, the effect of budget pressures is similar to that for other Council expenditure and income. I would consider balances of between £5m and £6m to deal with a budget of this size to be adequate, however, the potential call to meet liabilities under the underwriting agreements is such that returning the HRA to surplus should be regarded as essential from 2007/08.
- 13.6 It has been the practice in earlier years to use some of the surpluses generated from the HRA to finance capital investment in the housing stock as capital resources are scarce. This can only be done in future if the level of balances is high enough to meet any contingencies that may arise. The immediate issue for the HRA is, therefore, to return to a position of budget surplus to maintain a healthy position and generate further resources for capital investment.

14 FOR DECISION BY COUNCIL

14.1 Council should, taking account of all matters set out in this report:-

- (i) determine the appropriate level of General Fund and HRA balances;
- (ii) determine a strategy for achieving this level of balances in 2006/07 and later years.

Clive Medlam
Deputy Director of Resources & Chief Finance Officer

A guide to the Local Government Finance Settlement

(This guide replaces the 'Plain English Guide to the Local Government Finance Settlement' which was first issued in 1998)

Office of the Deputy Prime Minister

January 2006

A guide to the Local Government Finance Settlement

Introduction

Local government finance has a well-deserved reputation for being complicated and difficult to understand. Because of this, in 1998 the Government provided a “Plain English” guide to the aspects of English local government finance debated and agreed by Parliament. This guide has been updated and includes further information which the Government hopes will be helpful. It is not definitive.

A glossary of terms used in this guide can be found at the end of the document. Terms explained in the glossary are shown in **bold** type throughout the guide.

What is the local government finance settlement?

Central Government has set up three separate systems to fund the three main blocks of local authority spending in England. These blocks are:

- spending on capital projects such as roads, school buildings or computers;
- revenue spending on council housing; and
- **revenue expenditure**, mainly on pay and other costs of running services other than council housing. Government supports local councils’ revenue expenditure through formula grants and ring-fenced grants. From 2006/07 funding for schools has switched from formula grant to the ring-fenced Dedicated Schools Grant. Together formula and specific grants total some £62 billion in 2006/07 and £65 billion in 2007/8.

The annual *Local Government Finance Settlement* is concerned with the distribution of Formula Grant, which is made up of Revenue Support Grant, redistributed business rates and principal formula Police Grant. Formula Grant totals some £25 billion in 2006/07 and £26 billion in 2007/08.

Ring-fenced and specific formula grants are not part of this annual settlement but are usually announced around the same time. On currently announced plans these will total some £37 billion in 2006/7 and £39 billion in 2007/08, including the Dedicated Schools Grant.

Deciding the Overall Amounts of Grant

In its Spending Reviews, the Government decides how much it can afford to spend, reviews its expenditure priorities and sets targets for the improvements which are to be delivered from additional funding. Each Spending Review covers a three year period.

In July 2004, the Government announced the results of its latest Spending Review. This set the framework for Government grant support to local government in 2005/2006, 2006/2007 and 2007/2008. The first year of the next Spending Review will be 2008/09.

The Spending Review determines the total level of grant to local authorities, for the following three years.

Government grant (of all kinds) and business rates together are known as **Aggregate External Finance (AEF)**. **Formula Grant** (made up of Revenue Support Grant, redistributed business rates and principal formula Police Grant) is part of AEF.

Councils also fund their spending by raising Council Tax.

Changes do occur between the plans laid out in the Spending Review and the grant available for distribution in any one year. This is because the responsibilities placed on councils by Government change. If a change involves more work for councils, then Government gives them more grant. If it involves less work, then grant is taken away. These changes in funding are often known as 'transfers'. The principle is that funding follows responsibility.

Different types of revenue grants

Formula Grant. Distributed by formula through the Local Government Finance Settlement. There are no restrictions on what local government can spend it on.

Specific formula grants are distributed outside the main settlement. Some of these are known as **ring-fenced grants** which control council spending. These usually fund particular services or initiatives that are a national priority. For example, funding for schools is paid through the Dedicated Schools Grant reflecting the priority the Government place on education.

Other specific formula grants are **unfenced** and are sometimes called **targeted grants**. They are distributed outside of the annual settlement, because the general formulae are not appropriate. There are no restrictions on what councils can spend the money on.

It is worth noting that, except for grants intended for schools, there is generally no ring-fencing of grants for authorities judged "excellent" in the Comprehensive Performance Assessment. The rating for this freedom is currently being reviewed and it is worth checking on the Office's website (www.odpm.gov.uk) for the latest information.

A list showing examples of the main grants of each type, as currently proposed for 2006/07, is shown below.

	2006/07	2007/08
FORMULA GRANT	£m	
Revenue Support Grant	3,378	4,105
National Non Domestic Rates	17,500	17,500
Police Grant	3,936*	4,028*
Total	24,814	25,633
EXAMPLES OF UNFENCED (TARGETED) GRANT		
Neighbourhood Renewal Fund	525	525
Planning Delivery Grant	104	92
Children's Services Grant	152	193
Access and Systems Capacity	546	546
Carers Grant	185	185
EXAMPLES OF RING-FENCED GRANT		
Dedicated Schools Grant	26,576	28,172
Mental Health Grant	133	133

* Includes Metropolitan Police special payment

Allocating Formula Grant

This year, for the first time, the Government has decided to produce forward allocations of most grants for 2006/07 and 2007/08. One of the main exceptions to this is in the funding of some capital projects where allocations cannot be forecast.

The arrangements for allocating ring-fenced and specific formula grants vary: some schemes use formulae or other rules on entitlement; others allocate funds on the basis of appraising bids. Formula Grant is allocated among authorities by mathematical formulae – with the changes limited by 'floors'.

This process of allocating Formula Grant each year is known as the Local Government Finance Settlement, and the following sections give more detail about how this is done.

The Local Government Finance Settlement Timetable

This year the Government have announced final allocations for 2006/07 and indicative allocations for 2007/08. From 2008/09, Government intends to announce settlements for three years at a time, in line with the Spending Review timetable.

The timing of the 2006/07 announcement is constrained on the one hand by local authorities needing to have sufficient time to set their budgets for the start of the following financial year, and on the other by the need to use the most up-to-date information possible to determine grant allocations. To fit this timetable, the Secretary of State usually announces a provisional Finance Settlement to Parliament and to local authorities in late November or early December each year.

After the Secretary of State's announcement there is a period of consultation, when local authorities can put their views on the proposals to Government, and point out any errors that may have been made. Once all the points from local authorities have been considered and any amendments have been incorporated, the final Local Government Finance Settlement is approved by the House of Commons in late January or early February. This allows enough time for authorities to finalise their budgets for the next financial year.

It is not possible for the Government to announce final 2007/08 formula grant allocations at the same time as the 2006/07 settlement without a change in the law. As a result, we will follow the timetable and process given above for the provisional and final 2007/08 settlement announcements. The difference will be that we do not anticipate making changes to the 2007/08 allocations that are announced with the final 2006/07 settlement.

Sharing out resources

From 2006/07 the government has introduced a new system to distribute Formula Grant. Under the new system the distribution of Formula Grant is determined wholly by the Relative Needs Formulae (and Police Grant formulae in the case of police authorities), the Relative Resource Amount, the central allocation (an amount per head) and the floor damping scheme. The way the system works is described in more detail below.

Relative Needs Formula

To work out each council's share of Formula Grant the Government first calculates the **Relative Needs Formula** (RNFs). The RNF's are mathematical formulae that include information on the population, social structure and other characteristics of each authority.

The Government (in consultation with local government) has developed separate formulae to cover the major services which local authorities provide. RNF's are divided into these major service areas, because there are different factors influencing each service area. For example, the factors which appear to explain variations in the cost of providing social services for the elderly, are very different from those which appear to explain variations in the cost of maintaining roads. These formulae apply to all authorities providing a particular service.

The funding blocks for services areas are shown in the following table:

Service Block	Sub-block (where relevant)
Children's Services	
Composed of:	<i>Youth and Community</i> <i>Local Education Authority Central Functions</i>
	<i>Children's Social Care</i> <i>Children's Social Care damping</i>
Adults' Personal Social Services	
Composed of:	<i>Social Services for Older People</i> <i>Social Services for Younger Adults</i> <i>Social Services for Younger Adults damping</i>
Police	
Fire	
Highway Maintenance	
Environmental, Protective and Cultural Services	
Composed of:	<i>Services provided predominantly by non-metropolitan district councils in non-metropolitan areas (District level EPCS)</i> <i>Services provided predominantly by county councils in non-metropolitan areas (County level EPCS)</i> <i>Fixed Costs</i> <i>Flood Defence</i> <i>Continuing EA Levies</i> <i>Coast Protection</i>
Capital Financing	
Composed of:	<i>Debt charges</i>

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 to simply recognise the various factors which affect local authorities' costs locally. They do not relate to the actual monetary amount of grant that a council needs for providing services for its residents. The amount of grant a council will receive from Government depends also on the results of the other three blocks detailed below.

The formula for each specific service area is built on a basic amount per client, plus additional top ups to reflect local circumstances. The top ups take account of a number of local factors which affect service costs, but the biggest factors are deprivation and area costs.

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 relative needs in 2005/06. It should be borne in mind that in 2005/06 schools were funded via the settlement and in 2006/07, schools are funded outside the settlement via the Dedicated Schools Grant. The total relative needs in 2006/07 is therefore approximately two-thirds of that in 2005/06.

Once we have calculated RNFs for the service blocks for all authorities, the next step is to use this to generate cash amounts that are correlated to the measure of relative need. To do this fairly, Government has to group the individual service formulae into six groups so that councils are only being compared to authorities providing the same range of services.

For example, an 'Upper tier RNF' is determined from the RNFs for Children's Services, Adults PSS, Highways Maintenance, County level EPCS and Continuing Environment Agency Levies as these are all provided by the same group of authorities (county councils, metropolitan district councils, unitary authorities, London boroughs, the City of London and the Isle of Scilly).

The table below shows which services are included in the six RNF service groups.

Service Block	Upper Tier Services	Lower Tier Services	Police Services	Fire Services	Mixed Tier Services	Capital
Children's Services	✓					
Adults' Personal Social Services	✓					
Police	✓		✓			
Fire	✓			✓		
Highway Maintenance	✓					
Environmental, Protective and Cultural Services						
<i>County level EPCS</i>	✓					
<i>Continuing EA levies</i>	✓					
<i>District Level EPCS</i>		✓				
<i>Fixed Costs</i>					✓	
<i>Flood Defence</i>					✓	
<i>Coast Protection</i>					✓	
Capital Financing						✓

The RNFs are added together to give a total RNF for each group. The total RNF for each group is then divided by the total population for that group of councils as measured by the mid-year population projections for the year in question. The minimum RNF per head across all councils providing the group of services is then subtracted from the RNF per head for each council. The sum of the RNFs above the minimum for each council is then calculated and this is then multiplied by the mid-year projected population. The control total for the Relative Needs Block is then distributed in proportion to this.

Relative Resource Amount

The Relative Resource Amount is a negative figure. It takes account of the fact that areas that can raise more income locally require less support from Government to provide services. The negative Relative Resource Amount is balanced against the positive proportion calculated for each authority by the Relative Needs Amount.

This block recognises the differences in the amount of local income which individual councils have the potential to raise. This is done by looking at authorities' council taxbase data (a measure of the number of properties equivalent to Band D for council tax in an area). The greater an authority's taxbase the more income it can raise from a standard increase in band D council tax.

Negative Relative Resource Amounts are then generated using the amounts above the minimum council tax base per head. Again, to do this fairly, the Relative Resource Amount is applied to four separate groups of authorities depending on the services they provide. The four groups of authorities provide: upper tier services, lower tier services, fire authorities and police authorities.

Central Allocation

Once we have taken 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 to local authorities.

The Government shares this out on a per head basis; the per head amounts are based on the appropriate minimums for each authority already calculated for the needs and resources blocks.

Floor Damping Block

The mechanism for damping grant changes remains the same as in the previous grant distribution system.

Following the calculations in the three blocks described above, each authority will have a grant amount allocated to it. However, Government ensures that all individual local authorities receive a reasonable grant increase year-on-year.

In order that authorities are protected from detrimental grant changes, the Government sets a guaranteed minimum increase in grant. It is important to note that all floor calculations (as with all the comparisons of grant that Government makes from one year to the next) are adjusted to make sure they are on a like-for-like basis. For instance, in 2006/07, the transfer of the Residential Allowance grant into formula grant means that upper tier authorities need more formula grant than before.

So when floors are calculated, the baseline year (2005-06, for the 2006-07 settlement) is adjusted to include the Residential Allowance grant transfer. That is why the quoted increase in grant may not be the same as the change in the cash an authority receives. The Government knows that this appears to make the system more complicated – but local government agrees that it is fair.

Separate floors levels are set for four groups of authorities: authorities with education and social services responsibilities; single-service police authorities; single service fire authorities; and shire districts. Separate parts of the Formula Grant calculations for the GLA are included in the floor arrangements for police and fire authorities.

These groups are treated separately because each group receives a different overall grant increase, and the Government believes it would be wrong for groups of authorities with radically different responsibilities to cross-subsidise each other.

Levels of floors in 2006/07 and 2007/08

The Government has set the floor levels to give the fairest distribution of the money available, and to ensure that all authorities receive a fair formula grant increase.

The levels for floors for 2006/07 and 2007/08 are shown in the table below.

Type of Authority	2006/07 Floor	2007/08 Floor
Education/social services authorities	2.0%	2.7%
Police authorities	3.1%	3.6%
Fire authorities	1.5%	2.7%
Shire districts	3.0%	2.7%

As all the Formula Grant to be paid to local authorities must come from within the finite overall pot, the cost of providing the guaranteed floor must also be met from this pot. In order to do this grant increases above the floor are scaled back. The amount of grant scaled back is then used to pay for the floor guarantee.

Total Grant Allocation

The actual amount of Formula Grant which an authority receives is calculated using the four blocks detailed above. Full details of how the calculations work are set out in the Local Government Finance Report which is approved by Parliament each year.

Setting Council Taxes

Local authorities need to start preparing their budgets for the coming year several months before they know exactly what funding they will get from the Government. After the settlement, once an authority knows the level of funding, it can make final decisions on:

- how much it expects to spend in the coming year;
- what income, other than that from Government, it expects to raise next year; and
- how it can use its financial reserves to fund spending or keep down its Council Tax.

A local authority's planned spending, after deducting any funding from reserves and income it expects to raise (other than general funding from the Government and the Council Tax), is known as the **budget requirement**. The amount of Council Tax an authority needs to raise is the difference between its budget requirement and the funding it will receive from the Government.

Each local authority then sets its Council Tax at the level necessary to raise this amount.

Capping

In the past, the Government set a 'cap' or budget requirement limit, for each council. This limit was announced before councils set their budget requirements. The Government has not done this since 1998/99.

The Government has reserve powers to cap local authority budget requirements where it judges authorities to have set excessive increases. Capping action was taken against 14 authorities in 2004/05 and against 9 authorities in 2005/06.

For 2006/07 and 2007/08, the Government has made clear its expectation that the average council tax increase in England should not exceed 5% in either year; and that that it will not hesitate to use its capping powers if that proves necessary.

Amending Reports

The Government can amend a previous year's local government finance settlement, if errors in the original settlement come to light after it has been approved. When such data corrections are needed, an Amending Report for the settlement year in question is issued.

