



SUMMONS

Councillors of the London Borough of
Hammersmith & Fulham
are requested to attend the
Budget Meeting of the Council on
Wednesday, 22 February 2006
at Hammersmith Town Hall, W6

The Council will meet at 7.00pm.

14 February 2006
Town Hall
Hammersmith W6

Geoff Alltimes
Chief Executive

COUNCIL

—Agenda—

22 FEBRUARY 2006

<u>ITEM</u>		<u>PAGE</u>
1.	MINUTES – 25 JANUARY 2006	
1.1	To approve and sign as an accurate record the Minutes of the Ordinary Council Meeting held on 25 January 2006.	
2.	APOLOGIES FOR ABSENCE	
3.	MAYOR'S & CHIEF EXECUTIVE'S ANNOUNCEMENTS (IF ANY)	
4.	DECLARATIONS OF INTEREST	
4.1	If a Councillor has any personal or prejudicial interest in a particular report they should declare an interest.	
4.2	A Councillor should not take part in the discussion or vote on a matter in which they have a prejudicial interest. They should withdraw from the meeting whilst the matter is under consideration unless the disability to participate has been removed by the Standards Committee, or unless a relevant exemption applies under the Council's Code of Conduct.	
5.	PUBLIC QUESTIONS (20 MINUTES)	
	The Leader / relevant Cabinet Member to reply to any questions submitted by members of the public:	
	1.Mr. Thoby Young, 50 Wormholt Road, London, W12 OLS	
6.	ITEMS FOR DECISION / COMMITTEE REPORTS (IF ANY)	
6.1	<u>Revenue Budget & Council Tax Levels 2006/2007</u>	198 - 242
	[NOTE: This Agenda is printed and published before the GLA meets on 15 February to approve its final precept figure. The budget report and final Council tax figures will therefore be circulated separately after that meeting, and will also be tabled at the Council meeting on 22 February]	
6.2	<u>Capital Programme – 2006/2007 to 2008/2009</u>	243 - 261

6.3	<u>Treasury Management Report</u>	262 - 278
6.4	<u>Councillors' Allowances: Annual Review</u>	279 - 283

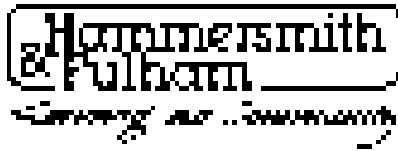
7. SPECIAL MOTIONS

To consider and determine any Special Motions:

[No Special Motions have been submitted for this Council meeting]

8. INFORMATION REPORTS – TO NOTE (IF ANY)

Cds13/02/06



COUNCIL

MINUTES

(ORDINARY COUNCIL MEETING)

WEDNESDAY 25 JANUARY 2006



PRESENT:

The Mayor (Councillor Charlie Treloggan)
The Deputy Mayor (Councillor Mercy Umeh)

Councillors:

Colin Aherne
Adronie Alford
Chris Allen
Will Bethell
Brendan Bird
Min Birdsey
Nick Botterill
Stephen Burke
Michael Cartwright
Dominic Church
Steve Cowan
Huw Davies

Sian Dawson
Gavin Donovan
Fiona Evans
Ivan Gibbons
Chris Graham
Greg Hands
Wesley Harcourt
Lucy Ivimy
Andrew Jones
Alex Karmel
Jafar Khaled
Antony Lillis

Reg McLaughlin
Charlie Napier
Mark Loveday
Colin Pavelin
Dame Sally Powell
Andrew Slaughter
Melanie Smallman
Frances Stainton
Tim Stanley
Josie Wicks

33. MINUTES – 21 SEPTEMBER 2005

7.01pm - The minutes of the Ordinary Council Meeting held on 21 September 2005 were confirmed and signed as an accurate record.

34. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Adam, Al-Uzaizi, Boyle, Coughlan, Greenhalgh, Karian, Lloyd-Harris, Neubert and Vaughan.

35. MAYOR & CHIEF EXECUTIVE'S ANNOUNCEMENTS (IF ANY)

The Mayor's Announcements were circulated to all Councillors and in the Chamber. (Copy attached as **APPENDIX 1** to these Minutes).

36. DECLARATIONS OF INTERESTS

There were no declarations of interest made at this meeting of the Council.

37. PUBLIC QUESTION TIME (20 MINUTES)

7.04pm - The Mayor called on those members of the public who had submitted questions for this meeting of the Council (as published in the Council Agenda) to ask their questions:

Public Questioners

1. Question to the Cabinet Member for Environment and Contract Services (Cllr Michael Cartwright) from Mr Jon Burden, 82a Minford Gardens, London W14 OAP.
2. Question to the Cabinet Member for Environment and Contract Services (Cllr Michael Cartwright) from Mr Andrew Ellard, Flat 2, 66 Sterndale Road, W14 OHU.

(The text of all questions submitted and the reply given is attached at **APPENDIX 2** to these minutes).

38. ITEMS FOR DECISION / COMMITTEE REPORTS (IF ANY)

7.07pm – **Council Tax Base and Collection Rate 2006/07**

The report and recommendations were moved for adoption by Councillor Stephen Burke, Leader of the Council, seconded by Councillor Stephen Cowan, Deputy Leader.

The report and recommendations were put to the vote:

FOR - 23

AGAINST - 0
ABSTENTIONS - 11

The report and recommendations were declared **CARRIED.**

RESOLVED:

That for 2006-2007 financial year, the Council approved:

1. The estimated numbers of properties for each Valuation Band as set out in the report.
2. The estimated Collection rate of 97.5%.
3. The Council Tax Base of 75,709 Band “D” equivalent properties.

7.08pm – **Town Twinning Proposal – Montefiore Conca, Near Rimini, Italy**

The report and recommendation were moved for adoption by Councillor Stephen Burke, Leader of the Council, seconded by Councillor Stephen Cowan, Deputy Leader.

The report and recommendations were put to the vote :

FOR - 31
AGAINST - 0
ABSTENTIONS - 3

The report and recommendations were declared **CARRIED.**

7.18pm – **RESOLVED –**

1. That the Council agreed in principle to the proposal to town-twin with Montefiore Conca, Italy.

39. SPECIAL MOTIONS

7.19pm – **Special Motion No.1 – New Deal for Communities (NDC) Waste in North Fulham**

The motion was withdrawn from debate by the Opposition.

7.20pm – **Special Motion No 2 Annual Comprehensive Performance Assessment (CPA) Results**

Councillor Botterill moved, seconded by Councillor Bethell, the special motion standing in their names:

“This Council notes that Labour-run Hammersmith & Fulham has been downgraded and is no longer rated in the top category of excellent Councils whereas neighbouring Conservative-run Wandsworth Council was identified as the best Council in Britain by the Audit Commission and is one of only five councils awarded a maximum four stars. This Council also notes that Wandsworth was the only one of this premier league to achieve top performance for the way that it used its resources – an area where Labour-run Hammersmith & Fulham achieved only a disappointing two stars. This Council calls on the Labour administration to learn from its Conservative neighbour in order to improve its use of resources.”