The Government has decided to issue an Amending Report for the 2004/05 and 2005/06 settlements to incorporate changes to the population data used in the original 2004/05 settlement. Population estimates for 2002, which were used in the 2004/05 settlement, were revised by the Office for National Statistics on 9th September 2004. The Amending Reports for 2004/05 and 2005/06 will be implemented at the same time as the 2006/07 settlement.

The Amending Report will not alter the overall amount of grant which was distributed in the relevant settlements, but it will change how the money was distributed. Differences in a council's amount of grant for 2004/05 and 2005/06 after the amendments have been made, will be paid out with the 2006/07 settlement, or taken off the amount the council will receive in 2006/07.

Glossary

Aggregate External Finance (AEF)

The total level of revenue support the Government provides to local authorities for their core functions. This support is normally made up of Revenue Support Grant, police grant, specific formula and ring-fenced grants and the amount distributed from business rates.

Amending Report

The means of correcting errors in a settlement, after the settlement has been approved.

Area Cost Adjustment (ACA)

The scaling factor applied to RNF to reflect higher costs – mostly pay – in some council areas.

Billing authorities

These are the 353 authorities that collect Council Tax - district councils, London boroughs, and unitary authorities.

Budget requirement

This is the amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects to raise (other than from the Council Tax and general funding from the Government i.e. Formula Grant and sometimes in the past, certain special grants). The budget requirement is set before the beginning of the financial year.

Business rates

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services. Business rates are paid into a central pool. The pool is then divided between all authorities.

Capping

When the Government limits an authority's budget requirement, and hence the council tax it sets.

Control Totals

These are the totals of all authorities' Relative Needs Formulae for each major service area. They are set out in Annex E to The Local Government Finance Report.

Council Tax

A local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax base

The Council Tax base of an area is equal to the number of band D equivalent properties. To work this out, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because it pays twice as much tax. The amount of revenue which could be raised by Council Tax in an area is calculated allowing for discounts and exemptions but, for the purpose of the Formula Grant calculation, assuming that everyone pays. How this is calculated is set out in Annex C to the Local Government Finance Report.

Council Tax bands

There are eight Council Tax bands. How much Council Tax each household pays depends on the value of the homes. The bands are set out below.

Council Tax bands		
	Value of home estimated at April 1991	Proportion of the tax due for a band D property
Band A	under £40,000	66.7 %
Band B	£40,001 - £52,000	77.8 %
Band C	£52,001 - £68,000	88.9 %
Band D	£68,001 - £88,000	100.0 %
Band E	£88,001 - £120,000	122.2 %
Band F	£120,001 - £160,000	144.4 %
Band G	£160,001 - £320,000	166.7 %
Band H	over £320,001	200.0 %

Council Tax discounts and exemptions

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, such as those lived in only by students.

Damping

'Damping' is sometimes used to describe the way limits are applied to the effect on grant funding of changes to the distribution formulae or data used. Minimum increases, floors, on Formula Grant changes from one year to the next are now the major damping mechanism. There is also damping specifically for children's social care and younger adults' social services RNF's.

Distributable Amount

This is the estimated total amount in the business rate pool that is available to be distributed to local authorities. The business rates are collected by local authorities and paid into a national pool and then redistributed to all authorities. The total amount is set out in Section 5 of the Local Government Finance Report. The basis for distribution is set out in Section 6 of the Local Government Finance Report.

Fixed Costs

An element of an authority's costs which do not vary with size; this mainly consists of the costs of running the corporate and democratic core of an authority, sometimes described as "the costs of being in business, not the costs of doing business".

Floor damping

A method by which stability in funding is protected through limiting the effect of wide variations in grant increase. A floor guarantees a fixed level of increase in grant. The grant increases of authorities who receive more than the floor are scaled back by a fixed proportion to help pay for the floor.

Formula Grant

Comprises Revenue Support Grant, redistributed business rates, and (for relevant authorities) principal formula Police Grant.

Indicators

In this context, information used in the calculation of the Relative Needs Formulae, such as projections of population, numbers of school children, numbers of elderly people or lengths of road. The indicators are generally defined in Annex D to the Local Government Finance Report.

The Local Government Finance Settlement

The Local Government Finance Settlement is the annual determination of formula grant distribution as made by the Government and debated by Parliament. It includes:

- the totals of formula grant;
- how that grant will be distributed between local authorities; and
- the support given to certain other local government bodies.

Lower Tier Authorities

Authorities that carry out the functions that, in shire areas with two tiers of local government, are carried out by shire districts. They are the same councils as **billing authorities**.

Net Revenue Expenditure (NRE)

This represents an authority's budget requirement and use of reserves.

Non-Domestic Rates

See business rates.

Precept

This is the amount of Council Tax income county councils, police authorities, the Greater London Authority, parish councils and fire authorities need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, which comes from the billing authority.

Precepting authority

This is an authority which sets a precept to be collected by billing authorities through the Council Tax bill. County councils, police authorities, the Greater London Authority, some fire authorities and parish councils are all precepting authorities.

Receiving authorities

These are the 432 authorities that are eligible to receive Revenue Support Grant.

Relative Needs Formulae (RNF's)

These are the first stage in the calculation the Government uses to distribute formula grant. The relative needs formulae for each service block are set out in Section 4 of the Local Government Finance Report.

Reserves

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Resource Equalisation

The way in which the formula grant distribution system takes account of councils' relative ability to raise council tax.

Revenue Expenditure

Expenditure financed by AEF grants, council tax and use of reserves.

Revenue Support Grant (RSG)

A Government grant which can be used to finance revenue expenditure on any service. The total amount is set out in Section 2 of the Local Government Finance Report.

Ring-fenced grant

A grant paid to local authorities which has conditions attached to it, which restrict the purposes for which it may be spent.

Specific Grants

Targeted or ring-fenced grants are sometimes referred to as specific grants.

Specified Body

This is the term used for bodies (such as the Local Government Improvement and Development Agency and the National Youth Agency) that are directly funded from Revenue Support Grant, and that centrally provide services for local government as a whole.

Targeted grant

A grant which is distributed outside the general formula, but has no conditions attached.

BARNET DATA	Relative Needs Formula	
	2006/07	2007/08
Youth and Community	0.000066770497	0.000071129391
Local Authority Central Education Functions	0.000242152264	0.000249761247
Children's Social Care	0.000580995850	0.000612721728
Children's Social Care Damping	(0.000019241406)	(0.000025073577)
Children's Services	0.000870677205	0.000908538788
Older People's Personal Social Services	0.000669363797	0.000690090879
Younger Adults Personal Social Services	0.000380559264	0.000400177407
Younger Adults Damping	0.000107561948	0.000102127707
Adults Personal Social Services	0.001157485010	0.001192395993
Highway Maintenance	0.000152393812	0.000152393812
District-Level EPCS	0.000868002046	0.000905044581
County-Level EPCS	0.000393062022	0.000408181321
Flood Defence	0.000001584556	0.000001650335
Continuing EA Levies	0.000001544424	0.000001544424
Coast Protection	0.000000000000	0.000000000000
Fixed Costs	0.000005063854	0.000005063854
Environmental, Protective and Cultural Services	0.001269256902	0.001321484516
Capital Financing	0.000185378779	0.000187133246
Total	0.003635191708	0.003761946355
Upper-tier Services	0.002575162473	0.002663054338
Mixed-tier Services	0.000006648410	0.000006714189

Appendix D(i)



Local Authority Leaders (including police and fire authorities)

Directly Elected Mayors

Lord Mayor of the Corporation of the City of London

Phil Woolas MP
Minister for Local Government

Office of the Deputy Prime Minister
Eland House
Bressenden Place
London SW1E 5DU

Tel: 020 7944 3012
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13 DECEMBER 2005

Council Tax in 2006/07 and 2007/08

As you know, I announced the provisional local government settlement for 2006/07 and 2007/08 to the House of Commons on 5 December. I attach a copy of my statement.

I am writing to make it clear that the Government has provided a stable and predictable basis for local services and to inform you that on Friday my Department published a table that set out the figures for the vast majority of specific grants allocations for each local authority.

There is following my announcement no excuse for excessive increases in council tax in 2006/07 and 2007/08. We expect the average council tax increase in England in both 2006/07 and 2007/08 to be less than 5%. Local government should be under no illusions that we will use our capping powers to deal with excessive increases, as we have done over the last two years. This applies to all authorities, including police and fire authorities. Authorities should not use previous capping principles as a guide for 2006/07 or 2007/08.

The 2006/07 and 2007/08 provisional settlements are good for local government. The total support for local government in 2006/07, including specific grants, will rise by £2.7 billion - which represents an increase of 4.5% compared with '005/06. In 2007/08 total support will rise by a further £3 billion, or 5%. In total, by 2007/08, local government will have had a 39% real-terms increase in funding since 1997. As in previous years, all authorities now have a period of 6 weeks within which they can respond to the provisional settlement. The deadline for comments is Wednesday 11 January 2006.

The settlement includes funding which is over and above previous plans of £305m in 2006/07 and £508m in 2007/08 to meet pressures faced by councils. This is part of the two-year settlement for individual authorities covering both formula grant and the vast majority of specific grants which provides the certainty for medium-term financial planning requested by councils.

The Government has also agreed to work with local government to explore the ways that pressures can be reduced in three key areas: pay, waste and adult social care. For

example, the Government will be involving local authorities as the future strategy for coping with pressures in waste is considered.

The Government has also made clear that Ministers across Whitehall are committed to the New Burdens procedure, and the Government will be strengthening the procedures in this area.

Other areas that will help mitigate pressures include looking to implement better regulation and tackle unnecessary bureaucracy by reducing the number of consent regimes. Local authorities also stand to benefit from extra money coming into their budgets through Local Authority Business Growth Incentive scheme (LABGI).

It is also the case that all authorities, in common with the rest of the public sector, must deliver efficiency gains. Local government is expected to deliver at least £6.45 billion of efficiency gains by 2007/08, though we believe that higher gains are attainable for local authorities.

With substantial additional funding, efficiency gains and additional flexibilities, there is no excuse for excessive council tax increases in 2006/07 or 2007/08. We will not allow authorities to impose excessive increases.

The Government will take decisions on capping principles once authorities have set their budgets for 2006/07. We have issued Alternative Notional Amounts for 2005/06 for consultation, so that we can make like for like comparisons for capping purposes if necessary. These adjust for the introduction of dedicated schools grant, changes to police pensions and security related expenditure and fire and rescue pensions.

The Government has taken action to ease the pressures on local government identified by the Local Government Association and other representative bodies. It is now for local authorities to deliver public service improvements, achieve efficiency gains and ensure low council tax increases.

PHIL WOOLAS

This letter is available on the ODPM Website on Local Government Finance Council Tax @ <http://www.local.dtlr.gov.uk/finance/0607/ctlet.pdf>

CAPPING REGIME

The Local Government Act 1999 provides the Secretary of State with powers in respect to capping. These operate at two levels - nomination (equivalent to a 'yellow card') and designation (equivalent to a 'red card'). The process is complicated and the following explanations provide an outline. The full legal interpretation of the Act is provided at the end of this Appendix.

There are two routes with nomination: -

- i) the council is given a warning and told to rein in its spending or it will be capped in a future year. A 'notional amount' is set, to be used as the basis for deciding future capping decisions;
- ii) the council is told that it is being designated for the following year - e.g. its cap limit in the current year is greater than its target amount.

Although nomination is likely to be announced around May/June, councils will not find out the capping level for the following year until the local authority finance settlement in November/December.

In year designation is similar to previous capping regimes. The Secretary of State sets a 'maximum amount' (cap) and a 'target'. Where the target maximum amount is different to the target, the council will be told the year by which it is expected to reduce its budget to the target amount.

The current regime is more sophisticated and selective. The Secretary of State intends to take into account the cumulative effect of budget changes over several years,, a council's performance in the delivery of Best Value; local residents' views on the budget; and any award of Beacon status. Target amounts enable budget reductions to the cap limit over several years.

There is no indication that more detailed guidance on the use of the new powers is to be issued in the foreseeable future. Councils must rely on various sources of information to guess what budget levels will help them avoid capping. Such information includes principles used in previous years; the treatment of the twelve authorities with the highest council tax increases in 1999-2000; the threshold used for the council tax benefit subsidy limitation scheme; and increases in council tax at standard spending. The Secretary of State is under no duty to divulge or consult on the criteria adopted in deciding which authorities to designate.

Authorities that are either designated or nominated may make representations to the Secretary of State. There is also the option to challenge in the courts, but from previous experience councils have found that the House of Lords has viewed the question of whether a budget requirement is excessive to be a matter of political judgement for the Secretary of State, which is not bound by an authority's own view of expenditure needs.

Legal Interpretation -

Capping is abolished and replaced with a new process by Part II of the Local Government Act 1999 (the Act). Section 30 of the Act provides that Schedule 1 to the Act shall apply in relation to the limitation of council tax and precepts as regards the financial year beginning with 1st April 2000 and subsequent financial years. The Schedule inserted as chapter 1VA (that is sections 52A to 52Z) into the Local Government Finance Act 1992.

In outline the provisions on budget as referred to at paragraph 8.22 of the Committee report is as follows: -

The Secretary Of State is given power to **designate or nominate** an authority if in his opinion the amount calculated by the authority as its budget requirement for a financial year (the year under consideration) is excessive (section 52B&D).

The question whether an amount is excessive must be decided in accordance with a set of principles determined by the Secretary of State. One of the principles must include a comparison between the amount calculated by the authority as its budget for the year under consideration and the amount calculated as its budget for a financial year falling before the year under consideration - with 1998 to 1999 being the first year which can be taken into account (section 52B(4)).

The Secretary of State may provide an alternative "notional amount" which in his opinion should be used as the basis of any comparison in place of the amount calculated by the authority as its budget requirement for a financial year falling before the year under consideration (section 52C).

Designation -

The Secretary of State shall notify the authority amongst others of (1) the designation (2) the amount which he proposes should be the maximum for the amount calculated by the authority as its budget requirement for the year; (3) the target amount for the year, that is, the maximum amount which he proposes the authority could calculate as its budget requirement for the year without the amount calculated being excessive (section 52E).

Nomination -

The Secretary of State shall notify an authority in writing amongst others of (1) the nomination; (2) the amount which he would have proposed as the target amount for the year under consideration if he had designated the authority as regards that year.

The Secretary of State then has to decide whether or not to designate the authority after the nomination.

Designation after Nomination -

If the Secretary of State follows this route, then he shall (a) designate the authority as regards the financial year immediately following the year under consideration; (b) determine an amount which he proposes should be the maximum for the amount calculated by the authority as its budget for the year as regards which the designation is made; (c) determine the target amount for the year as regards which the designation is made (section 52M). The Secretary of State will of course notify the authority of a-c.

No Designation after Nomination -

In this event, the Secretary of State shall determine an amount, which he proposes should be the "notional amount" calculated by the authority as its budget requirement for the year under consideration. He shall notify the authority of that amount and the amount which he would have proposed as the maximum for the amount calculated by the authority as its budget requirement for the year under consideration if he had designated the authority as regards that year (section 52N).

An authority designated or nominated may make representations to the Secretary of State.

PRUDENTIAL INDICATORS

Introduction

The prudential indicators for the forthcoming and following years must be set before the beginning of the forthcoming year. The Prudential Code financial indicators and Treasury Management Strategy & Annual Plan requiring Council consideration are set out below.

2006/7 Budget and Rent Setting Reports

1. The ratio of financing costs to net revenue stream shows the estimated annual revenue costs of borrowing (net interest payable on debt and the minimum revenue provision for repaying the debt), as a proportion of annual income from government grants and council taxpayers. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2004/5 are:

Ratio of Financing Costs to Net Revenue Stream					
	2004/05 Actual %	2005/06 Estimate %	2006/07 Estimate %	2007/08 Estimate %	2008/09 Estimate %
Non-HRA	0.36	0.80	1.31	1.44	1.54
HRA	39.00	40.00	41.00	46.00	52.00

The estimates of financing costs include current commitments and the proposals in this budget report.

2. The incremental impact of capital investment decisions reflects the estimated annual increase/decrease in Band D Council Tax as a result of new proposed capital spending. It is anticipated that an element of these increases will be funded by the revenue support grant, as supported borrowing. However, the contribution of funding for 2008/09 onwards via the Revenue Support Grant cannot be quantified with certainty as yet due to a lack of predictability in Government funding beyond 2007/08 (grant settlement figures are available for 2006/07 and indicative allocations for 2007/08).
3. The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been made by the Council and full year effects are:

Incremental Impact on Band D Council Tax		
2006/07	2007/08	2008/09
-£15.44	-£12.96	-£12.92

The reduction reflects net changes in capital expenditure and revenue effects of capital spending which includes different assumptions on interest rates and revenue budget efficiency savings and funding of the capital programme through other means e.g. capital receipts.

4. In considering its programme for capital investment, the Council is required within the Prudential Code to have regard to:
 - Affordability e.g. implications for Council Tax
 - Prudence and sustainability, e.g. implications for external borrowing
 - Value for Money e.g. option appraisal
 - Stewardship of Assets e.g. asset management planning
 - Service objectives e.g. the authority's strategic plan
 - Practicality e.g. achievability of the forward plan

5. A key measure of affordability is the incremental impact on the Council Tax, and the Council could consider different options for its capital investment programme in relation to their differential impact on the Council Tax.

6. Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2005 are:

Capital Financing Requirement					
	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Non-HRA	59,404	90,699	100,265	107,409	106,499
HRA	6,678	24,655	42,857	59,201	75,401
Figures presented to Council in March 2005 are as follows:					
Non-HRA	63,555	93,325	105,782	108,161	
HRA	6,678	24,655	43,612	58,828	

7. The Capital Financing Requirement is a measure of the underlying need to borrow for a capital purpose and represents capital expenditure financed by borrowing. Capital expenditure financed by capital receipts, capital grants, revenue contributions and third party contributions is excluded when estimating Capital Financing Requirement. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure, although when approving new projects and other variations to the capital programme the likely impact on the overall level of prudential (unsupported) borrowing is advised to Members. The Financial Regulations provide that the Chief Finance Officer may amend the funding of capital projects if this is to the council's financial benefit.

8. The authority has an integrated treasury management strategy and has adopted the CIPFA *Code of Practice for Treasury Management in the Public Services*. Barnet Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day-to-day cash management, no distinction is made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.
9. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence:

In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

Net borrowing refers to the authority's total external borrowing. The Chief Finance Officer reports that the authority had no difficulty meeting this requirement in 2004/05, nor are any difficulties envisaged for the current or future years (as far as the term covered by the current capital programme). This view takes into account current commitments, existing plans, and the proposals in this budget report. **Cabinet is asked to recommend that Council instruct the Chief Finance Officer to ensure that this requirement is not breached in future years.**

10. **The actual capital expenditure that was incurred in 2004/05 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:**

Capital Programme	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual	Estimate	Estimate	Estimate	Estimate
General Fund	£000	£000	£000	£000	£000
Law & Probity	0	263	0	0	0
Central Expenses	5,233	2,588	0	0	0
Children's Services	57	227	185	155	0
Adults Services	216	5,616	372	369	0
Resources	5,896	9,934	2,354	0	0
Education	13,399	16,527	13,785	18,223	0
Environmental Services	1,929	2,319	788	40	3,630
Highways & Design	11,017	10,998	11,737	9,945	40
Strategic Development	137	145	530	0	2,730
Contingency	0	0	449	0	3,256
Housing General Fund	3,400	10,013	10,330	7,308	0
Total General Fund	41,284	58,630	40,530	36,040	9,656
Housing Revenue Account	19,797	27,705	30,151	30,246	29,121
Total Programme	61,081	86,335	70,681	66,286	38,777

Whilst Cabinet approved The Primary School Capital Investment Programme (PSCIP) on the 5th December 2005 including ongoing project costs in 2006/07, it determined that the full cost of wave one will not be reflected in the capital programme until such time as estimates of expenditure and capital receipts have been firmed up.

11. External debt is defined in the Prudential Code as the sum of external borrowing and other long-term liabilities (liabilities in excess of twelve months other than borrowing). **In respect of its external debt, Cabinet is asked to recommended that Council approves the following authorised limits for its total external debt gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary.** These limits separately identify borrowing from other long term liabilities such as finance leases. **Cabinet are also asked to recommend that Council approve these limits and to delegate authority to the Chief Finance Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority.** Any such changes made will be reported to Cabinet at its next meeting following the change.

Authorised Limit for External Debt	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000
Borrowing	148,777	144,481	162,503	182,296
Other Long Term Liabilities	25,000	31,000	29,500	22,500
Total	173,777	175,481	192,003	204,796

12. Authorised Limits represent the legislative limit specified in section 3 of the Local Government Act. The prudential indicator for authorised level of external debt is the immediate means by which the authority will comply with the legislative requirement to determine and keep under review the amount it can afford to borrow for capital expenditure purposes. These Authorised Limits 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. They are based on the estimate of most likely, prudent but not worst case scenario. These limits allow for some additional headroom for unplanned capital expenditure and borrowing which at present does not reflect the headroom that may be required once PSCIP is added to the programme from 2007/08 onwards. This will be addressed in next year's budget setting report. Risk analysis and risk management strategies have been taken into account; as have estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.
13. **Cabinet is asked to recommend that Council approve the following Operational Boundary for external debt for the same time period.** The proposed Operational Boundary for external debt is based on the same estimates as the authorised limit but reflects directly the Chief Finance Officer's

estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The Operational Boundary represents a key management tool for in year monitoring by the Chief Finance Officer. Within the Operational Boundary, figures for borrowing and other long term liabilities are separately identified. The Authority is also asked to delegate authority to the Chief Finance Officer, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to Cabinet at its next meeting following the change. As for the authorised limit, any increase in the Operational Boundary required for PSCIP will be addressed in next year's budget setting report.

Operational Boundary for External Debt	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000
Borrowing	110,000	148,122	166,610	186,900
Other Long Term Liabilities	10,000	0	5,000	0
Total	120,000	148,122	171,610	186,900

14. The authority's external debt as at 31 March 2005 was £28.5m. It should be noted that 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 rather than a limit that covers the whole year.
15. **In the consideration of this report, Cabinet is asked to recommend that Council notes that the authorised limit determined for 2006/07 (see paragraph 10 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.**

2005/6 Treasury Management Strategy and Annual Plan

16. The Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.
17. **It is asked that Cabinet recommends to Council to set an upper limit on its fixed interest rate exposures for 2006/07, 2007/08 and 2008/09 of 100% of its net outstanding principal sums.**
18. **It is further asked that Cabinet recommends that the Council sets an upper limit on its variable interest rate exposures for 2006/07, 2007/08 and 2008/09 of 30% of its net outstanding principal sums.**
19. This means that the Chief Finance Officer will manage **fixed interest rate exposures** within the range 70% to 100% and variable interest rate exposures within the range 0% to 30%. This is a continuation of current practice and provides flexibility to take advantage of any favourable movements in interest rates.

20. **It is recommended that Cabinet asks Council to approve and set upper and lower limits for the maturity structure of the Authority's borrowings as follows.**

The table shows the upper and lower limits of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate at the start of the period:

Fixed Rate Maturity Borrowing	Upper Limit	Lower Limit
	%	%
Under 12 months	70	0
12 months and within 24 months	25	0
24 months and within 5 years	30	0
5 years and within 10 years	50	5
10 years and above	95	25

21. **It is recommended that Cabinet asks Council to approve an upper limit of 20% of borrowing maturing in any one year.**
22. As at 31 March 2005 the Authority's debt maturity profile was:

Debt Maturity Profile	£m	% Total Borrowing
Under 12 months	0	0
12 months and within 24 months	0	0
24 months and within 5 years	8.50	29.82
5 years and within 10 years	4.00	14.04
10 years and above	16.00	56.14
Total	28.50	100.00

23. There are proposals for the Council to invest sums for periods longer than 364 days. These proposals will be outlined in the annual treasury investment strategy for 2006/07.

Monitoring

24. The Prudential Code requires that performance is monitored against all forward looking indicators and that significant deviations from expectations are highlighted. Performance against forward looking prudential indicators are monitored regularly. The Capital monitoring process monitors the authority's capital programme which is one of the prudential indicators of affordability.

Global Forecast 2006/7 to 2009/10

	2006/7	2007/8	2008/9	2009/10
	£M	£M	£M	£M
Base Budget (including collection fund)	369.64	217.20	224.81	229.46
1 Dedicated Schools Grant	(163.16)			
3 Pay Awards & Inflation (excluding Schools Budget)	6.38	5.53	5.68	5.84
Full Year Effects of Previous Decisions (inc. LPSA)	4.34	0.99	0.81	0.00
6 Base Pressures, New Responsibilities, Developments	12.65	7.21	0.27	1.74
5 Efficiencies, Base Reductions	(12.08)	(6.69)	(2.12)	(3.12)
Formula Grant Amending Reports 2004/5 & 2005/6	(0.57)	0.57		
	217.20	224.81	229.46	233.91
4 Contribution to / (from) Balances	0.00	1.00	1.00	1.00
2 Formula Grant	(80.63)	(82.28)	(83.93)	(85.61)
Income from Council Tax	136.56	143.53	146.53	149.30
Council Taxbase (Band D Equivalents)	135,103	135,103	135,103	135,103
Council Tax (Band D)	£1,010.82	£1,062.38	£1,084.55	£1,105.12
Increase in Government Formula Grant	4.6%	2.0%	2.0%	2.0%
Increase in Council Tax	1.97%	5.1%	2.1%	1.9%

Assumptions :-

- From 2006/07, the Schools Budget (devolved and centrally managed items) is funded by the Dedicated Schools Grant, leaving the remainder of council services to be funded from Formula Grant and Council Tax.
- Formula grant in 2007/08 is in line with the Government's provisional announcement in December 2005. For later years it is assumed that there will be a grant floor of 2% a year (after removal of one-off funding), which Barnet would be on. Further announcements are expected in July 2007 in the Government's next Spending Review.
- No allowance has been made for cost pressures beyond basic Inflation and pay awards.
- The Council must determine the appropriate level of balances taking into account recommendations of the Chief Finance Officer and advice from the External Auditor. The forecast of General Fund balances (excluding schools) over the years based on the above Forward Plan is as follows, before allowing for any in-year drawings on balances:-

Balances	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m
Forecast B/fwd	9.28	9.28	10.28	11.28
Contributions to / (from) balances - per above	0.0	1.0	1.0	1.0
Forecast C/fwd	9.28	10.28	11.28	12.28

- The figures incorporate an aspirational target of £6.44m efficiency savings in 2007/08 and £3.22m a year thereafter. The figure of £6.44m is the annual Gershon target (cashable + non-cashable) for the period 2005/06 to 2007/08, although the 2006/07 proposed budget will result in the council having largely achieved the whole target a year early, entirely from cashable savings.
- Includes the expected loss of specific grants supporting Adults and Children's Services.

MEDIUM TERM FINANCIAL STRATEGY

Presentation of a 4-year Financial Forward Plan alongside the council budget in February/March has been normal practice for some years now.

As part of the current work programme of the Constitution Review Committee it is proposed to include a further requirement for the Executive to develop a Medium-Term Financial Strategy (MTFS), which would set out policy in a number of key areas, including:-

- (i) re-directing resources to corporate priorities as part of the capital and revenue budget processes, and the approach to funding non-priority services;
- (ii) the appropriate level of balances and reserves (taking account of advice from the Chief Finance Officer and External Auditor);
- (iii) bidding for external funding, and determining exit strategies;
- (iv) setting fees and charges, and the recovery of debt;
- (v) determining action in respect to surplus assets;
- (vi) management of financial risks and opportunities.

The MTFS would be updated by Cabinet at the start of each 4-year municipal term, and would be updated at least annually.

The MTFS would provide an over-arching policy framework for preparing the annual council budget and the longer-term Financial Forward Plan and Capital Programme.

REVENUE BUDGET 2006/2007

	2005/2006		2006/2007
	Original Estimate	Current Estimate	Original Estimate
	£	£	£
<u>Council Services</u>			
Adult Social Services	70,510,630	70,774,030	75,767,760
Central Expenses	12,595,810	9,950,080	11,797,930
Children & Families	25,993,880	26,459,820	27,330,420
Education	203,410,700	202,228,620	212,961,780
Environmental Services	21,379,510	21,943,210	21,794,850
Executive Office	6,693,190	6,826,940	7,650,130
Highways & Design	7,123,260	7,269,330	7,408,880
Highways - Special Parking Account	(6,691,000)	(6,691,000)	(5,491,000)
Housing	5,167,290	5,223,980	5,706,530
Planning	680,080	661,590	522,040
Resources	21,140,280	23,349,030	24,578,840
Strategic Development	407,600	415,600	389,730
Total Service Expenditure	368,411,230	368,411,230	390,417,890

REVENUE BUDGET 2006/2007

	2005/2006		2006/2007
	Original Estimate	Current Estimate	Original Estimate
	£	£	£
Total Service Expenditure	368,411,230	368,411,230	390,417,890
Contribution to / (from) Balances	3,000,000	3,000,000	0
Dedicated Schools Grant (2006/07)	0	0	(174,049,860)
Amending Reports	0	0	(567,435)
Contribution from Specific Reserves	(75,000)	(75,000)	(75,000)
BUDGET REQUIREMENT	371,336,230	371,336,230	215,725,595
Revenue Support Grant	(130,373,685)	(130,373,685)	(13,046,430)
Business Rates	(108,093,535)	(108,093,535)	(67,585,615)
Collection Fund Adjustments	1,303,050	1,303,050	1,471,050
BARNET'S DEMAND ON THE COLLECTION FUND	134,172,060	134,172,060	136,564,600
Greater London Authority - Precept	34,463,581	34,463,581	38,992,077
INCOME FROM COUNCIL TAX	168,635,641	168,635,641	175,556,677

Components of the Council Tax (Band D)	2005/2006	2006/2007	Increase
	£	£	
Metropolitan Police	196.28	210.82	7.41%
London Fire & Civil Defence Authority	44.15	45.63	3.35%
Mayor, Administration, Transport for London, Olympic Games and Boroughs' Collection Fund balances.	14.19	32.16	126.64%
Greater London Authority	254.62	288.61	13.35%
London Borough of Barnet	991.28	1,010.82	1.97%
Total	1,245.90	1,299.43	4.30%

REVENUE BUDGET 2006/2007

COUNCIL TAX SUMMARY

Council Tax Bands (based on property values @ 1 April 1991)		2005/2006	2006/2007	Tax Yield
		£	£	£
[Up to £40,000]	Band A	830.60	866.29	1,200,672
[Over £40,000 & up to £52,000]	Band B	969.04	1,010.66	7,041,603
[Over £52,000 & up to £68,000]	Band C	1,107.47	1,155.05	24,447,446
[Over £68,000 & up to £88,000]	<u>Band D</u>	<u>1,245.90</u>	<u>1,299.43</u>	31,646,280
[Over £88,000 & up to £120,000]	Band E	1,522.76	1,588.20	40,809,847
[Over £120,000 & up to £160,000]	Band F	1,799.63	1,876.95	31,446,168
[Over £160,000 & up to £320,000]	Band G	2,076.50	2,165.72	30,311,767
[Over £320,000]	Band H	2,491.80	2,598.86	8,652,894
				175,556,677