Speeches in favour of the motion were made by Councillors Botterill and Bethell.

Under Council Procedure Rule 15 (e)(vi), Councillor Burke moved, seconded by Councillor Cowan, an amendment to the motion to delete all after “This Council notes that Labour-run Hammersmith & Fulham” and insert the following:

“ is a high-performing council with a consistent record of achievement and improvement over the past four years, according the Audit Commission. Hammersmith & Fulham is the only council in England to have maximum marks in its corporate assessment report which evaluates how the council is serving local people. The council also scored very well in the latest Comprehensive Performance Assessment for financial management and delivering value for money.

This Council welcomes the Audit Commission’s statement on 15 December 2005 that the council “is making good progress and is well placed to continue to improve the way it works and the services it provides to local people.

This Council is committed to building on this excellent record and doing even better next year by delivering lower council tax and better services.”

Speeches on the amendment were made by Councillors Burke, Donovan, Karmel and Cowan, before the amendment was put to the vote:

FOR – 24
AGAINST – 11
ABSTENTIONS – 0

The amendment was declared **CARRIED**

The motion (as amended) was put to the vote:

FOR – 24
AGAINST – 11
ABSTENTION – 0

The motion as amended was declared **CARRIED**

7.43PM - **RESOLVED**

This Council notes that Labour-run Hammersmith & Fulham is a high-performing council with a consistent record of achievement and improvement over the past four years, according to the Audit Commission. Hammersmith & Fulham is the only council in England to have maximum marks in its corporate assessment report which evaluates how the council is serving local people. The council also scored very well in the latest Comprehensive Performance Assessment for financial management and delivering value for money.

This Council welcomes the Audit Commission's statement on 15 December 2005 that the council "is making good progress and is well placed to continue to improve the way it works and the services it provides to local people."

This Council is committed to building on this excellent record and doing even better next year by delivering lower council tax and better services."

7.44pm – **Special Motion No 3 – Opening of Janet Adegoke Swimming Pool**

Councillor Smallman moved, seconded by Councillor Aherne, the special motion standing in their names:

"This Council celebrates the opening of the £4 million Janet Adegoke Swimming Pool. This Council promised to replace the old pool with a state of the art facility and that promise has been fulfilled, on schedule.

This council also welcomes the opportunity to work closely with Greenwich Leisure, Fulham Pools, local schools and local swimming clubs to ensure that all residents in Hammersmith & Fulham can use our pools for fun, fitness and training for the Olympics in 2012."

A speech in support of the motion was made by Councillor Smallman.

Under Council Procedure Rule 15(e)(vi), Councillor Loveday moved, seconded by Councillor Lillis an amendment to the motion to add at the end of the motion, the words:

"This Council regrets that for most of the past 8 years the Borough has been unable to provide more than one public swimming pool and apologises for the

lasting damage to the fitness and education of residents by the Labour Council's failure to properly manage and plan its leisure facilities.”

Speeches on the amendment were made by Councillors Loveday, Lillis, Aherne, Graham and Smallman.

The amendment to the motion was put to the vote:

FOR – 11
AGAINST – 24
ABSTENTIONS - 0

The amendment to the motion was declared **LOST**.

Councillors Loveday and Stanley made closing speeches winding up the debate before the motion was put to the vote:

FOR - 35
AGAINST – 0
ABSTENTIONS – 0

The motion was declared **CARRIED**.

8.14pm – **RESOLVED**

“This Council celebrates the opening of the £4 million Janet Adegoke Swimming Pool. This Council promised to replace the old pool with a state of the art facility and that promise has been fulfilled, on schedule.

This council also welcomes the opportunity to work closely with Greenwich Leisure, Fulham Pools, local schools and local swimming clubs to ensure that all residents in Hammersmith & Fulham can use our pools for fun, fitness and training for the Olympics in 2012.”

8.15pm – **Special Motion No 4 – Smarter Borough Campaign**

Councillor Cartwright moved, seconded by Councillor Jones, the special motion standing in their names:

”This Council notes the success of the Smarter Borough Campaign that has led to cleaner streets as recorded in the surveys carried out by Tidy Britain Group, and the doubling of our rate of recycling in just two years. It recognises that this has been due to the Council working with council employees, residents and businesses. This Council looks forward to further achievements with the launch of our next phase of Smarter Borough 'Spring Clean' which seeks to further improve the way we communicate, educate and involve residents and businesses in creating smarter neighbourhoods that we can all be proud of.”

Speeches on the motion were made by Councillors Cartwright, Botterill, Ivimy and Jones.

The motion was put to the vote:

FOR – Unanimous
AGAINST - 0
ABSTENTIONS – 0

The motion was declared **CARRIED**.

8.35pm – **RESOLVED**

“This Council notes the success of the Smarter Borough Campaign that has led to cleaner streets as recorded in the surveys carried out by Tidy Britain Group, and the doubling of our rate of recycling in just two years. It recognises that this has been due to the Council working with council employees, residents and businesses. This Council looks forward to further achievements with the launch of our next phase of Smarter Borough 'Spring Clean' which seeks to further improve the way we communicate, educate and involve residents and businesses in creating smarter neighbourhoods that we can all be proud of.”

8.37pm – **Special Motion No 5 – C1 Bus Route**

Councillor Smallman moved, seconded by Councillor Cartwright, the special motion standing in their names:

“This council is committed to reducing traffic and improving air quality in the Brook Green Home Zone and Clear Way and supports the residents and councillors of Addison Ward in their campaign to stop the C1 bus running through residential streets in the ward.”

Speeches in favour of the motion were made by Councillors Smallman and Cartwright.

Under Council Procedure Rule 15(e)(vi), Councillor Hands moved, seconded by Councillor Botterill, an amendment to the motion to delete all words after “residents” and add the following:

“, all Councillors and Greg Hands MP, in their campaign to stop C1 bus running along Blythe Road and other residential streets.”

Speeches on the motion were made by Councillor Hands, Cartwright, Smallman, Loveday, Graham and Bethell.

The amendment to the motion was put to the vote:

FOR – 11
AGAINST – 21
ABSTENTIONS – 0

The amendment to the motion was declared **LOST**.

The motion was then put to the vote:

FOR – Unanimous
AGAINST – 0
ABSTENTIONS – 0

The motion was declared **CARRIED**.

8.54pm – **RESOLVED**

“This council is committed to reducing traffic and improving air quality in the Brook Green Home Zone and Clear Way and supports the residents and councillors of Addison Ward in their campaign to stop the C1 bus running through residential streets in the ward.”

32. INFORMATION REPORTS

There were no information reports at this meeting of the Council.