COUNCIL TAXBASE

Council Taxbase	2005/2006	2006/2007	
	Band D Equivalents	Band D Equivalents	Income
Total properties (per Valuation List)	155,759	156,880	203,854,330
Exemptions	(4,728)	(4,200)	(5,457,599)
Disabled reductions	(124)	(125)	(162,429)
Discounts (10%, 25% & 50%)	(13,259)	(13,680)	(17,776,181)
Adjustments	(511)	(1,992)	(2,588,461)
Aggregate Relevant Amounts	137,137	136,883	177,869,660
Non-Collection (1.5% both years)	(2,057)	(2,053)	(2,667,727)
Contributions in lieu from MoD	273	273	354,744
	135,353	135,103	175,556,677

2006-07 Budget Summary and Forward Plan

Adult Social Services	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget	70,510,630	75,767,760	79,198,440	82,404,300
Virements	526,960			
Pay Awards	479,030	493,400	508,200	523,450
Standard Inflation - Expenditure	2,012,480	2,062,790	2,114,360	2,167,220
- Income	(397,570)	(407,510)	(417,700)	(428,140)
	73,131,530	77,916,440	81,403,300	84,666,830
<u>Efficiencies</u>				
Autism Services	(50,000)			
Learning Disability Reprovision	(60,000)			
Remodelling Business Processes -back office services	(200,000)			
Younger Adults - Transport Best Value Review	(50,000)			
Younger Adults - Flightways Resource Centre.	(65,000)			
	(425,000)	0	0	0
<u>Full Year Effects</u>				
Sheltered Workshops	(23,000)			
Community Network	(50,000)			
Specific Grants	2,381,000	170,000		
	2,308,000	170,000	0	0
<u>Pressures</u>				
Contractual obligations	64,230	426,000	426,000	426,000
Learning disability high cost placements - 2006/07	839,000	161,000		
Learning Disabilities Placements- 2006/07 onwards		525,000	575,000	625,000
	903,230	1,112,000	1,001,000	1,051,000
<u>Service Reductions</u>				
Contract Reductions	(80,000)			
HIV/AIDS	(45,000)			
Contribution to catering deficit	(25,000)			
	(150,000)	0	0	0
Budget	75,767,760	79,198,440	82,404,300	85,717,830

Revenue Budget 2006-2007

ADULT SOCIAL SERVICES

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Business Support	1,821,760	1,809,470	1,877,490
10430 Government Grant Income	(18,450,380)	(18,450,380)	(16,036,380)
** Adult Services Performance & Strategy	(16,628,620)	(16,640,910)	(14,158,890)
Assessment and Commissioning	4,375,830	4,581,210	4,781,640
10448 Occupational Therapy	788,140	827,500	863,650
External Placements & Services	36,215,540	36,215,540	36,771,220
In House Provision & Other Services	122,350	122,350	99,490
* Older Adults	41,501,860	41,746,600	42,516,000
External Placements & Services - EMI	1,418,450	1,418,450	1,453,900
* Elderly Mentally Ill	1,418,450	1,418,450	1,453,900
10431 Supporting People	7,485,270	7,485,270	7,395,480
* Supporting People	7,485,270	7,485,270	7,395,480
** Health Partnership Older Adults	50,405,580	50,650,320	51,365,380
10468 Assessment & Commissioning	997,310	1,028,260	1,094,860
External Placements & Services	15,404,240	15,404,240	16,609,100
In House Provision	5,407,250	5,407,250	5,521,770
Other Services	571,690	571,690	583,480
* Younger Adults - Learning Disabilities	22,380,490	22,411,440	23,809,210
Assessment and Commissioning	2,185,270	2,185,270	2,374,190
External Placements	2,746,140	2,746,140	2,814,800
10521 Other Services Mental Health	894,490	894,490	919,270
10522 Drugs & Alcohol Services	206,270	206,270	211,430
10523 Community Network	671,800	671,800	649,590
* Younger Adults - Mental Health	6,703,970	6,703,970	6,969,280
10524 Assessment and Commissioning	1,009,270	1,009,270	1,092,980
10525 Flightways	1,110,560	1,110,560	1,086,740
10526 Sheltered Employment	60,040	60,040	38,570
10528 Transport Services	256,520	256,520	264,830
External Placements	4,866,950	4,866,950	4,988,570
HIV/AIDS Services	345,870	345,870	311,090
* Younger Adults - Physical & Sensory Impairment	7,649,210	7,649,210	7,782,780
** Health Partnership Younger Adults	36,733,670	36,764,620	38,561,270
*** Total	70,510,630	70,774,030	75,767,760

Revenue Budget 2006-2007

ADULT SOCIAL SERVICES

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
Expenditure	£	£	£
Employees	16,575,830	16,851,520	17,715,770
Premises	311,690	311,690	317,640
Transport	1,897,190	1,897,190	1,830,400
Supplies and Services	12,717,450	12,705,160	12,625,470
Agency Payments & Third Party Payments	71,010,480	71,010,480	73,048,130
Transfer Payments	2,158,310	2,158,310	2,212,280
Asset Rentals	356,980	356,980	356,980
Total Expenditure	105,027,930	105,291,330	108,106,670
Income			
Government Grants	(18,451,560)	(18,451,560)	(16,036,380)
Other Grants & Contributions	(5,043,010)	(5,043,010)	(5,167,090)
Sales, Fees and Charges	(11,022,730)	(11,022,730)	(11,135,440)
Total Income	(34,517,300)	(34,517,300)	(32,338,910)
Net Expenditure	70,510,630	70,774,030	75,767,760

2006-07 Budget Summary and Forward Plan

Central Expenses	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Original Budget	12,595,810	11,797,930	18,570,990	20,275,730
Virements	(4,219,590)			
Standard Inflation - Expenditure	689,810	707,060	724,740	742,860
Fuel Price Increase	410,000			
	9,476,030	12,504,990	19,295,730	21,018,590
<u>Full Year Effects</u>				
LPSA Reward Grant	(586,000)		710,000	
Clarity on NLBP lease commitments	581,000			
Planning Delivery Grant & Fees - expenditure in Highways and Planning	(184,000)			
	(189,000)	0	710,000	0
<u>Pressures</u>				
Electricity Bulk purchase	212,000	286,000	75,000	75,000
Audit & inspection fees	100,000			
Local Authority Social Housing transitional grant	463,000			
Pension Costs	1,772,000	1,825,000		
Concessionary Fares	496,540	693,000	(208,000)	
Prudential Borrowing	1,000,000	1,100,000		
Expenditure overseen by the Local Strategic Partnership	1,000,000		(1,000,000)	
Roundabout Sponsorship	29,000			
Council Tax instalments	140,000			
	5,212,540	3,904,000	(1,133,000)	75,000
<u>Service Reductions</u>				
Coroners Court - retendered contract	(109,000)			
Arts Depot LADS	(70,000)	70,000		
North London Waste Authority and Environmental Agency Levies	(1,522,640)	2,092,000	403,000	613,000
Neighbourhood Renewal Fund Grant	(1,000,000)		1,000,000	
	(2,701,640)	2,162,000	1,403,000	613,000
Budget	11,797,930	18,570,990	20,275,730	21,706,590

Revenue Budget 2006-2007

CENTRAL EXPENSES

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
10014 Miscellaneous Finance	870,830	870,800	878,840
10015 Corporate Subscriptions	136,850	136,850	132,660
10016 Levies	22,131,100	22,173,070	21,598,860
10017 Central Contingency	4,223,150	1,495,480	2,129,360
10018 Rate Relief	355,060	395,060	403,950
10019 AMRA	(17,186,150)	(17,186,150)	(16,046,150)
10650 External recharges	(940,710)	(940,710)	(940,710)
10699 Early Retirement Costs	2,424,020	2,424,020	2,944,920
10700 Corporate Fees & Charges	579,500	579,500	693,990
10718 Car Leasing	2,160	2,160	2,210
* Total	12,595,810	9,950,080	11,797,930

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Expenditure			
Employees	2,617,540	2,620,390	3,149,330
Premises	12,350	12,350	12,350
Transport	2,160	2,160	2,210
Supplies and Services	1,497,480	1,417,320	1,540,150
Agency Payments & Third Party Payments	22,131,100	22,173,070	21,598,860
Transfer Payments	355,060	393,360	402,230
Support Services	(940,710)	(940,710)	(940,710)
Capital Financing Costs	(12,963,000)	(15,604,670)	(13,839,790)
Total Expenditure	12,711,980	10,073,270	11,924,630
Income			
Government Grants	(140,530)	(140,530)	(144,040)
Other Grants & Contributions	33,060	26,040	26,040
Sales, Fees and Charges	(8,700)	(8,700)	(8,700)
Total Income	(116,170)	(123,190)	(126,700)
Net Expenditure	12,595,810	9,950,080	11,797,930

Revenue Budget 2006-2007

CENTRAL EXPENSES

Levies	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Concessionary Fares	9,497,890	9,497,890	10,231,880
Coroners Court	304,320	304,320	202,930
Environment Agency	238,400	250,210	156,420
Lee Valley Regional Park (LVRP)	384,590	393,910	401,390
London Boroughs Grants Scheme (LBGS)	1,162,510	1,162,510	1,166,230
London Pension Funds Authority (LPFA)	365,320	363,210	368,320
North London Waste Authority (NLWA)	9,801,660	9,801,660	8,662,750
Probation Service - Justices of the Peace	(13,890)	5,940	5,760
Traffic Control Signals Unit (TCSU)	390,300	393,420	403,180
Agency Payments & Third Party Payments	22,131,100	22,173,070	21,598,860

2006-07 Budget Summary and Forward Plan

Children and Families	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Original Budget	25,993,880	27,330,420	28,348,070	29,101,740
Virements	677,360	0		
Pay Awards	325,480	335,240	345,300	355,660
Standard Inflation - Expenditure	395,360	405,240	415,370	425,750
- Income	(6,660)	(6,830)	(7,000)	(7,180)
	27,385,420	28,064,070	29,101,740	29,875,970
<u>Efficiencies</u>				
Savings on external placements	(750,000)	(850,000)		
	(750,000)	(850,000)	0	0
<u>Full Year Effects</u>				
Specific Grants	735,000	734,000		
	735,000	734,000	0	0
<u>Pressures</u>				
New Respite Care Centre		500,000		
Electronic Social Care Records / Integrated Children's System	60,000			
	60,000	500,000	0	0
<u>Service Reductions</u>				
Potential income generation Curtis Centre		(100,000)		
	(100,000)	(100,000)	0	0
	(100,000)	(100,000)	0	0
Budget	27,330,420	28,348,070	29,101,740	29,875,970

Revenue Budget 2006-2007

CHILDREN & FAMILIES

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Inhouse Residential Homes	1,259,260	1,380,480	1,414,510
External Residential	3,793,730	3,793,730	3,888,600
External Fostering	4,552,880	4,552,880	3,916,810
Internal Fostering & Adoption	3,753,260	3,753,260	3,853,150
Leaving Care -Clients	416,940	416,940	425,570
Looking After Children Staff	3,010,260	3,288,570	3,391,010
Asylum Seekers (unaccompanied children)	235,060	198,230	368,020
* Looking after Children	17,021,390	17,384,090	17,257,670
Disabled Children	841,730	841,730	862,780
Supporting Families Staff	3,361,800	3,533,370	3,629,330
Section 17 & 18	499,780	499,780	509,170
Youth Offending Service	292,350	312,830	326,200
Other Supporting Families Services	980,050	952,330	874,190
Asylum Seekers (Adults and Families)	119,450	157,800	0
* Supporting Families	6,095,160	6,297,840	6,201,670
Improving Services Team, SWIFT & other co	960,670	1,049,930	1,304,170
* Improving Services	960,670	1,049,930	1,304,170
Conference and Review	531,980	539,490	557,380
Other costs	140,170	127,160	131,660
* Listening to Children	672,150	666,650	689,040
C&F Management Costs, Reception & Admi	663,390	852,240	915,370
Training for Social Care	556,830	557,540	599,540
Grants	24,290	(348,470)	362,960
* Children & Families Management &Projects	1,244,510	1,061,310	1,877,870
** Total	25,993,880	26,459,820	27,330,420

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Expenditure			
Employees	10,992,170	11,903,670	12,318,770
Premises	704,780	556,930	624,820
Transport	491,120	473,280	485,340
Supplies and Services	5,721,180	4,232,660	4,128,390
Agency Payments & Third Party Payments	11,372,550	12,141,770	11,098,240
Transfer Payments	4,637,280	3,697,080	3,786,340
Capital Charges	181,030	181,030	181,030
Total Expenditure	34,100,110	33,186,420	32,622,930
Income			0
Government Grants	(7,215,580)	(6,344,940)	(5,040,070)
Other Grants & Contributions	(888,500)	(379,510)	(250,240)
Sales, Fees and Charges	(2,150)	(2,150)	(2,200)
Total Income	(8,106,230)	(6,726,600)	(5,292,510)
Net Expenditure	25,993,880	26,459,820	27,330,420

2006-07 Budget Summary and Forward Plan

Education	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget	203,410,700	212,961,780	213,711,250	214,456,460
Virements	(819,110)			
Non-Schools Standard Inflation - Expenditure	614,120	629,470	645,210	661,340
	203,205,710	213,591,250	214,356,460	215,117,800
<u>Efficiencies</u>				
Home to school transport (not special education)	(200,000)	(30,000)		
Reorganisation of Children & Family Day Centres as Children Centres from 2007.	(250,000)	100,000	100,000	100,000
Library reminders and reservation notices	(5,000)	(4,000)		
Cultural Services Management Restructure	(112,000)			
Service restructuring and reduction in establishment	(60,000)	(10,000)		
Replace Libraries Network	(50,000)			
	(677,000)	56,000	100,000	100,000
<u>Full Year Effects</u>				
SEN Transport Budget - contract inflation above standard RPI	143,000			
Recode 50% ELT post to children services change grant	36,000			
	179,000	0	0	0
<u>Pressures</u>				
Teachers Pay Reform Grant	53,000			
Dedicated Schools Grant	10,891,070			
	10,944,070	0	0	0
<u>Service Reductions</u>				
Harmonisation of Summer Playschemes	(135,000)			
Delete post for monitoring school cleaning	(35,000)			
Restructure SEN performance team	(50,000)			
Reduce educational psychologist post	(50,000)			
Reduction in budget for action to support schools causing concern	(69,000)			
Contribution to catering deficit	(25,000)			
Schools library resource service	(5,000)			
Reduction on Media Fund for library stock purchase.	(200,000)			
Reduce opening hours at East Finchley Library from town centres to community libraries with related changes to staffing structures.	(57,000)			
Saving from closure of South Friern library during rebuild	(64,000)	64,000		
	(690,000)	64,000	0	0
Budget	212,961,780	213,711,250	214,456,460	215,217,800