* * * * * CONCLUSION OF BUSINESS * * * * *

Meeting ended: 8.53p.m - Wednesday, 25 January 2006

cds/26/01/06

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MAYOR

No. 1

PUBLIC QUESTION TIME

LONDON BOROUGH OF HAMMERSMITH & FULHAM

BUDGET COUNCIL MEETING – 22 FEBRUARY 2006

Question by: Mr Thoby Young, 50 Wormholt Road, London W12 OLS

to the: Leader of the Council

QUESTION

What sum of money was spent by the Council in each of the last three financial years on consultants and consultancy services; what matters did the consultancies investigate and recommend; and in what actions did they result?

cds18/01/06

LEADER'S COMMITTEE REPORT TO COUNCIL

6.1

22 FEBRUARY 2006

LEADER

*Councillor Stephen
Burke*

DEPUTY LEADER

*Councillor Stephen
Cowan*

**REVENUE BUDGET AND COUNCIL TAX
LEVELS 2006-07**

WARDS

All

This report sets out proposals in respect of the revenue budget for the Council for 2006-07 including Council Tax levels, and deals with the precept from the Greater London Authority (GLA), together with ancillary issues

[NOTE: This Agenda is printed and published before the GLA meets on 15 February to approve its final precept figure. The budget report and final Council tax figures will therefore be circulated separately after that meeting, and will also be tabled at the Council meeting on 22 February]

CONTRIBUTORS

ALL DEPARTMENTS

RECOMMENDATIONS:

To recommend to Council that:

- 1. To note the Council Tax increase, for the Hammersmith & Fulham element, of 1.5% for 2006/07 and the planned increase of 1.5% for 2007/08 and 2008/09.**
- 2. The Council Tax be set for 2006/07 for each category of dwelling, as calculated in accordance with Sections 30 to 47 of the Local Government Finance Act 1992, as outlined below and in full in Appendix A:**

- (a) The element of Council Tax charged for Hammersmith & Fulham Council will be £916.97 per Band D property in 2006/07.
- (b) The element of Council Tax charged by the Greater London Authority will be £XXXX per Band D property in 2006/07.
- (c) The overall Council Tax to be set will be £XXXX per Band D property in 2006/07.

Category of Dwelling	A	B	C	D	E	F	G	H
Ratio	6/9 £	7/9 £	8/9 £	1 £	11/9 £	13/9 £	15/9 £	18/9 £
a) H&F	611.31	713.20	815.08	916.97	1120.74	1324.51	1528.28	1833.94
b) GLA								
c) Total								

2. The Council's own total net expenditure budget for 2006/07 is set as £176.558m
3. That fees and charges are approved as set out in paragraph 5.1.
4. That the Director of Finance's budget projections to 2008/09 be noted.
5. That the Director of Finance's statements under Section 25 of the Local Government Act 2003 regarding adequacy of reserves and robustness of estimates be noted (paragraphs 6.4 and 7.2).
6. That the Director of Finance be authorised to collect and recover National Non-Domestic Rate and

Council Tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992 and the Council Schemes of Delegation.

- 7. That all Chief Officers be required to report quarterly on their projected financial position compared to their revenue estimates (as part of the Corporate Monitoring Report).**
- 8. That all Chief Officers be authorised to implement their service spending plans for 2006/07 in accordance with the recommendations within this report and the Council's Standing Orders, Financial Regulations and relevant Schemes of Delegation.**

1 BACKGROUND

- 1.1 The Council is obliged by legislation to set a balanced budget. It also has responsibility to set the Council Tax every year in accordance with the Local Government Act 1992.
- 1.2 The calculation of the Council Tax is made up from the following elements:
- the recommended net Council budget for 2006-07 (sections 2 to 7);
 - the Aggregate External Support estimated by the Council (section 8);
 - the Council Tax base set at Council on 25th January 2006 (section 9);
 - the precept notified by the Greater London Authority (section 10).
- 1.3 The requisite calculation for the Council's share of the Council Tax is set out in **Appendix A**.

2 INFLATION AND OTHER ADJUSTMENTS

- 2.1 Inflation of 2.95% has been included as a provision for the 1 April 2006 pay award for staff. An allowance of 2% has been made for the 2007/08, and subsequent, pay awards in line with the Office of the Deputy Prime Minister's projections. The latest Actuarial Valuation has also required the Employer's Pension Contribution rate for 2006/07 to be increased by 3% of salary costs.
- 2.2 In order to contain growth no inflation has been applied to non-pay items except where there is a contract in place. Certain exceptional increases, such as for energy costs, are separately identified within the growth proposals.
- 2.3 The Revenue Budget for 2006/07 has generally been prepared on the basis of an average 5% increase in income budgets.
- 2.4 From 2006/07 funding for schools will transfer to a new, ring-fenced, Dedicated Schools Grant (DSG). The Department for Education and Skills will become responsible for determining each local authority's 'Dedicated Schools Budget' (DSB) – the amount spent locally on schools and other services for pupils. Local authorities can opt to top-up such funding through additional contributions. The change to direct government funding of schools has required LBHF to exclude the DSB from the Council's budget requirement.

3 GROWTH

- 3.1 In the course of the budget process departments have identified areas where additional resources are required. Additional requirements are contained within **Appendix C** and summarised in Table 1 below for 2006/07.

Table 1

	£000s
Children's Trust	2,499
Community Services	4,870
Customer First	485
Direct Services	1,143
Environment and Parking	1,577
Education	314
Finance	0
Assistant Chief Executive (Policy and Partnership)	215
Assistant Chief Executive (Organisation Development)	345
Corporate Items	4,838
Total Growth	16,286

4 EFFICIENCY SAVINGS AND INCOME GENERATION

- 4.1 Given the additional resource requirements identified, and the projections of the potential increases in central government support, it was evident that the strategy would require substantial efficiency savings to be generated. To put this disparity in context the Council has had to set aside provision for inflation of £6.8m whereas it will receive an increase in government support of £2.7m against the comparable 2005/06 allocation. The increase in government support funds less than half the cost of inflation, let alone the many other unavoidable spending pressures faced by the Council.
- 4.2 In order for the Council to achieve a low Council Tax increase efficiency savings and income growth are being implemented by departments as summarised in **Appendix D**. The summary of the impact on the Council's budgets are as follows:

Table 2

	£000s
Children's Trust	200
Community Services	3,997
Customer First	0
Direct Services	314
Environment and Parking	704
Education	531

Finance	359
Assistant Chief Executive (Policy and Partnership)	66
Assistant Chief Executive (Organisation Development)	100
Corporate Items	6,014
Total Savings and Income Generation	12,285

5 FEES AND CHARGES

- 5.1 The Revenue Budget for 2006/07 has been prepared on the basis of a 5% increase in fees and charges. However, there are a number of exceptions to this, as set out in Appendix F.

6 REVENUE BALANCES, RESERVES AND PROVISIONS

- 6.1 Departments are expecting to reduce current overspends and it is expected that at the year-end there will be approximately £13m in general reserves. This is just over 5% of the current budget requirement. It is proposed that the reserves reduce by £4.7m during 2006/07 and 2007/08 (by £3.8m, then £0.9m respectively). This accords with the new funding arrangements for schools. The introduction of DSG will reduce the Council's net budget requirement by £76m. The Council is currently projecting to draw down £3.4m from reserves in the current financial year. A total reduction of £4.7m in reserves by 2007/08 will broadly maintain them at the 5% level.
- 6.2 Under Section 25 of the Local Government Act 2003, the Director of Finance is required to include in budget reports a statement of her view of the adequacy of the reserves the budget provides for.
- 6.3 The Council's budget requirement for 2006/07 is in the order of £176m. Within a budget of this magnitude there are inevitably areas of risk and uncertainty. The key financial risks that currently face the Council have been identified and quantified. They are set out in Appendix G and amount to £3.5m. The Council has in place rigorous budget monitoring arrangements and a policy of restoring balances once used.
- 6.4 The Director of Finance considers that this combined approach enables an optimal level of balances to be set at £8-9m. This optimal level is projected to be broadly met over the next 3 years and is, in the Director of Finance's view, sufficient to allow for the risks identified and to support effective medium term financial planning.

7 THE BUDGET REQUIREMENT

- 7.1 The relevant Service Directors and Cabinet Members, in conjunction with the Director of Finance, have considered the detail of the individual estimates. Under

Section 25 of the Local Government Act 2003, the Director of Finance is required to include in budget reports a statement of her view of the robustness of the estimates for 2006/07 included in the report.

7.2 For the reasons set out below the Director of Finance is satisfied with the accuracy and robustness of the estimates included in this report :

- The budget proposals have been developed following guidance from the Director of Finance and have been through a robust process of development and challenge.
- Pay inflation is adequately provided for.
- Additional inflation has been provided for where contracts are in place or where exceptional increases are forecast.
- Adequate allowance has been made for the increase in pension costs
- Service managers have made reasonable assumptions about growth pressures.
- Mechanisms are in place to monitor sensitive areas of expenditure and the delivery of efficiency savings.
- Key risks have been identified and considered
- Procedures are in place to capture and monitor procurement and corporate savings.
- Prudent assumptions have been made about interest rates and the budget proposals are joined up with the requirements of the prudential code and Treasury Management Strategy.
- The recommended increases in fees and charges are in line with the assumptions in the budget.
- The revenue effects of the capital programme have been reflected in the budget .

7.3 The Director of Finance's projections of the budget requirement for the Council in the medium term to 2008/09 is set out in **Appendix B** and is also summarised below for 2006/07:

Table 3

		£000s
	2005/06 Budget	244,240
<u>Less</u>	Dedicated Schools Budget and prior year adjustments	-74,503
<u>Plus</u>	Inflation	6,813
	Growth	16,286
	Prior Year RSG Amending Reports	162
<u>Less</u>	Contributions From Reserves	-3,755
	Efficiency Savings and Income Generation	-12,285
	Local Authority Business Growth Incentive	-400

Scheme	
Net Council Budget 2006/07	176,558

7.4 The net Council budget of £176.558m differs from total budget reported to the Scrutiny Panels of £176.028m by £0.530m. This is due to:

- A clarification received from the ODPM on how local authorities should treat the amounts payable (£0.162m for LBHF) under the Amending Reports issued by the Government for the 2004/05 and 2005/06 Finance Settlements. Rather than net this adjustment against their 2006/07 RSG allocation local authorities are required to take into account when calculating their budget requirement. This is a presentational change that has no impact on the Council Tax charge.
- Additional growth pressures regarding commercial waste, the balance of charges to the Housing Revenue Account and concessionary play charges. It has also been decided to freeze parking permit fees for 2006/07.

7.5 These additional costs are largely recovered by additional income as set out in section 8.

8. EXTERNAL FUNDING

8.1 Notification of the Final Local Government Finance Settlement was received on 31 January 2006. The original estimate for the Council's 2006/07 Formula Grant, reported to Scrutiny Panels in January 2006, was £107.067m. The actual grant, as set out in Table 4, has been confirmed as £107.135m. This is an increase of £0.068m. The Formula Grant calculation takes account of the Council Tax Base. For 2006/07 a methodology change has been introduced for the Tax Base adjustment. This benefits the Council by £0.300m.

Table 4

	£000s
Revenue Support Grant	17,335
Redistributed Non-Domestic Rates	89,800
Total 2006/07 Formula Grant	107,135

8.2 From 2005/06 the Government have introduced the Local Authority Business Growth Incentive Scheme. This allows local authorities, provided they pass a

certain threshold, to share in the growth in local Business Rates. Figures for LBHF will not be known until February. It is currently projected that the Council will receive £0.400m in the first year of the scheme.

9. COUNCIL TAX BASE

- 9.1 On 25 January 2006, the Council formally agreed a Tax Base of 75,709 equivalent Band D properties. Therefore the Council's element of the Council Tax can be calculated as follows:

$\frac{\text{Total Budget Requirement}}{\text{Tax Base}} = \frac{\text{£ 176.558m} - \text{£107.135m}}{75,709} = \text{£916.97}$
--

- 9.2 This represents an increase of £13.55 or 1.5% in respect of the Council's own Band D Council Tax (XX% on the overall Council Tax bill).

10 PRECEPTOR'S COUNCIL TAX REQUIREMENTS

- 10.1 The Greater London Authority's precept of £XXXXXXm also has to be funded from Council Tax. The following table analyses the total amount to be funded and the resulting overall Band D Council Tax level.

$\frac{\text{Preceptors Budget Requirement}}{\text{Tax Base}} = \frac{\text{£XXXXXXm}}{75,709} = \text{£XXXXXX}$
--

- 10.2 This represents an increase of £XXXX or XX% in respect of the GLA's budget requirements (XX% on the overall Council Tax bill).

11. OVERALL COUNCIL TAX REQUIREMENTS 2006/07 AND 2007/08

- 11.1 It is proposed to increase Hammersmith and Fulham's element of the Council Tax by 1.5% in 2006/07 in order to provide a balanced budget in year with £9.2m in current reserves. The overall amount to be funded from the Council Tax is calculated as follows:

Table 5

	£000s
London Borough of Hammersmith & Fulham	176,558
Greater London Authority	XXXXX

<u>Less</u>	
External Support	107,135
Total Requirement for Council Tax	XXXXX

- 11.1 In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a Council Tax for its own budgetary purposes (section 8) and then add the separate Council Tax requirements for each of the preceptors (section 9).
- 11.2 It must then set the overall Council Tax for the Borough. These calculations have to be carried out for each of the valuation bands A to H, and are set out in the recommendations at the front of the report. The amount per Band D equivalent property is calculated as follows:

<u>Total Budget Requirement</u>	=	<u>£ XXXXXX</u>	=	£XXXX
Tax Base		75,709		

- 11.3 In 2005/06 the overall amount per Band D equivalent property was £1158.04. The increase can be explained as follows:

Table 6

	2005/06 Band D	2006/07 Band D	Increase On 2005/06
	£	£	£
Hammersmith & Fulham	903.42	916.97	13.55
Greater London Authority	254.62	XXXX	XXXX
Total	1,158.04	XXXX	XXXX

- 11.4 This represents an increase of £XXXX or XXX% on the overall Council Tax bill
- 11.5 The announcement of firm forward allocations of RSG for 2007/08, coupled with the robust forward financial plans set out in the Council's MTFS, has enabled an indicative Council Tax figure to be provided for 2007/08. The planned increase in Hammersmith and Fulham's Band D is £13.75 (from £916.97 to £930.72). The Executive plans to repeat this in 2008/09.