Revenue Budget 2006-2007

EDUCATION

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
Education	£	£	£
Children & Family Day Centres	2,782,670	2,819,290	2,684,290
Childminding Registration & Support	36,070	36,600	38,160
Early Years Management	288,530	290,910	301,590
Early Years Grants	0	6,720	15,120
Free Nursery Education Provision	3,059,770	3,060,330	3,864,140
** After School Provision	316,940	321,350	334,670
** Out Of School Provision	282,090	284,430	159,380
* Playschemes	599,030	605,780	494,050
**** Early Years, Family & Play Service	6,766,070	6,819,630	7,397,350
Educ. Communication & Information Team	342,790	349,500	366,260
Education HR	104,480	113,120	126,810
Education RMIT	533,290	545,660	519,680
** Education Asset Management Team	237,500	240,990	251,270
** Schools Organisation	750,820	755,320	580,800
Access	988,320	996,310	832,070
** Chief Education Officer Budgets	460,260	468,940	527,750
** Centrally Retained Schools Related Budget	16,735,930	16,766,780	16,713,840
** Fair Funding Team	151,640	154,160	150,270
** Schools Forum	0	0	16,150
Education Strategic Management	17,347,830	17,389,880	17,408,010
**** Education Resources & Performance	19,316,710	19,394,470	19,252,830
ISB	160,653,350	160,633,900	174,875,120
Education LSC Grant	(18,368,590)	(18,404,120)	(19,101,220)
Standards Fund	5,025,580	5,025,580	516,790
**** Schools Funding	147,310,340	147,255,360	156,290,690
Education Advice & Support	235,440	284,960	366,750
Education Challenge & Intervention	1,086,900	1,115,320	1,194,790
Education Holding Accounts	168,460	171,450	202,530
**** Standards & Effectiveness	1,490,800	1,571,730	1,764,070
Education Psychologist Team	951,350	966,120	958,360
Vulnerable Children	213,350	213,910	225,370
Education Welfare Service	535,990	544,550	568,920
Pupil Referral Units	1,087,870	1,112,790	1,200,980
Standards & Inclusion Mgmt & Monitoring	(926,140)	(914,190)	798,520
** Invest to Save	295,570	295,570	310,640
** Private & Independent Schools	6,277,720	6,277,720	6,597,900
** Recoupment	1,738,890	1,738,890	1,832,270
Special Educational Needs Placements	8,312,180	8,312,180	8,740,810
SEN Specialist Support	2,897,560	2,909,270	3,162,750
Special Educational Needs Transport	4,470,270	4,490,900	4,775,000
** 10936 Support For Childrens Services	0	0	400,500
** 10937 SEN LSC Grant	0	0	(1,876,050)
SEN	0	0	(1,475,550)

Revenue Budget 2006-2007

EDUCATION

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
Education	£	£	£
**** Standards & Inclusion	17,542,430	17,635,530	18,955,160
Youth Service Base Budgets	1,299,230	1,314,250	1,361,280
Youth Service Grants	0	490	1,250
**** Youth service	1,299,230	1,314,740	1,362,530
EDUCATION TOTAL	193,725,580	193,991,460	205,022,630
Libraries, Museums and Local Studies			
Libraries -Management & Support	732,600	717,060	577,080
Libraries	6,886,400	6,917,330	6,780,110
Museums and Local Studies	410,780	440,820	415,230
Sports Development	1,655,340	161,950	166,730
LIBRARIES, MUSEUMS AND LOCAL STUDIES	9,685,120	8,237,160	7,939,150
EDUCATION TOTAL	203,410,700	202,228,620	212,961,780

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
Expenditure	£	£	£
Employees	171,567,450	177,922,910	191,527,640
Premises	11,967,110	12,393,630	13,325,470
Transport	3,797,420	3,797,420	3,837,640
Supplies and Services	32,100,870	33,750,260	35,564,790
Agency Payments & Third Party Payments	24,558,320	23,666,980	25,649,390
Capital Charges	969,150	969,150	969,150
Secondary Recharges	16,046,160	16,648,720	16,656,870
Total Expenditure	261,006,480	269,149,070	275,489,710
Income			
Government Grants	(42,524,330)	(50,850,320)	(57,402,970)
Other Grants & Contributions	(6,950,590)	(7,159,640)	(7,640,290)
Sales, Fees and Charges	(8,042,250)	(8,831,880)	(9,447,300)
Recharges	(78,610)	(78,610)	(78,610)
Total Income	(57,595,780)	(66,920,450)	(62,527,930)
Net Expenditure	203,410,700	202,228,620	212,961,780

2006-07 Budget Summary and Forward Plan

Environmental Services	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget	21,379,510	21,794,850	22,728,690	23,585,810
Virements	888,180			
Pay Awards	559,900	576,700	594,000	611,820
Standard Inflation - Expenditure	386,360	396,020	405,920	416,070
- Income	(231,100)	(236,880)	(242,800)	(248,870)
	22,982,850	22,530,690	23,485,810	24,364,830
<u>Efficiencies</u>				
Environmental Services Admin Review	(252,000)			
Care and Repair : service review	(20,000)	(30,000)		
Allotments - review cost recovery	(16,000)			
Green Spaces - restructuring	(175,000)			
Golf courses - rental income	(18,000)			
Street Enforcement Service - restructuring	(850,000)			
Abandoned vehicles - procurement efficiencies	(20,000)			
Environmental Services re-organisation	(284,000)			
	(1,635,000)	(30,000)	0	0
<u>Full Year Effects</u>				
Green Waste - Grant fallout London Recycling Fund	248,000			
ECT Contract	465,000	100,000	100,000	
Tree work in parks		(20,000)		
	713,000	80,000	100,000	0
<u>Pressures</u>				
Green waste & recycling	87,580			
Catering - net reduced surplus	75,000			
Licensing Act 2003	174,000			
	336,580	0	0	0
<u>Service Reductions</u>				
Environmental Health - Residential Services	(37,000)			
Cemetery & Crematorium - income	(50,000)			
Street Cleansing : change fly tipping target	(30,000)			
Block cleansing	(225,000)			
Waste Performance & Efficiency Grant	(87,580)			
Arboriculture temporary survey staff	(25,000)			
North London Waste Authority - new municipal waste reward scheme.	(148,000)	148,000		
	(602,580)	148,000	0	0
Budget	21,794,850	22,728,690	23,585,810	24,364,830

Revenue Budget 2006-2007

ENVIRONMENTAL SERVICES

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
10669 Human Resources	95,140	137,370	118,520
10763 ES-Management	231,390	319,800	70,680
10343 ES-Policy & Perfmnce	294,540	394,750	362,510
10675 Catering	(220,340)	(167,510)	(54,960)
10665 Mill Hill Depot	774,210	777,340	761,850
*** Business Support	1,174,940	1,461,750	1,258,600
10667 ES Care & Repair	49,710	53,210	48,330
10668/10821-5 Public Health & Sustaina	579,370	698,050	875,890
10661/10818-9 Hendon Cemetery&Crem	(342,830)	(312,040)	(364,380)
10671 Mortuary	102,840	103,520	106,200
10666 Residential Services	1,022,910	903,190	875,700
10672 Works in Default	11,960	12,420	0
10673 Watling Market	4,970	4,970	6,050
10674 Trading Standards	470,120	392,670	409,770
10657 Civic Amenities Sites	478,090	478,090	522,760
10656 Recycling	681,750	589,050	1,215,710
*** Regulation	3,058,890	2,923,130	3,696,030
10660 Allotments	16,220	16,220	0
10365 Verge & Tree Routine All Areas	890,390	890,390	904,360
10764 Parks & Open Spaces	3,912,340	3,243,150	3,232,420
10765 Sports Grounds	632,710	653,940	666,210
10766 Green Belt Lands	17,280	17,280	17,310
10767 Golf Courses&Sprt G	762,760	682,760	681,830
10768 King George Playing Fields	4,880	0	0
10882 Park&O SpCycGrndMtce	0	798,420	818,380
10663 Grounds Maintenance	346,620	325,820	339,600
10652 Street Cleansing	4,832,850	4,814,270	4,730,570
10655 Domestic Refuse	4,489,980	4,852,880	5,009,830
10654 Trade Waste	(882,470)	(881,010)	(910,470)
10653 Street Enforcement Service	2,038,770	2,060,030	1,281,080
10659 Abandoned Vehicles	83,350	84,180	69,100
*** Street Scene & Greenspaces	17,145,680	17,558,330	16,840,220
**** Total	21,379,510	21,943,210	21,794,850

Revenue Budget 2006-2007

ENVIRONMENTAL SERVICES

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
Expenditure	£	£	£
Employees	18,890,920	19,613,720	18,827,000
Premises	5,676,220	5,645,340	5,771,940
Transport	4,104,390	4,350,760	4,341,280
Supplies and Services	6,486,960	6,758,860	7,323,000
Agency Payments & Third Party Payments	148,280	62,020	59,360
Secondary Recharges	(929,810)	(717,310)	(717,310)
Total Expenditure	34,376,960	35,713,390	35,605,270
Income			0
Government Grants	(469,300)	(469,300)	(704,880)
Other Grants & Contributions	(1,846,050)	(2,206,050)	(2,338,100)
Sales, Fees and Charges	(10,682,100)	(11,094,830)	(10,767,440)
Total Income	(12,997,450)	(13,770,180)	(13,810,420)
Net Expenditure	21,379,510	21,943,210	21,794,850

2006-07 Budget Summary and Forward Plan

Executive Office	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Original Budget	6,693,190	7,650,130	7,542,860	7,756,050
Virements	259,470			
Pay Awards	249,680	257,170	264,890	272,840
Standard Inflation - Expenditure	25,040	25,670	26,310	26,970
- Income	(74,250)	(76,110)	(78,010)	(79,960)
	7,153,130	7,856,860	7,756,050	7,975,900
<u>Efficiencies</u>				
Law and Probity	(40,000)			
Admin support saving	(60,000)			
Communications reorganisation	(20,000)			
Reorganisation of complaints	(110,000)			
Reduced consultation costs	(40,000)			
Delete CPO Communications Officer	(33,000)			
	(303,000)	0	0	0
<u>Full Year Effects</u>				
Reduction of one manager post	(36,000)			
Licensing Act	(22,000)			
CCTV 2004/5 programme - running costs	48,000			
CCTV 2005/06 and 2006/07 (net of efficiencies)	60,000	86,000		
Civil Contingencies Act	55,000			
	105,000	86,000	0	0
<u>Pressures</u>				
May 2006 Elections	550,000	(400,000)		
Election Bill	100,000			
Register Office	50,000			
Political Assistants	15,000			
	715,000	(400,000)	0	0
<u>Service Reductions</u>				
Software licences	(10,000)			
Reduction in Cabinet support	(10,000)			
	(20,000)	0	0	0
Budget	7,650,130	7,542,860	7,756,050	7,975,900

Revenue Budget 2006-2007

EXECUTIVE OFFICE			
Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
** Legal Services	1,637,990	1,667,890	1,645,830
** Registration	(1,560)	2,830	57,070
10383 Registration of Electors	233,550	235,390	343,690
10388 Municipal Elections	25,730	25,730	575,730
** Elections	259,280	261,120	919,420
** Land Charges	(1,981,680)	(1,979,300)	(2,026,160)
** Scrutiny	238,420	241,830	251,940
* Democratic Services	594,990	603,590	571,150
* Facilities Management Team	400,500	406,270	423,960
* Municipal Links	8,840	8,840	8,840
* Civic Events	7,760	105,880	108,950
* Mayoral	179,490	181,560	188,460
10393 Members Support	63,210	64,000	66,200
10394 Cabinet Support	63,620	64,690	57,670
10395 Political Assistants	91,860	93,410	112,710
10396 Members Allowances	1,126,980	1,125,610	1,157,580
* Members' Support	1,345,670	1,347,710	1,394,160
10400 Civil Protection	103,730	104,840	163,780
10651 CCTV	898,870	908,740	1,046,230
** Civil Protection	1,002,600	1,013,580	1,210,010
** Corporate Anti-Fraud Team	280,050	293,190	332,520
*** Law & Probity	3,972,350	4,154,990	5,086,150
10376 Marketing	102,470	0	0
10377 Web Team	102,380	103,520	106,750
10689 Communications	420,850	481,810	479,510
*** Communications	625,700	585,330	586,260
10378 Complaints	177,660	180,000	67,290
10683 Local Partnerships	294,950	298,660	310,920
10684 Improvement	315,800	319,030	329,310
10685 Consultation	212,420	214,510	148,670
10867 Head of Corporate Support	0	106,150	110,990
*** Corporate Performance Office	1,000,830	1,118,350	967,180
*** Strategic Directors'	1,094,310	968,270	1,010,540
**** Total	6,693,190	6,826,940	7,650,130

Revenue Budget 2006-2007

EXECUTIVE OFFICE

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
Expenditure	£	£	£
Employees	8,616,680	8,782,720	9,608,910
Premises	68,610	63,030	64,450
Transport	101,410	100,120	102,810
Supplies and Services	1,577,110	1,551,640	1,585,770
Capital Charges	144,390	144,390	144,390
Secondary Recharges	99,180	99,180	99,180
Total Expenditure	10,607,380	10,741,080	11,605,510
Income			
Government Grants	(608,470)	(608,470)	(575,470)
Other Grants & Contributions	(46,690)	(46,690)	(47,860)
Sales, Fees and Charges	(2,922,970)	(2,922,920)	(2,995,990)
Recharges	(336,060)	(336,060)	(336,060)
Total Income	(3,914,190)	(3,914,140)	(3,955,380)
Net Expenditure	6,693,190	6,826,940	7,650,130

2006-07 Budget Summary and Forward Plan

Highways and Design	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget	7,123,260	7,408,880	8,219,990	8,509,050
Virements	247,230			
Pay Awards	177,990	183,330	188,830	194,490
Standard Inflation - Expenditure	198,950	203,920	209,020	214,250
- Income	(103,550)	(106,140)	(108,790)	(111,510)
	7,643,880	7,689,990	8,509,050	8,806,280
<u>Efficiencies</u>				
Highways General	(90,000)			
Sign Shop - efficiency savings	(30,000)			
Street Lighting Review	(30,000)			
	(150,000)	0	0	0
<u>Full Year Effects</u>				
Street lighting	340,000			
PFI Street Lighting	30,000			
Invest to save	(50,000)			
Prudential Borrowing		(80,000)		
PDG and other income - agreed additional items(net) from contingency provision	20,000			
	340,000	(80,000)	0	0
<u>Pressures</u>				
Reduction in parking income	300,000			
	300,000	0	0	0
<u>Service Reductions</u>				
War memorials / redundant churchyards	(10,000)	10,000		
Drainage / Water Courses	(70,000)			
Surveys and Traffic Management	(25,000)			
National Roads and Street Works Act	(10,000)			
Private Works	50,000			
Cross-overs	(60,000)			
Reduced Planned Highways Maintenance	(600,000)	600,000		
	(725,000)	610,000	0	0
Budget	7,408,880	8,219,990	8,509,050	8,806,280