12. CONSULTATION WITH NON DOMESTIC RATEPAYERS

- 12.6 In accordance with the Local Government Finance Act 1992, the Council is required to consult with Non Domestic Ratepayers on the budget proposals. The consultation can have no effect on the Business Rate, which is set by the Government.
- 12.7 As with previous years, we have discharged this responsibility by writing to the twenty largest payers and the local Chamber of Commerce together with a copy of this report. The Director of Finance also attended a meeting with local businesses organised through the Chamber of Commerce on the 2nd of February 2006. Any comments will be reported at Leader's Committee.

13. COMMENTS OF THE SCRUTINY PANELS

- 13.1 As part of the Scrutiny process each department's estimates have been reviewed by one of the Scrutiny Panels. Comments from the scrutiny panels are attached at **Appendix E**.

14. COMMENTS OF THE DIRECTOR OF FINANCE

- 14.1 These are contained within the body of this report.

15. COMMENTS OF THE HEAD OF LEGAL SERVICES

- 15.7 The Council is obliged to set the Council Tax and a balanced budget for the forthcoming financial year in accordance with the provisions set out in the body of the report.
- 15.8 In addition to the statutory provisions the Council must also comply with general public law requirements and in particular it must take into account all relevant matters, ignore irrelevant matters and act reasonably and for the public good when setting the Council Tax and budget.
- 15.9 The recommendations contained in the report have been prepared in line with these requirements.
- 15.10 Section 25 of the Local Government Act 2003, which came into force on 18 November 2003, requires the Director of Finance to report on the robustness

of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The Council must take these matters into account when making decisions about the budget calculations.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Revenue Budget 2006/07	Andy Lord Ext. 2531	Finance Department 2 nd Floor Town Hall Extension
2.	Revenue Support Grant Papers 2006/07	Andy Lord Ext. 2531	Finance Department 2 nd Floor Town Hall Extension
3.	Assistant Chief Executive Budget Papers 2006/07	Dave Lansdowne Ext. 2549	Finance Department 2 nd Floor Town Hall Extension
4.	Community Services Budget Papers	John Stansfield Ext. 5006	Social Services Department 181 King Street
5	Children's Trust Budget Papers	Caroline Osborne Ext 5050	Children's Trust Department Cambridge House
6.	Education Budget Papers	Deepa Martin Ext. 3623	Education Department Cambridge House
7.	Housing Budget Papers	Ian Ward Ext. 1749	Housing Department Riverview House
8.	Environment Budget Papers	Dave McNamara Ext. 3404	Environment Department Town Hall Extension
9.	Direct Services Budget Papers	Graeme Trott Ext. 1190	Finance Department Riverview House
10	Customer First Budget Papers	Kellie Gooch E xt 1614	Finance Department 2 nd Floor Town Hall Extension

APPENDIX A

The Requisite Calculations for Hammersmith & Fulham (as set out in Sections 36 to 36 of the Local Government Finance Act 1992)

		<u>£000s</u>
(a)	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.	694,288
(b)	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.	517,730
(c)	being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council in accordance with Section 32 (4) of the Act, as its budget requirement for the year.	176,558
(d)	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, (in accordance with section 33 (1) decreased by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Section 97 (3) of the Local Government Finance Act 1988 (i.e. Council Tax Deficit). (i.e. Aggregate External Support plus Council Tax adjustments).	107,135
(e)	being the amount at (c) above less the amounts at (d) above, calculated by the Council in accordance with Section 33 (1) of the Act	69,423
(f)	being the amount at (c) above less the amount at (d) above all divided by the amount in Section 8 of the report, calculated by the Council, in accordance with Section 33 (1) of the Act, as the Basic Amount of its Council Tax (Band D) for the year i.e. $\frac{\pounds(c)k - \pounds(d)k}{\text{Amount Section 9}}$	£916.97

(g) Valuation Bands – Hammersmith & Fulham Council:			
Band A	Band B	Band C	Band D
£611.31	£713.20	£815.08	£916.97
Band E	Band F	Band G	Band H
£1,120.74	£1,324.51	£1,528.28	£1,833.94
<p>being the amounts given by multiplying the amount at (f) above by the number which, in 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 that proportion is applicable to dwellings listed in 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 dwellings listed in the different valuation bands.</p>			

(h) Valuation Bands – Greater London Authority			
<p>That it be noted that for the year 2006-07, the following amounts in precepts issued to the Council in respect of the Greater London Authority, its functional and predecessor bodies, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:</p>			
Band A	Band B	Band C	Band D
Band E	Band F	Band G	Band H

(i) That having calculated the aggregate in each case of the amounts at (g) and (h) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the following amounts of Council Tax for the year 2006-07 for each of the categories of dwellings shown below:			
Band A	Band B	Band C	Band D
Band E	Band F	Band G	Band H

Appendix B - MTFS Summary

	Year 1 2006/07 £'000	Year 2 2007/08 £'000	Year 3 2008/09 £'000
2005/06 Council Budget	244,240		
Less Dedicated Schools Budget	-76,127		
RSG - Reversal of Prior Year Adjustment	1,624		
2005/06 Net General Fund Base Budget	169,737	169,737	169,737
Known Changes:			
Inflation	6,813	12,824	18,742
Growth (C)	16,286	21,492	24,837
Efficiencies (D)	-12,285	-21,300	-27,625
Total Expenditure	180,551	182,753	185,691
2004/05 and 2005/06 Amending Report	162	0	0
Local Authority Business Growth Incentive Scheme	-400	-800	-2,000
Use of Balances	-3,755	-911	1,306
Budget Requirement	176,558	181,042	184,997
Formula Grant (RSG) (Assumes 3% increase from 2008/09)	107,135	110,578	113,895
Council Tax Increase of 1.5%	69,423	70,464	71,102
Total Resources	176,558	181,042	184,997
Budget Gap	0	0	0
<i>For information</i>			
<i>Further risks (G)</i>	<i>3,440</i>	<i>6,740</i>	<i>7,440</i>

Appendix C

GROWTH

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
DSD	Waste Disposal	Increased contractual costs of waste disposal and increases in landfill tax. Of the total amount reflected as growth the elements relating to Landfill tax increases are £255,000 for 2006/07, £510,000 for 2007/08 and £765,000 for 2008/09	463	816	1,172
	Waste Disposal	Commercial Waste Landfill Tax	180	180	180
	Waste Collection	Garden Waste Removal	100	100	100
	Smarter Borough	Free graffiti service	150	150	150
	Smarter Borough	Fly tipping removal from private land	250	250	250
DSD	Total		1,143	1,496	1,852
Environment	Licensing	Assumptions relating to additional costs and reduced income following the introduction of the new licensing legislation have been revised since last year, when it was estimated at £177k p.a.	-40	-40	-40
	Planning	Net loss of English Heritage Grant for conservation work (£10,000 in 2005/06 then £20,000)	10	10	10
	Planning	Lower level of Planning Delivery Grant	532	532	532
	Building Technical Services	Increase in energy costs.	300	400	600
	Highways and Engineering	Highway contract prices are increased in excess of the 2.5% allowed for in the budget strategy.	300	300	300
	Highways and Engineering	TfL will no longer share bus shelter advertising revenue with boroughs.	175	175	175
	Public Protection & Safety	Routine program of monitoring the safety of headstones and maintenance costs as required under the health and safety at work act 1974.	50	50	50

Appendix C**GROWTH**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
Environment	Total		1,327	1,427	1,627
Parking	Parking Office	Bus lane offences - income is expected to be less than anticipated due to greater compliance.	50	50	50
	Parking Office	Retendering of tow away contract beginning on 01 Feb 2006.	200	200	200
Parking	Total		250	250	250
Education	Leisure	The running costs for the Janet Adegoke Pool	94	63	61
	Play Service	Continuation of concessionary rates	40	60	60
	LEA Residual	Switch in funding from specific grant to RSG	180	180	180
Education	Total		314	303	301
Housing	Community Safety	Replacement of ODPM Street Wardens Grant	160	160	160
	Community Safety	Permanent funding for street enforcement officers	120	120	120
	Housing	Section 17 & 21 Clients - claimants with no recourse to public funds.	250	250	250
	Housing	Development of the Anti-Social Behaviour Unit	100	100	100
	Recharges	IT and other recharges to the HRA reduced	695	695	695
Housing	Total		1,325	1,325	1,325
Social Services	Older People Services	Home Care Services - contracts retendered for the first time in a number of years, with consequential increase in unit cost	75	75	75

Appendix C**GROWTH**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Older People Services	Open new day service	0	275	275
	Physical Disabilities	PD Packages - growth in demand for care support	77	77	77
	Cross Cutting	Transport for London Price Freedom Pass increases above inflation	144	334	584
	Cross Cutting	Expansion of direct payments	250	300	350
	Cross Cutting	Residential and Nursing Care Home price increases	200	350	500
	Cross Cutting	Cessation of Residential Allowances Grant	650	650	650
	Cross-cutting	Reduction in Government Grants	350	350	350
	Cross-cutting	Ceasing to charge for Home Care Support	400	400	400
	Mental Health	Office Rental Budgets for Community Mental Health Teams	94	94	94
	Mental Health	Growth in demand for Care Support	165	165	165
	Learning Disabilities	Increase in demand for learning disability placements and care packages - 12 young adults this year	980	1,580	2,180
	Learning Disabilities	Packages and Placements - (older LD Adults) growth in demand for care support	160	160	160
Social Services	Total		3,545	4,810	5,860
Children's Trust	Unaccompanied asylum seeking children - care leavers	Additional cost of unaccompanied asylum seeking children leaving care as a result of the Hillingdon judgement.	250	250	250

Appendix C**GROWTH**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Child Care Services	Additional placement costs	900	900	900
	Child Care Services	Transport/Escort service	200	200	200
	Child Care Services	Care packages/direct payments for disabled children	80	80	80
	Cross-cutting	Reduction in Safeguarding Children Grant	819	819	819
	Child Care Services	Increase in cost/numbers of independent sector placements	200	200	200
	Children's Resource Service	Haven Respite Care Service	50	50	50
Children's Trust	Total		<u>2,499</u>	<u>2,499</u>	<u>2,499</u>
Assistant Chief Executive					
Policy & Partnership	Councillors Services	Councillors' briefings after the 2006 election	15	0	0
	Councillors Services	To address previous years budget shortfall.	100	100	100
	Communications	Communications - Smarter Borough (£35k), Safer Borough (£35k) and other publicity (£30k)	100	100	100
Organisation Development	Local Elections	Local Elections 2006 plus growth for implementing the new Electoral Administration Bill	280	90	90
	General Elections	General Elections	-10	-10	-10

Appendix C**GROWTH**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Human Resources	Additional corporate capacity	75	75	75
Assistant Chief Executive	Total		560	355	355
Customer First	Customer First Core Team	Head of Customer First, Programme manager, Business Transformation manager, Programme support officer - previously met from the Invest to Save and Modernisation fund	300	300	300
	Contact centre manager	Funded from Invest to Save and Modernisation fund in 04/5 and 05/6	50	50	50
	Business support officer	Part funded for 05/6	15	15	15
	Town Hall reception	New post established in mid 04/5. Funded for 04/5 and 05/6 from underspends due to recruitment drag on core team.	25	25	25
	Contact Centre	Extended hours	45	45	45
	Call Monitoring	LAGAN System IT Support	50	50	50
Customer First	Total		485	485	485
Corporate	Insurance	Increased premium costs due to increased incidence of claims	41	82	123
	Office Accommodation	Rental and NNDR increases	700	1,400	2,100
	Pension Fund	Additional Contributions arising from the April 2004 actuarial valuation	2,700	5,400	6,400
	E-Procurement	Vendor Neutral Management Contractor	264	264	264
	Land Charges	Revised income targets	175	175	175
	Single Status	Upgrade of relevant posts	0	400	400

Appendix C

GROWTH

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	FOI	Information management - new requirement funded through RSG	80	80	80
	Contingency	Increase in corporate contingency	878	741	741
Corporate	Total		<u>4,838</u>	<u>8,542</u>	<u>10,283</u>
		Grand Total	<u>16,286</u>	<u>21,492</u>	<u>24,837</u>

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
DSD	<u>Gershon Efficiencies</u>				
	DSO 3	Restructure of services following street scene best value review	-250	-250	-250
	Waste	Disposal-Gershon Efficiencies / Landfill Allowance Trading	-14	-14	-14
	<u>Other Efficiencies</u>				
	General Savings	Non-trading accounts to be reduced	-50	-50	-50
DSD	Total		<u>-314</u>	<u>-314</u>	<u>-314</u>
Environment	<u>Gershon Efficiencies</u>				
	Highways & Engineering	Potential efficiency gains following the initial investments to review the most cost effective and efficient means for maintaining highway assets.	0	-20	-20
	Highways & Engineering	Change in method of footway maintenance. Reduce the expensive full depth reconstruction in certain circumstances where the paving can simply be taken up and re-laid.	-80	-80	-80
	Planning	Reduction in the number of posts arising from efficiency measures.	-98	-98	-98
	Management Resources	Potential for departmental savings through WinPC adoption in specific areas.	-30	-30	-30