Revenue Budget 2006-2007

HIGHWAYS & DESIGN

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
10617 HD-Mngmnt & Perform	359,700	382,660	380,170
** Highways & Design - Management & A	359,700	382,660	380,170
10664 Highways Maintenance Services	1,715,620	1,738,460	1,764,220
10618 Highways Other	1,209,760	1,369,700	1,287,700
10619 Drainage (Gully Cleansing)	159,670	159,670	123,660
10620 Winter Maintenance	529,830	529,830	543,080
10621 War Memorials	57,410	57,410	48,850
10622 Traffic Census	37,120	37,120	13,050
10623 Safer Routes	16,590	16,590	17,000
10624 School Crossing Patrol	55,730	56,480	58,830
10625 Technical Survey	42,130	42,130	43,180
10627 Highway Drainage (Repairs)	118,600	118,600	121,350
10628 Public Conveniences	48,100	48,100	48,290
10629 Water Courses	109,510	109,510	82,250
10630 Public Transportation	690	690	710
10631 R.A.S.W.A.	(95,550)	(92,470)	(100,850)
10632 Private Works Reinstatement	(248,700)	(248,700)	(204,920)
10633 Rechargeable Works	(117,300)	(117,300)	(180,230)
10635 Road Structural Planned	1,760,800	1,760,800	1,206,030
10636 Misc.Routine Work	549,950	549,950	603,700
10637 Street Lighting	1,432,690	1,432,690	1,798,500
10638 Traffic Management	79,670	46,140	47,290
** Highways	7,462,320	7,615,400	7,321,700
10639 Building Services - Consultancy	184,430	146,320	222,550
** Asset Management	184,430	146,320	222,550
10641 Building Inspection	225,490	165,040	173,000
10642 Structures	11,000	(47,910)	(38,790)
10643 Building Control	(411,240)	(275,800)	(238,510)
** Building Control	(174,750)	(158,670)	(104,300)
10644 Car Parks	(708,440)	(716,380)	(411,240)
** Car Parks	(708,440)	(716,380)	(411,240)
*** Total	7,123,260	7,269,330	7,408,880

Revenue Budget 2006-2007

HIGHWAYS & DESIGN

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
Expenditure	£	£	£
Employees	6,013,300	6,239,950	6,391,130
Premises	6,610,790	6,601,640	6,580,610
Transport	706,570	713,970	731,820
Supplies and Services	1,868,320	1,946,670	1,911,760
Secondary Recharges	(1,545,990)	(1,579,990)	(1,579,990)
Total Expenditure	13,652,990	13,922,240	14,035,330
Income			
Other Grants & Contributions	(96,110)	(81,650)	(83,690)
Sales, Fees and Charges	(6,433,620)	(6,571,260)	(6,542,760)
Total Income	(6,529,730)	(6,652,910)	(6,626,450)
Net Expenditure	7,123,260	7,269,330	7,408,880

2006-07 Budget Summary and Forward Plan

Housing General Fund	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget	5,167,290	5,706,530	5,702,860	5,766,490
Virements	134,120			
Pay Awards	148,150	152,590	157,170	161,890
Standard Inflation - Expenditure	4,410,990	4,521,260	4,634,290	4,750,150
- Income	(4,500,020)	(4,612,520)	(4,727,830)	(4,846,030)
	5,360,530	5,767,860	5,766,490	5,832,500
<u>Efficiencies</u>				
Reduction in temporary accomodation	(850,000)			
Deletion of Housing Communications and Marketing Officer	(17,000)			
	(867,000)	0	0	0
<u>Pressures</u>				
Housing Benefit Transition Grant	637,000			
Housing Benefits - payments	760,000			
Benefits Service Restructure	160,000			
	1,557,000	0	0	0
<u>Service Reductions</u>				
Reduce payment to Threshold / BHAC	(47,000)			
Deletion of Empty Homes Officer	(15,000)			
Deletion of 2 Temporary Accommodation Officers	(43,000)			
Reduction of 1 FTE post in Development team to half-time	(15,000)			
Withdrawal of Housing General Fund Support to Community Centres	(10,000)	(11,000)		
Further savings to be found (in lieu of withdrawal of support to Community Centres)	(50,000)	(54,000)		
Housing & Council Tax Benefit Administration Grant	(164,000)			
	(344,000)	(65,000)	0	0
Budget	5,706,530	5,702,860	5,766,490	5,832,500

Revenue Budget 2006-2007

HOUSING GENERAL FUND

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
10021 Safer Communities Unit	136,810	140,930	157,820
* Safer Communities	136,810	140,930	157,820
10022 Housing Benefits Admin	675,380	715,840	779,470
10023 Housing Benefit Payments	542,840	542,840	1,958,850
10024 Housing Benefits Control Team	139,680	141,620	148,400
* Housing Benefits	1,357,900	1,400,300	2,886,720
10025 Housing initiatives	125,220	127,380	103,330
* Housing Initiatives	125,220	127,380	103,330
10020 Housing & Development	0	101,600	103,250
10035 Claremont Rd Community Centre	125,730	126,060	117,200
* Housing Management	125,730	227,660	220,450
10026 Policy& performance	52,630	152,400	139,180
* Housing Policy & Performance	52,630	152,400	139,180
10027 Housing Grant Payments	312,330	249,330	210,140
10028 HNR Management Team	451,100	192,480	207,520
10029 HNR Customer Services	138,180	220,250	229,930
10030 Temporary Accommodation	2,005,560	1,809,880	849,450
10031 Housing Needs	461,830	410,320	404,990
10032 Housing Resources Team	0	293,050	297,000
* Hsg Resources & Temporary Accommodation	3,369,000	3,175,310	2,199,030
** Total	5,167,290	5,223,980	5,706,530

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Expenditure			
Employees	4,562,040	4,937,110	5,233,660
Premises	905,700	975,650	967,460
Transport	45,280	35,850	37,090
Supplies and Services	730,900	1,050,890	926,960
Agency Payments & Third Party Payments	9,226,770	9,155,810	8,915,310
Transfer Payments	118,754,040	118,753,620	123,670,030
Secondary Recharges	(63,250)	104,580	104,580
Total Expenditure	134,161,480	135,013,510	139,855,090
Income			0
Government Grants	(119,680,010)	(119,866,010)	(124,205,200)
Other Grants & Contributions	(1,017,770)	(1,918,860)	(1,317,220)
Sales, Fees and Charges	(8,296,410)	(8,004,660)	(8,626,140)
Total Income	(128,994,190)	(129,789,530)	(134,148,560)
Net Expenditure	5,167,290	5,223,980	5,706,530

2006-07 Budget Summary and Forward Plan

Housing Revenue Account	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget (net expenditure met by working balance)	(634,680)	785,920	538,160	488,710
<u>Base Budget Adjustments</u>				
Pay Awards (LBB)	44,350	39,690	39,690	39,690
Standard Inflation	6,840	7,000	7,000	7,000
Housing Subsidy	576,000	1,273,230	1,565,670	1,227,680
Pension Fund Cost Increase	37,650	38,100	0	0
Rent and service charge increase	(1,991,950)	(2,065,850)	(2,356,810)	(2,476,020)
Loss of rent through sales	230,340	177,940	192,410	209,140
Additional income from leaseholders	(260,000)	(62,500)	(62,500)	(62,500)
Capital Financing Costs	1,677,000	0	0	0
Management Fee inflation	505,920	536,090	552,180	568,750
Repairs and Maintenance inflation	211,450	216,740	222,150	227,710
Housing Benefits - reduction of HRA share	(100,000)	(50,000)	(50,000)	(50,000)
Additional provision for support services	500,000	0	0	0
	1,437,600	110,440	109,790	(308,550)
<u>Pressures</u>				
Regeneration/sheltered schemes - rent loss	0	359,840	741,850	1,068,910
	0	359,840	741,850	1,068,910
<u>Efficiencies and Service Reductions</u>				
Regeneration schemes - removal of start-up costs	0	(200,000)	(200,000)	(200,000)
Repairs and Maintenance - reduced numbers of dwellings	0	0	(175,000)	(233,000)
Management Costs - Barnet Homes	0	(268,040)	(276,090)	(284,380)
Restructuring Needs and Resources	(17,000)	0	0	0
Efficiencies/Savings to be identified **	0	(250,000)	(250,000)	(250,000)
	(17,000)	(718,040)	(901,090)	(967,380)
2005/6 Budget and Forward Plan - required contribution from/(to) working balance	785,920	538,160	488,710	281,690

** Without reductions of this level, the HRA will become unsustainable as the deficit increases year on year. This results from the subsidy settlements for the last two years which have taken resources away from Barnet.

Revenue Budget 2006-2007

HOUSING REVENUE ACCOUNT

Profit Centre	2005/06 Original Estimate	2006/07 Original Estimate
Expenditure	£	£
Supervision & Management - General LBB Retained	2,923,640	2,995,200
Management fee	11,715,520	12,566,990
Supervision & Management - Special Management Fee	5,059,920	5,211,750
Supervision & Management - Other LBB Retained	17,720	18,000
Management Fee	88,500	91,150
Repairs & Maintenance	8,458,000	8,669,450
Capital Financing Costs	550,000	2,227,000
Depreciation (MRA)	8,112,170	7,939,140
Housing Subsidy	8,300,000	8,999,000
Housing Benefits	500,000	400,000
Total Expenditure	45,725,470	49,117,680
Income		
Supervision & Management - General	(2,361,860)	(2,621,860)
Supervision & Management - Special	(3,294,500)	(3,337,250)
Interest	(300,000)	(250,000)
Rents - dwellings	(38,984,000)	(40,702,860)
Rents - garages	(721,000)	(740,000)
Rents - other	(698,790)	(679,790)
Total Income	(46,360,150)	(48,331,760)
Contribution to/(from) balances	634,680	(785,920)
Net Expenditure	0	0

2006-07 Budget Summary and Forward Plan

Planning	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget	680,080	522,040	535,070	548,470
Virements	(116,700)	0		
Pay Awards	8,870	9,140	9,410	9,690
Standard Inflation - Expenditure	4,700	4,820	4,940	5,060
- Income	(910)	(930)	(950)	(970)
	576,040	535,070	548,470	562,250
<u>Efficiencies</u>				
Reduction in transport and postage budget	(7,000)			
Reduction of Administration Assistant	(23,000)			
Part-time policy planner - hold in abeyance	(15,000)			
	(45,000)	0	0	0
<u>Full Year Effects</u>				
Burnt Oak Historic Economic Regeneration Scheme	(30,000)			
PDG and other income - agreed additional items(net) from contingency provision	95,000			
	65,000	0	0	0
<u>Service Reductions</u>				
Increased income from pre-planning advice, S106 costs recovery & income activities	(30,000)			
Section 106 funded post	(34,000)			
Customer care & technical officer committee support reductions	(10,000)			
	(74,000)	0	0	0
Budget	522,040	535,070	548,470	562,250

Revenue Budget 2006-2007

PLANNING

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
10038 Planning Service	680,080	661,590	522,040
* Planning	680,080	661,590	522,040
** Total	680,080	661,590	522,040

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Expenditure			
Employees	2,358,160	2,545,790	2,703,950
Transport	39,500	39,500	34,490
Supplies and Services	161,790	351,670	258,880
Secondary Recharges	16,870	16,870	16,870
Total Expenditure	2,576,320	2,953,830	3,014,190
Income			0
Government Grants	0	(937,800)	(1,017,800)
Other Grants & Contributions	(789,870)	(53,070)	(53,070)
Sales, Fees and Charges	(1,106,370)	(1,301,370)	(1,421,280)
Total Income	(1,896,240)	(2,292,240)	(2,492,150)
Net Expenditure	680,080	661,590	522,040

2006-07 Budget Summary and Forward Plan

Resources	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget	21,140,280	24,578,840	25,194,540	25,827,940
Virements	2,461,070	0		
Pay Awards	447,550	460,980	474,810	489,050
Standard Inflation - Expenditure	221,490	227,030	232,710	238,530
- Income	(70,550)	(72,310)	(74,120)	(75,970)
	24,199,840	25,194,540	25,827,940	26,479,550
<u>Efficiencies</u>				
Resources restructure	(836,000)			
MCS systems decommissioning	(100,000)			
MCS Benefits realisation	(250,000)			
Print Efficiencies	(50,000)			
IT telephony	(100,000)			
Hardware maintenance	(30,000)			
IS Support Saving	(75,000)			
Improved rent recovery	(20,000)			
Efficiencies within Leisure Partnership Budget	(50,000)			
MCS further savings on legacy systems	(250,000)			
	(1,761,000)	0	0	0
<u>Full Year Effects</u>				
Customer Care - Ongoing Revenue Cost of Restructure	150,000			
	150,000	0	0	0
<u>Pressures</u>				
Procurement savings	1,400,000			
Training - reduction in external income	60,000			
Grant to Home-Start Barnet	25,000			
Accommodation Strategy	250,000			
Public offices - contract cleaning	150,000			
Business Rates	52,000			
Energy contracts	318,000			
	2,255,000	0	0	0
<u>Service Reductions</u>				
Grants budget reduction	(40,000)			
Local taxation court costs	(75,000)			
Facilities Management	(150,000)			
	(265,000)	0	0	0
Budget	24,578,840	25,194,540	25,827,940	26,479,550

Revenue Budget 2006-2007

RESOURCES

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
10000 Finance Management	254,500	258,510	270,670
* BT Management	254,500	258,510	270,670
10001 Internal Audit	519,420	528,090	552,880
* Internal Audit	519,420	528,090	552,880
10004 Local Taxation	1,043,680	1,074,350	1,075,850
10005 Cashiers	369,240	376,350	398,120
10006 Income	217,340	220,760	230,620
* Revenues	1,630,260	1,671,460	1,704,590
10009 Student Finance	231,080	234,600	244,860
10010 Welfare Rights	202,920	206,410	216,470
* BT Support Functions	434,000	441,010	461,330
10011 Grants Team	97,220	98,820	103,330
10697 Grants Awarded	1,364,880	1,364,880	1,350,000
* Grants to Voluntary Bodies	1,462,100	1,463,700	1,453,330
10007 Payments	134,540	137,450	145,730
10012 Accountancy	3,183,580	3,243,850	3,161,320
10013 Insurance	(32,370)	(28,960)	(18,460)
10681 Accountancy - School Support	(3,590)	(2,470)	5,880
* Corporate Finance	3,282,160	3,349,870	3,294,470
** Borough Treasurer	7,582,440	7,712,640	7,737,270
10691 Customer Care Unit	302,740	306,740	318,220
10692 First Contact	172,070	174,130	179,870
10693 Switchboard	545,300	528,240	442,530
** Customer Services	1,020,110	1,009,110	940,620
10402 Policy and Operations	433,610	440,250	419,000
* HR Policy, Strategy & Operations	433,610	440,250	419,000
10404 Health and Safety	209,740	213,190	223,260
10406 Payroll Service	273,820	284,660	188,550
10407 Pensions Service	(64,660)	(58,460)	(39,670)
* Health & Safety, Pensions, Payroll	418,900	439,390	372,130
10401 Learning&Development	202,070	206,940	221,500
10686 Corporate Training / Leadership	84,090	84,090	86,190
10722 Mill Hill Training	(80,770)	(80,770)	(23,930)
* Learning & Development	205,390	210,260	283,760
** Human Resources	1,057,900	1,089,900	1,074,900
10417 IT Management	218,860	172,565	103,980
* Information Technology Management	218,860	172,565	103,980
10408 GIS	239,150	243,930	256,000
* Information Management	239,150	243,930	256,000
10409 Education Team	88,590	92,710	100,020
10410 Community Team	631,150	639,000	664,910
10411 Social Affairs Team	405,530	410,550	427,040
10412 Infrastructure Team	1,146,240	1,154,450	1,083,250