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
Environment (continued)	<u>Increased Income</u>				
	Highways Maintenance	Increased Section 74 activity resulting in more penalty fees from utility companies	-50	-50	-50
	Highways & Engineering	Additional income mainly from fixed penalty notices and permit fees from implementing the traffic management orders - offset by start up costs of the new permitting system	0	-230	-230
	<u>Other Efficiencies</u>				
	Planning Best Value Review	Savings delivered by investment of Planning Delivery Grant or from Best Value Review	0	0	-150
	Traffic	Reduction of 1 post on completion of new IT system	-30	-30	-30
	Highways & Engineering	Highways saving - to be found from the current benchmarking review of highways expenditure and highways work programme	-100	-100	-100
	Automatic Public Conveniences	Potential reduction in the number of units and allowing advertising on the units.	-31	-31	-31
	Public Protection and Safety Division	Post-Licensing Act transitional year - following the introduction of the new licensing regime, a review of business processes is expected to contribute to savings by reducing one member of staff.	-30	-30	-30
		Restructuring and rationalisation of work on divisional and departmental business planning, performance management, quality standards and other minor functions	-35	-35	-35
	Management Resources	Printer replacement and rationalisation.	-10	-10	-10
	Management Resources	Freeze on office moves within the town hall extension.	-10	-10	-10

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
Environment	Total		-504	-754	-904
Parking					
	<u>Other Efficiencies</u>				
	Parking Office	BVR/BPR Parking service	-200	-200	-200
Parking	Total		-200	-200	-200
Education	<u>Gershon Efficiencies</u>				
	Strategic Management	Passenger transport BVR - with Social Services	-150	-150	-150
	Strategic Management	Departmental management and administration	-100	-200	-200
	Student Finance	Estimated impact of new Transport arrangements	-46	-46	-46
	Libraries	Spend to save	0	-140	-140
	<u>Other Efficiencies</u>				
	Strategic Management	Increased productivity in schools block	-200	-300	-300
	Strategic Management	Traded Services deficit eliminated	-35	-35	-35
Education	Total		-531	-871	-871
Housing	<u>Increased Income</u>				
	Regeneration	Reorganisation of the Strategy unit	-53	-53	-53

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Options and Assessments	Private Sector Leasing	-375	-375	-375
	<u>Other Efficiencies</u>				
	Housing Benefit Payments & Admin	Housing Benefit restructuring and Benefits Fraud Initiative recommendations	-70	-70	-70
	Options and Assessments	Reduce management fees on Registered Social Landlord Schemes	-425	-425	-425
	Options and Assessments	Predicted PSL surplus	-200	-200	-200
	Security	Savings from current review of building security	-50	-50	-50
	Housing Benefits	Housing Benefits	-340	-340	-340
Housing	Total		<u>-1,513</u>	<u>-1,513</u>	<u>-1,513</u>
Social Services	<u>Gershon Efficiencies</u>				
	Learning Disability Services	Reprovide 117 Goldhawk Rd	-104	-104	-104
	Learning Disability Services	Service review and re-organisation	-45	-45	-45
	Cross-Cutting	Review and reprovide employment service	-150	-150	-150
	Mental Health	Rationalisation of information collection for integrated service	-46	-46	-46

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Mental Health	Review and reconfigure hostel provision at Wood Lane	-100	-100	-100
	Drugs and Alcohol	More strategic approach to length of placements. Average length of placements can be reduced.	-30	-30	-30
	Older People Client Group (Older People Services & OP Resources combined)	Meals on Wheels. Adjusting to reducing demand and provision for alternative options for less vulnerable users	-65	-65	-65
Social Services (continued)	Older People Client Group (Older People Services & OP Resources combined)	Reduced demand for packages and placements following the development of assistive technology	-125	-125	-125
	Older People Client Group (Older People Services & OP Resources combined)	Further efficiencies in OP Resources, have led for reduced expenditure	-50	-50	-50
	Support Services	HR efficiencies leading to reduced staffing costs	-50	-50	-50
	<u>Increased Income</u>				
	Support Services	Marzell House Rent - more efficient use of premises	-50	-50	-50
	<u>Other Efficiencies</u>				
	Older People	Opening of Queen Charlotte's extra care sheltered accommodation.	-135	-135	-135
	Cross-Cutting	Administration savings from IT investment (ISCIS)	-50	-100	-100

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Disability services	Community Support Services reduced demand for services e.g. telephone rental	-50	-50	-50
Social Services (continued)	Disability services	Reduction in Care Packages for HIV users in line with Fair Access to Care Guidance	-24	-24	-24
	Older People Client Group (Older People Services & OP Resources combined)	Young Onset Demential Worker - development worker - temporary post no longer required	-20	-20	-20
	Older People Client Group (Older People Services & OP Resources combined)	Continue to review service users on band 3 of Funded Nursing Care who may meet Community Care criteria	-70	-70	-70
	Older People Client Group (Older People Services & OP Resources combined)	Review joint equipment pooled budget contribution	-150	-150	-150
	Older People Client Group (Older People Services & OP Resources combined)	Remove subsidy to Community Rehabilitation Unit. PCT to review its nursing home placement requirements.	-270	-270	-270
	Support Services	Receivership income related to increasing number of clients	-10	-10	-10
	Support Services	Review IT Inventory and remove items of hardware that are no longer used.	-35	-35	-35

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Support Services	Increased contributions from training grants for training and development posts.	-60	-60	-60
	Social Care IT Systems	Efficiencies arising from the introduction of Social Care IT systems (part of this saving relates to the Children's Trust and will be allocated in future).	-384	-384	-384
	Cross-Cutting Proposals	Increased contributions from carers grant for carers services.	-211	-211	-211
	Cross-Cutting Proposals	Supplies and Services and transport	-55	-55	-55
	Community Liaison	Additional funding from External Sources for Voluntary Sector Support.	-80	-80	-80
	Cross-Cutting Proposals	Efficiencies in Strategy Partnership and Performance Review	-65	-65	-65
Social Services	Total		<u>-2,484</u>	<u>-2,534</u>	<u>-2,534</u>
Children's Trust	<u>Gershon Efficiencies</u>				
	Review & Quality Assurance	Child Protection Team-review caseload	-20	-20	-20
	Review & Quality Assurance	Youth Offending Team-review service	-20	-20	-20
	Review & Quality Assurance	Reduction in one Senior Social Worker Practice Development Post	-41	-41	-41
	Child & Adolescent Services	Agency staff-review annual costs	-40	-40	-40