Revenue Budget 2006-2007

RESOURCES

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
10413 Training	73,460	75,070	79,040
* Information Technology Core Support	2,344,970	2,371,780	2,354,260
10415 Corporate IT Costs	2,441,890	2,726,430	2,043,400
* Corporate IT Costs	2,441,890	2,726,430	2,043,400
10419 Recovery Plan	922,500	622,500	622,500
* IT Projects	922,500	622,500	622,500
** Information Technology	6,167,370	6,137,205	5,380,130
10375 Print Unit	(38,140)	(34,310)	(68,220)
** Print Unit	(38,140)	(34,310)	(68,220)
10742 Claremont Industrial Estate	(138,250)	(138,250)	(137,950)
10744 Properties Pending Sale	12,760	12,760	12,940
10745 Rent Assistance	13,110	13,110	13,440
10746 23-25 Hendon Lane N3	38,100	38,100	38,100
10747 Property Services	237,650	215,710	266,270
10780 King Ed & Alexandra	(52,200)	(21,870)	(52,580)
10781 General Fund Properties	(99,310)	(99,310)	(119,180)
** Property Services & Valuations	11,860	20,250	21,030
10405 Performance Monitoring	241,250	245,000	215,820
10424 Director of Resources	222,120	199,535	259,430
** Resources Management	463,370	444,535	475,250
10369 Burnt Oak Sports Centre	80,670	80,670	82,580
10370 Cophall Stadium	233,020	233,150	236,310
10371 Metro Golf	55,940	55,940	55,940
10372 Leisure Buildings	1,880,560	1,880,560	1,880,560
10373 Water Sports & Projects	50,740	51,320	53,030
10885 GLL Contract	0	1,482,270	1,469,290
** Leisure	2,300,930	3,783,910	3,777,720
10423 Procurement	(1,154,680)	(1,063,230)	284,030
** Strategic Procurement	(1,154,680)	(1,063,230)	284,030
10748 1 Friern Park	(6,230)	(6,230)	(3,420)
10749 42 Church Lane	13,310	13,310	15,250
10750 Barnet House	860,060	860,060	942,070
10751 Facilities - East	331,930	338,170	280,970
* East Area	1,199,070	1,205,310	1,234,870
10758 Hendon Town Hall	765,790	765,790	1,026,420
10759 Print Building	4,840	4,840	12,640
10760 Stag House	(12,250)	(12,250)	(6,430)
10761 Fenella	142,420	142,420	154,420
10762 Colinhurst	83,130	83,130	86,890

Revenue Budget 2006-2007

RESOURCES

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
* West Area	983,930	983,930	1,273,940
10752 NLBP Bldg 4	1,089,660	1,600,540	2,031,330
10753 NLBP Bldg 5	283,490	283,490	307,350
10754 Facilities - NLBP4	159,380	161,930	94,160
10755 Facilities - NLBP5	13,590	13,820	14,460
* NLBP	1,546,120	2,059,780	2,447,300
**Public Offices	3,729,120	4,249,020	4,956,110
*** Total	21,140,280	23,349,030	24,578,840

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Expenditure			
Employees	15,232,430	15,314,460	15,330,960
Premises	3,456,030	3,956,900	4,552,390
Transport	250,060	249,470	257,520
Supplies and Services	8,029,660	7,808,340	7,544,750
Agency Payments & Third Party Payments	188,940	1,526,770	1,514,940
Transfer Payments	13,110	13,110	13,440
Capital Charges	2,796,170	2,796,170	2,796,170
Secondary Recharges	(475,060)	(475,060)	(475,060)
Total Expenditure	29,491,340	31,190,160	31,535,110
Income			0
Government Grants	(390,650)	(390,650)	(388,420)
Other Grants & Contributions	(994,280)	(994,280)	(1,094,140)
Sales, Fees and Charges	(2,216,350)	(1,801,440)	(2,234,090)
Recharges	(4,749,780)	(4,654,760)	(3,239,620)
Total Income	(8,351,060)	(7,841,130)	(6,956,270)
Net Expenditure	21,140,280	23,349,030	24,578,840

2006-07 Budget Summary and Forward Plan

Strategic Development	2006/7	2007/8	2008/9	2009/10
	£	£	£	£
Base Budget	407,600	389,730	400,970	412,570
Virements	16,230	0		
Pay Awards	14,450	14,880	15,330	15,790
Standard Inflation - Expenditure	420	430	440	450
- Income	(3,970)	(4,070)	(4,170)	(4,270)
	434,730	400,970	412,570	424,540
<u>Efficiencies</u>				
Reduction in staffing	(45,000)			
	(45,000)	0	0	0
Budget	389,730	400,970	412,570	424,540

Revenue Budget 2006-2007

STRATEGIC DEVELOPMENT

Profit Centre	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
10756 Strategic Development Unit	407,600	415,600	389,730
10757 SRB	0	0	0
* Total	407,600	415,600	389,730

Subjective Analysis	2005/06 Original Estimate	2005/06 Current Estimate	2006/07 Original Estimate
	£	£	£
Expenditure			
Employees	494,250	502,250	480,040
Premises	0	0	0
Transport	5,260	5,260	5,390
Supplies and Services	10,500	10,500	10,680
Secondary Recharges	56,360	56,360	56,360
Total Expenditure	566,370	574,370	552,470
Income			0
Other Grants & Contributions	(158,770)	(158,770)	(162,740)
Total Income	(158,770)	(158,770)	(162,740)
Net Expenditure	407,600	415,600	389,730

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

SERVICE	PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adults Services	79	5,616	372	369			6,436			2,000	4,357	6,357
Central Expenses	7,353	2,588					9,941	538		2,050		2,588
Children and Families	1,547	227	185	155			2,114	315			252	567
Education	22,333	16,527	13,785	18,223	3,630		74,498	23,561	2,699		25,905	52,165
Environmental Services	1,499	2,319	788	40	40	40	4,726	524	377		2,326	3,227
Highways	8,549	10,998	11,737	9,945	2,730	345	44,304	16,937	5,433		13,385	35,755
Law and Probity	131	263					394				263	263
Resources	8,195	9,934	2,354			235	20,718	610	298		11,615	12,523
Strategic Development	468	145	530				1,143	216			459	675
Contingency			449				449				449	449
Housing - General Fund	5,715	10,013	10,330	7,308	3,256		36,622	2,481	8,128	11,177	9,121	30,907
Sub total - General Fund	55,869	58,630	40,530	36,040	9,656	620	201,345	45,182	16,935	15,227	68,132	145,476
Housing - HRA	13,631	27,705	30,151	30,246	29,121		130,854		36,672	11,828	68,723	117,223
Total - all services	69,500	86,335	70,681	66,286	38,777	620	332,199	45,182	53,607	27,055	136,855	262,699

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

ADULTS SERVICES		IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END												
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
AS01	Mental Health														
	2004-05 - Barnet Infokiosks			79	79					158				79	79
	DH allocations				163	159	154			476				476	476
AS02	Adults Personal Social Services Capital Allocation														
	2004-05 allocation				210					210				210	210
	Other allocations				214	213	215			642				642	642
AS03	Adult re-provisioning Programme														
	Learning Disabilities				2,000					2,000		2,000			2,000
	Older Adults Care Home				2,910					2,910			2,910		2,910
AS99	Outstanding commitments on completed schemes				40					40				40	40
TOTAL				79	5,616	372	369			6,436			2,000	4,357	6,357

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

CENTRAL EXPENSES	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
CE01 Capitalised Redundancies	n/a	n/a	6,826	2,050					8,876			2,050		2,050
CE02 Local Public Service Agreements <i>Funded by government grant</i>	n/a	n/a	527	538					1,065	538				538
			7,353	2,588					9,941	538		2,050		2,588

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

CHILDREN AND FAMILIES		IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END												
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
CF01	Childrens Personal Social Services Capital Allocation (DH)														
	2004-05 - Looked After Children - IT			57	14					71				14	14
	2005-06 -Looked After Children -IT				71					71				71	71
	2006-07 - Looked After Children					71				71				71	71
	<i>Funded by Supported Capital Expenditure (Revenue)</i>														
CF02	SWIFT			1,490	92					1,582				92	92
CF03	Integrated Childrens Services Capital Grant (DH)														
	2005-06				46					46	46				46
	2006-07					114				114	114				114
	2007-08						155			155	155				155
CF99	Outstanding commitments on completed schemes				4					4				4	4
				1,547	227	185	155			2,114	315			252	567

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

EDUCATION		IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END												
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
ED01	School Access Initiatives														
	2003-04 Programme	various	various	264	131					395				131	131
	2004-05 Programme	various	various	97	265	53				415				318	318
	2005-06 Programme	various	various		267	144				411				411	411
	2006-07 Programme					416				416				416	416
	2007-08 Programme						416			416				416	416
ED02	Secondary School Expansion - Mill Hill School	n/a	n/a	3,267	72					3,339				72	72
ED03	Secondary Language Unit - The Edgware School			24	141					165				141	141
ED04	New Deals for Schools - Building Condition programme 2003/04	various	various	2,237	201					2,438				201	201
ED05	LEA Liability at VA Schools re major capital schemes (Bishop Douglas)	n/a	n/a	86	24					110				24	24
ED07	Ashmole School - redevelopment <i>Contribution to school scheme</i>	n/a	n/a	2,974	276					3,250				276	276
ED09	The Compton School - expansion														
	Multi Use Games Area	Sep-03	Oct-03	317	7					324				7	7
	Main scheme	Jan-04	Oct-05	2,836	1,983	130				4,949				2,113	2,113
ED10	Frith Manor Rebuild and redevelopment after fire	Jul-03	Sep-06	3,109	3,217	793	34			7,153		1,109		2,935	4,044

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

EDUCATION	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	<i>Insurance funding of £1.6m. E88 New Deals for Schools Condition funding £31k. School contribution 153k. Balance of funding from Council resources</i>													
ED12	Modernisation - all schools need													
	2004-05 programme													
	Building Condition and other schemes	various	various	1,265	563	245			2,073				808	808
	Available for PSCIP					339			339				339	339
	2005-06 programme													
	Building Condition schemes (AMP)	various	various	569	290	6			865	865				865
	Contingency - Building Condition			98					98	98				98
ED13	Modernisation - primary school need													
	2005-06 allocation													
	Building Condition Programme			236	6				242	242				242
	<i>Funding:- Supported Capital Expenditure (Capital)</i>													
	Future years allocations				0	862			862				862	862
	<i>Allocated to Parkfield (800k), The Hyde (2500k). These allocations can be restored if planned S106 agreements provide alternative funding</i>													
	<i>Funding:- Supported Capital Expenditure (Revenue)</i>													
ED14	New pupil places - formulaic (SCER)													
	<i>Available for use of Primary School Capital Investment Programme</i>													
				1,352	850	863			3,065				3,065	3,065

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

EDUCATION	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
ED15	Modernisation - secondary <i>Funding:- Supported Capital Expenditure (Revenue)</i>				1,865	1,922			3,787				3,787	3,787
ED16	Surestart Underhill Ward - alterations to Sure Start base Wingfield Children and Family Centre - One stop shop <i>Funded by grant; £1m allocated to Parfield Childrens Centre</i>			75	146	4			75 150	75 150				75 150
ED17	Big Lottery Fund Schemes Bell Lane - Sports Hall Moss Hall Junior School - Changing room refurbishment Oak Lodge School - Multi Use Games Area Borough Playground scheme 7 sites - line markings Whittings Hill Primary - Multi Use Games Area <i>Funded by NOF grant, Modernisation - All Schools Need (2005-06) and contributions from other bodies</i>		144	639	5	255	240	151	230	644	255	240	151	230
ED19	Underhill Infants - Childrens Centre		7		10	213			230				223	223
ED20	Dollis Infants - reprovisioning and expansion of Nursery		2		10	182			194		144		48	192

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

EDUCATION	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
ED21	PSCIP - Hyde School Rebuild and Childrens Centre													
	Stage 1 - Childrens Centre		4	96	1,275	75			1,450		1,446			1,446
	<i>Will proceed only if contribution received from developer re Lakeview</i>													
	Stage 2 - redevelopment of school			90	250	3,580	2,130		6,050	4,396			1,654	6,050
	<i>Funding from Targetted Capital grant and Modernisation - Primary School Need. Section 106 West Hendon Regeneration funding may become available to replace the Modernisation funding, which can then be used for alternative schemes</i>													
	Contingency					850			850				850	850
	<i>Funding from Modernisation - Primary School Need</i>													
ED22	Parkfield School													
	Stage 1 - Childrens Centre		21	1,000	424	10			1,455	1,434				1,434
	Stage 2 - redevelopment of school		17	129	500	3,894	1,500		6,040	3,564			2,459	6,023
	Contingency for potentially increased costs					800			800				800	800
	<i>Contingency - drawdowns of contingency must be authorised by Cabinet Resources Committee before expenditure is committed.</i>													
	<i>Funding includes Modernisation - all schools need (1,321k), Primary School Need (2,690k)</i>													
ED23	Primary Schools Capital Investment Programme													
	Consultant costs			300	250	250			800				800	800
	Procurement costs			238	732	125			1,095				1,095	1,095

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

EDUCATION	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Youth Capital funding <i>DfES capital funding</i>				132	132			264	264				264
CE03	Arts Centre Development													
	Services Diversion	n/a	n/a	450	50				500				50	50
	Woodhouse Road bus stand	Jun-01	Oct-01	133					133					
	Main scheme	n/a	n/a	1,565	774	100			2,439				874	874
	Arts Centre fit out costs	n/a	n/a	215	2				217				2	2
	Traffic Management	n/a	n/a			150			150				150	150
	Upgrade to lifts					77			77				77	77
CE04	Burnt Oak Youth and Community Centre	Feb-02	May-03	3,299	100				3,399				100	100
ED99	Outstanding Commitments on completed schemes				401				401				401	401
				22,333	13,392	9,976	14,214	3,630	63,545	12,608	2,699		25,905	41,212
SCHEMES IMPLEMENTED BY SCHOOLS														
	New Deals for Schools Devolved Formula			3,035	3,809	4,009			10,853	10,853				10,853
	Specialist Schools (capital grant)			100					100	100				100
				22,333	16,527	13,785	18,223	3,630	74,498	23,561	2,699		25,905	52,165

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

ENVIRONMENTAL SERVICES	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
EN02	Recycling		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Doorstep Boxes	n/a	n/a	276					276					
	Green Bins	n/a	n/a	346	379				725				379	379
	Paper and can recycling banks	n/a	n/a		60				60				60	60
EN03	Parks Infrastructure													
	Old Courthouse Recreation Ground catering facilities	n/a	n/a	12	12				24				12	12
	<i>Barnet element of larger scheme</i>													
	Security of park boundaries				50				50				50	50
EN05	Friary Park and New Southgate Recreation Ground													
	Friary Park			78	1				79		1			1
	New Southgate Recreation Ground				27				27		27			27
	<i>Funding from Section 106 Agreement and GOL - Safer Communities</i>													
EN06	Welsh Harp Improvements - Phase 2			52	5				57	5				5
	<i>Funded by Heritage Lottery Fund Grant</i>													
EN07	Darlands Lake / Stonegrove Park			19	2	224			245				226	226
EN08	Watling Park (S106)													
	CCTV			73					73					
	Entrance gates				15				15		15			15
	Pavilion				44				44		44			44

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

ENVIRONMENTAL SERVICES	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
EN09	Woodfield Park Pavilion		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	<i>Funded by Insurance, Football Foundation Grant, contribution from Football Club</i>		174	748					922	519	215		14	748
EN10	Glebelands Open Space - Sports Pitches				75				75		75			75
EN11	Environmental Officer - capitalisation of salary			40	40	40	40	40	200				200	200
EN12	Closed Circuit Television in Town Centres													
	Radio Communications System		18	50	32				100				82	82
	2004-05 Programme:													
	High Barnet, Cricklewood, Burnt Oak, Hendon Central (additional camera)		451	314					765				314	314
	<i>Funding includes LPSA 200k, Metropolitan Police Grant 29k, S106 15k, contribution from trader 10k.</i>													
	Town Centre Programmes:													
	Installations in Town Centres and works to Control Room			483	417				900				900	900
EN99	Outstanding commitments on completed schemes			89					89				89	89
			1,499	2,319	788	40	40	40	4,726	524	377		2,326	3,227

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

HIGHWAYS	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
HD01	Structural Maintenance of Bridges													
	2004-05 Programme		28						28					
	2005-06 Programme			76					76	76				76
	2006-07 allocation				185				185	185				185
	<i>Programmes funded by Transport For London</i>													
HD02	Street Lighting		693	57					750				57	57
HD03	Local Safety Schemes													
	2004-05 Programme													
	Chipping Barnet		39	283					322	283				283
	Finchley and Golders Green													
	Hendon		170	323					493	323				323
	2005-06 Programme													
	Chipping Barnet			305					305	305				305
	Finchley and Golders Green			140					140	140				140
	Hendon			170					170	170				170
	2006-07 allocation													
	Chipping Barnet				40				40	40				40
	Finchley and Golders Green				415				415	415				415
	Hendon				200				200	200				200
	<i>Programmes funded by Transport For London</i>													
HD04	Carriageway Reconstruction - Principal Roads													
	2004-05 Programme													
	Chipping Barnet		306	47					353	47				47

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

HIGHWAYS	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
			456	211					667	211				211
			533	280					813	280				280
			35	692					727	692				692
			60	442					502	442				442
			109	822					931	822				822
					669				669	669				669
					132				132	132				132
					470				470	470				470
HD07/08			560	390	345	400			1,695		1,020		115	1,135
HD09			11		56				67				56	56
HD10														
			740	38					778				38	38
			156	264					420	264				264
HD11														
				825					825	825				825
				295					295	295				295

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

HIGHWAYS	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	2006-07 allocation													
	Consultants costs				1,489				1,489	1,489				1,489
	Works				306				306	306				306
	<i>Programme funded by Transport For London</i>													
HD12	Cycling			40	43				83	83				83
	<i>Programme funded by Transport For London</i>													
HD14	Pursley Road - Traffic Management		75		48				123		48			48
	<i>Funded by S106 Agreement</i>													
HD15	Safer Routes to Schools													
	2004-05 Programme		38	22					60	22				22
	2005-06 Programme			258					258	258				258
	2006-07 allocation				200				200	200				200
	<i>Programmes funded by Transport For London</i>													
HD16	Silkstream Flood Alleviation				1,100				1,100				1,100	1,100
HD17	Highways Investment 2004-05		4,497	327					4,824				327	327
HD18	Regeneration and Access Corridors													
	Aerodrome Road - bridge renewal to improve access to Cricklewood		23	50					73	50				50
HD19	Cartwright Memorial, St Mary's Church		14		37				51				37	37

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

HIGHWAYS		IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END												
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
HD21	Highways Investment 2005-06														
	Chipping Barnet				1,348					1,348				1,348	1,348
	Finchley and Golders Green			2	1,710					1,712				1,710	1,710
	Hendon			4	1,484					1,488				1,484	1,484
	Highways Investment 2006-07														
	Chipping Barnet					917				917				917	917
	Finchley and Golders Green					917				917				917	917
	Hendon					1,166				1,166				1,166	1,166
	Highways Investment 2007-08 onwards														
	Chipping Barnet						660	680		1,340				1,340	1,340
	Finchley and Golders Green						680	656		1,336				1,336	1,336
	Hendon						660	664		1,324				1,324	1,324
HD25	Bus Stop Accessibility				63	80				143	143				143
	<i>Programmes funded by Transport For London</i>														
	Colindale Development Area														
	Reconstruction of the railway bridges					2,500	6,500	730		9,730	7,000	2,730			9,730
	<i>Scheme to be funded by Growth Area Development Fund grant (£7m) and Section 106 agreement (£2.73m).</i>														
	A41/Aerodrome Road junction improvement works					100	900			1,000		1,000			1,000
	Controlled Parking Zones					45	45		45	135		135			135
	Aerodrome Road - additional pedestrian facilities					50	50		150	250		250			250

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

HIGHWAYS	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Colindale Station Interchange <i>Above schemes funded by S106 agreements</i>					50	50		150	250		250			250
Minor TFL allocations														
Walking					50				50	50				50
Environment					25				25	25				25
Parallel Initiatives					25				25	25				25
Outstanding commitments on completed schemes				36	77				113				113	113
			8,549	10,998	11,737	9,945	2,730	345	44,304	16,937	5,433		13,385	35,755

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

EXECUTIVE OFFICE - LAW AND PROBITY		IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END												
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
LP01	Local Land Charges			30	120					150				120	120
LP02	Trove System replacement			48	26					74				26	26
LP03	Legal case management system			53	117					170				117	117
				131	263					394				263	263

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

RESOURCES		IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END												
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
BT01	Pericles - Revenues and Benefits System			380	1,449					1,829				1,449	1,449
IT01	GIS Internet Project					10				10				10	10
IT01	Content Management System (CMS)			165	259					424	150			109	259
IT04	Modernising Our Infrastructure			498	2,434	487				3,419				2,921	2,921
IT04	Modernising Core Systems			3,959	4,201					8,160				4,201	4,201
IT05	Electronic Documents and Records Management System <i>Funding includes 657k from Relocation to NLBP scheme (Public Offices), 221k from Improving Information Management Grant (DH) and 142k from Integrated Children Services grant</i>				200	1,020				1,220	363	200		657	1,220
	Education Management Information System			263	90					353				90	90
	Mobile Working Strategy Development				80					80				80	80
	NLBP Ground Floor Occupation - IT costs of additional staff relocated to NLBP				210	200				410				410	410
	IP Telephony and call management technology				20					20				20	20
HE01	North London Business Park - relocation of staff														
	IT costs including desktop and applications, data and voice networks, internal cabling and communications	n/a	n/a	2,221	107					2,328				107	107
	Possible Dilapidations	n/a	n/a						235	235				235	235

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

RESOURCES	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END												
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Planning - reception area	t.b.d			100				100				100	100
HE02	Barnet House	various	709	850	47				1,606				897	897
HE04	Council Offices Security Systems	t.b.d		25	155				180				180	180
	Hendon Town Hall - repair/replacement of heating	Jul-06			40				40				40	40
	Barnet House - replacement water tanks	Jul-06			50				50				50	50
	Burnt Oak Registry Office - heating replacement	Jul-06			50				50				50	50
CE05	Copthall Stadium - resurfacing of athletics track	t.b.d			195				195	97	98			195
HE99	Outstanding commitments on completed schemes			9					9				9	9
			8,195	9,934	2,354			235	20,718	610	298		11,615	12,523

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

STRATEGIC DEVELOPMENT		IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Future years	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END												
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
SD01	Watling Shopping Estate Heritage Economic Regeneration scheme <i>Part funded by English Heritage grant</i>	n/a	n/a	26		34				60				34	34
SD02	Town Centre Regeneration and Improvement														
	North Finchley	Oct-99	t.b.d	13		94				107				94	94
	East Finchley	Oct-99	t.b.d	51		51				102				51	51
	Finchley Central	Oct-99	t.b.d	99		8				107				8	8
SD03	Town Centre Initiatives - North Finchley Regeneration														
	Town Centre traffic management schemes	Nov-00	t.b.d	59		71				130				71	71
	Arts Centre development - contribution to Highways works	n/a	n/a			150				150				150	150
SD04	Grahame Park Sports Pitch - additional costs			108	37	14				159				51	51
	Building Safer Communities <i>Funded by grant and Revenue Contribution</i>	n/a	n/a	112	108	108				328	216				216
				468	145	530				1,143	216			459	675

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

HOUSING SUMMARY	PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Total	Grants	MRA	Other	Capital Receipts	Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
HRA PROGRAMME:												
Cash Incentives - Managed by Barnet Homes	725	750	500	500	500	2,975				2,250		2,250
Housing Renovation Programme Current Programme - Managed by Barnet Homes	12,007	26,214	29,651	29,746	28,621	126,239		22,439	14,233	8,837	68,723	114,232
HRA Regeneration	899	741				1,640				741		741
HRA Total	13,631	27,705	30,151	30,246	29,121	130,854		22,439	14,233	11,828	68,723	117,223
HOUSING GENERAL FUND:												
Improvement Grants												
Renovation Grants	646	50	5	5	5	711				65		65
Disabled Facilities Grants	1,142	1,110	1,005	1,005	1,005	5,267	2,481			1,644		4,125
Housing Association Programme	3,927	3,083	3,870	3,098	1,146	15,124			8,128	1,468	1,601	11,197
GF Regeneration		5,770	5,450	3,200	1,100	15,520				8,000	7,520	15,520
GF Total	5,715	10,013	10,330	7,308	3,256	36,622	2,481		8,128	11,177	9,121	30,907
HOUSING TOTAL	19,346	37,718	40,481	37,554	32,377	167,476	2,481	22,439	22,361	23,005	77,844	148,130

CAPITAL PROGRAMME 2005 - 2006 TO 2008 - 2009

FUNDING

HOUSING RENOVATIONS BY BARNET HOMES)	(MANAGED	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Total	Grants	MRA	Other	Capital Receipts	Borrowing	Total
		START	END												
				£'000	£'000	£'000	£'000	£'000	£'000	£000	£000	£000	£000	£000	£000
Housing Renovation															
Transitional Programme	N / A	N / A	10,797	11,876	1,095	65		23,833		6,041				6,995	13,036
Partnering Packages															
Barnet	Aug-05	Dec-10		3,355	7,628	8,443	10,722	30,148		3,009	4,983	2,673		19,483	30,148
Finchley	Aug-05	Dec-10		2,218	6,170	5,167	6,191	19,746		1,091	4,050	1,260		13,345	19,746
Hendon/Edgware	Aug-05	Dec-10		3,533	8,595	10,880	6,846	29,854		2,473	5,200	1,608		20,573	29,854
Sheltered/Hostels	Nov-05	Dec-10		1,288	2,076	1,739	1,760	6,863		1,621		1,000		4,242	6,863
Adaptations	Ongoing	Ongoing	1,210	861	630	662	695	4,058				1,105		1,743	2,848
Regeneration Estates	Ongoing	Ongoing		542	525	550	577	2,194		1,652				542	2,194
Miscellaneous Works	Ongoing	Ongoing		2,541	2,482	2,240	1,830	9,093		6,552		741		1,800	9,093
Summers Lane Development	Jun-06	Feb-07			450			450				450			450
TOTAL			12,007	26,214	29,651	29,746	28,621	126,239	0	22,439	14,233	8,837	68,723	114,232	

CAPITAL PROGRAMME 2005 - 2006 TO 2008 - 2009								FUNDING					
HOUSING CASH INCENTIVES (MANAGED BY BARNET HOMES)	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END											
HC1 CASH INCENTIVES			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
To enable tenants to purchase property in the private sector.	N / A	N / A	725	750	500	500	500	2,975			2,250		2,250

Note: Only 2004/05 spend is included in 'Prior Years' column.

CAPITAL PROGRAMME 2005 - 2006 TO 2008 - 2009									FUNDING				
IMPROVEMENT GRANTS	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Total	Grants	Other	Capital Receipts	Borrowing	Total
	START	END											
RENOVATION GRANTS			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
To support renewals and repairs to private sector housing.			646	50	5	5	5	711			65		65
DISABLED FACILITIES GRANTS													
To provide for adaptations to private sector housing for the benefit of disabled occupiers. Attracts 60% Government Subsidy	N / A	N / A	1,142	1,110	1,005	1,005	1,005	5,267	2,475		1,650		4,125
			1,788	1,160	1,010	1,010	1,010	5,978	2,475	0	1,715	0	4,190

Note: Only 2004/05 spend is included in 'Prior Years' column.

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

HOUSING ASSOCIATIONS	No. of units	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END											
EALING FAMILY HOUSING ASSOCIATION				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Vale Farm Site, N2 16 family sized houses	16	Mar-04	Mar-04	2,326	495				2,821				495	495
EALING FAMILY HOUSING ASSOCIATION														
Tarling Rd Site, N2 11 X family houses for rent and 6 flats for shared ownership including a 2 x 4 bed wheelchair houses for rent	17	Jun-06	Jun-07		1,022	1,022	511		2,555		927	606	1022	2,555
FAMILY HOUSING ASSOCIATION - Bunns Lane New Build s106 site. 12 x two bed flats for rent	12	Mar-06	Mar-07			431	431	215	1,077		1077			1,077
HABINTEG HOUSING ASSOCIATION														
Northfields Road Garage Site 2 new homes including 3 bedroom wheelchair flat	2	Apr-06	Apr-07			153	86		239		239			239
NOTTING HILL HOUSING TRUST - Adastral	9		Jul-05	328	17				345				17	17
NOTTING HILL HOUSING TRUST - New Fieldways New build site for 20 flats for rent	20	Jan-06	Sep-07		907	907	454		2,268		2201		67	2,268
METROPOLITAN HOUSING TRUST														
Page Street, NW7 5 x 4 bedroom homes to rent secured through a S106 agreement	5	Mar-06	Apr-07			272	272	136	680		680			680
SUTHERLAND HOUSING ASSOCIATION (part of the Genesis Housing Group) Ossidge Park, N20														

CAPITAL PROGRAMME 2005-06 TO 2008-09

FUNDING

HOUSING ASSOCIATIONS	No. of units	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Total	Grants	Other	Capital Receipts	Borrowing	Total
		START	END											
16 homes 1 and 2 bedroomed to be sold as shared ownership plus an additional 13 units to be funded by the HA using recycled grant	16	Feb-06	Feb-07	£000	£000 187	£000 187	£000 94	£000	£000 468	£000	£000 468	£000	£000	£000 468
PADDINGTON CHURCHES HOUSING ASSOCIATION - Highway Agency Properties Purchase and refurbishment / repair of family units.	4	Mar-02	Dec-06	420		32	22		474		50	4		54
PADDINGTON CHURCHES HOUSING ASSOCIATION - Nicoll Court/Wade Court 7 x family sized new build units - Borough Disposal	7	Jun-05	Jun-06		275	275	137		687		405	282		687
PADDINGTON CHURCHES HOUSING ASSOCIATION Pert Close, N10 New build of family sized houses to meet to meet current housing needs	4	Jun-06	Jun-07			191	191	95	477		95	382		477
WARDEN HOUSING ASSOCIATION Long Lane, N2 6 large family houses	6	Jun-07	Jun-07			400	400	200	1,000		1,000			1,000
WARDEN HOUSING ASSOCIATION - Land at Hillside, N20 Development of 12 units	12	Jan-05	Jan-06	853	180				1,033		180			180
NEW BUILD OPPORTUNITIES S106 and Local Authority site disposals	65						500	500	1,000		806	194		1,000
HOUSING ASSOCIATIONS Sub-total				3,927	3,083	3,870	3,098	1,146	15,124	0	8,128	1,468	1,601	11,197

CAPITAL PROGRAMME 2005-06 TO 2008-09										FUNDING					
HOUSING ASSOCIATIONS	No. of units	IMPLEMENTATION		PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	Total	Grants	Other	Capital Receipts	Borrowing	Total	
		START	END												
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Stonegrove - Site Assembly/ Property Acquisition					3,520	3,200	3,200	1,100	11,020			8,000	3,020	11,020	
Grahame Park - Property Acquisition					2,250	2,250			4,500				4,500	4,500	
GF REGENERATION Sub-total					5,770	5,450	3,200	1,100	15,520	0	0	8,000	7,520	15,520	
TOTAL					3,927	8,853	9,320	6,298	2,246	30,644	0	8,128	9,468	9,121	26,717

This schedule includes overprogramming as some schemes may not be achievable. They may be delayed, deferred or deleted.
The council will receive 100% nomination rights for a minimum of 10 years.