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Child & Adolescent Services	Allocation of overheads to grant income	-35	-35	-35
	<u>Other Efficiencies</u>				
	Child & Adolescent Services	Leaving Care-moving clients onto benefits	-20	-20	-20
	Family Placement Services	Reduction in Adoption Support Budget - savings on more effective commissioning by providing service in-house	-10	-10	-10
	Family Placement Services	Cessation of Central Transport Arrangement	-9	-9	-9
	Review & Quality Assurance	Commissioning Equipment	-5	-5	-5
Children's Trust	Total		<u>-200</u>	<u>-200</u>	<u>-200</u>
Assistant Chief Executive	<u>Gershon Efficiencies</u>				
Organisation Development	Legal Services	Rationalisation of Private Sector Leasing work	0	-35	-35
Organisation Development	Legal Services	Alternative ways of working to reduce use of Legal Services input	-100	-100	-100
	<u>Income Efficiencies</u>				
Policy & Partnership	Communications	Increased income, for example, film / location officer, advertising space in HFM.	-16	-16	-16
	<u>Other Efficiencies</u>				
Policy & Partnership		Irish Centre	-50	-50	-50

Appendix D

EFFICIENCIES

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
Assistant Chief Executive	Total		-166	-201	-201
Finance	<u>Gershon Efficiencies</u>				
	ITSD	Additional savings - terminal server desktops	-100	-100	-100
	ITSD	Libraries - use of voice over IP	-10	-10	-10

Appendix D

EFFICIENCIES

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
	ITSD	Desk top strategy savings - 1000 WinPCs in 06/7	0	-60	-60
	ITSD	Desk top strategy savings - 400 WinPCs in 06/7	0	-20	-20
	<u>Income Efficiencies</u>				
	ITSD	Avalon income	-25	-10	-10
	<u>Other Efficiencies</u>				
	ITSD	Reduce number & quality of mobile phones	-40	-40	-40
	ITSD	Printer reduction by 25%	-60	-60	-60
	Revenues and Benefits	System implementation (includes mainframe savings)	-124	-124	-124
Finance	Total		<u>-359</u>	<u>-424</u>	<u>-424</u>

Appendix D**EFFICIENCIES**

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
Corporate	<u>Gershon Efficiencies</u>				
	Agency Staff	Agency staff savings	-100	-100	-100
	Reorganisation	Long term departments reorganisation savings	-300	-300	-300
	Central Departments	Central overheads review	-100	-100	-100
	Offices	Office accommodation rationalisation	-200	-200	-200
	IT community	IT Joint Venture	-300	-300	-300
	<u>Other Efficiencies</u>				
	Debt Restructuring	Debt Restructuring	-200	-300	-400
	Capital receipts	Use of capital receipts to reduce debt	-300	-300	-300
	Capitalisation	Use of Capitalisation	-1,300	-1,300	0
	Salary budgets	Reduction in agency staff, deletion of posts that are no longer required, increasing control on new posts and reducing overtime	-1,000	-1,000	-1,000
	E-procurement	E-procurement	-1,264	-1,264	-1,264
	E-forms		-50	-50	-50
	Customer Service Improvement Projects	Customer Service Improvement Projects	-100	-100	-100
	Temporary Investment	Temporary investment of Civic Accommodation Balances	-800	-800	0
	Future Years	Future Years Savings	0	-8,175	-16,350
Corporate	Total		<u>-6,014</u>	<u>-14,289</u>	<u>-20,464</u>

Appendix D

EFFICIENCIES

Department	Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
		Grand Total	-12,285	-21,300	-27,625

COMMENTS OF SCRUTINY PANELS

LEADERSHIP SCRUTINY PANEL COMMENTS 18 JANUARY 2006

The Leadership Scrutiny Panel considered the Executive's proposals for the Revenue Budget and Council Tax 2006-07 at its meeting held on 18th January 2006.

The Panel discussed a range of issues including the implications of the transfer of funding for schools, the potential for savings on utility costs, the levels of contingency funds and the latest position regarding the GLA precept. The Panel also noted the proposed Council Tax increase of 1.5% for the next 3 years, recognising this was below inflation.

In addition, the Panel also considered detailed information in relation to the proposed budget for Finance, Chief Executive's, ACE (PP & OD), Customer First and Safer Communities.

RECOMMENDATIONS -

1. That officers look at maximising efficiency savings for utility costs through more effective procurement of suppliers and developing policies on energy and resource management.
2. That the Panel endorses the Revenue Budget and Council Tax proposals for 2006-07.

HOUSING SCRUTINY PANEL COMMENTS 9 JANUARY 2006

The Housing Scrutiny Panel considered the proposals for the Revenue Budget and Council Tax 2006 - 2007 at its meeting held on 9th January 2006.

The Panel discussed a range of issues including savings made in Housing Benefits due to the implementation of a new IT system, savings made through the restructuring of services in Housing Benefits, and growth in the development of the Anti-Social Behaviour Unit.

RESOLVED –

The Panel endorses the proposals for the Council's Budget for 2006/07 and notes the Housing General Fund's revenue estimates.

ENVIRONMENT AND REGENERATION SCRUTINY PANEL COMMENTS 17 JANUARY 2006

The Environment and Regeneration Scrutiny Panel meeting on 17 January 2006 was inquorate and there are therefore no formal recommendations.

The meeting proceeded on an informal basis. In considering the Revenue Budget and Council Tax 2006/7, the Panel discussed parking control expenditure and noted TfL's decision to end the sharing of its revenue from its bus shelter advertising contract with boroughs.

EDUCATION & LEISURE SCRUTINY PANEL COMMENTS 11 JANUARY 2006

The panel, which was inquorate, received a summary of the corporate position from the Director of Finance, and noted that the Government was now directly funding schools. The 3-year budget strategy represents a below-inflation increase in Council Tax of 1.5% per annum.

As regards the Education budget, the settlement represented an overall increase of 6.9% for Childrens Education, although when the targeted elements and changes to baseline funding have been amended, it equates to 6.1% per pupil, although the final figure would not be announced until April. It is not thought the final settlement will change significantly. On the other hand some changes to the standards fund are negative for some schools. The only service growth item in the budget was for the running costs of the new Janet Adegoke swimming pool at the Phoenix School. There was also £107,000 additional grant funding next year for the Youth Service.

The panel was told that under the new arrangements for funding schools most of the funding would be allocated to schools at the beginning of the financial year according to a formula based on the number of pupils, but a small contingency fund would be created for in-year allocation based on criteria agreed with the Schools Forum. The panel was also shown how aspects of the development of Children's Services were reflected in the budget.

The Council does not have the power to make efficiencies in individual school budgets. As Education was not a great commissioner of services, a zero-growth baseline had been built into the Education budget. Gershon efficiencies had, nonetheless, been made in transport and departmental administration, for example and the department is a large contributor to the Councils corporate savings.

As the Panel was inquorate there were no recommendations.

HEALTH AND SOCIAL CARE SCRUTINY PANEL COMMENTS 10 JANUARY 2006

The Health and Social Care Scrutiny Panel considered the proposals for the Revenue Budget and Council Tax 2006 - 2007 at its meeting held on 10th January 2006.

The panel discussed the proposal to cease charging for home care. Members noted that this would lead to a financial loss of £400k and that an additional £300k had been identified as a risk due to the possible additional take up of home care. The £300k had not been allocated as a growth item as it was impossible to predict the rise in demand and any rise would be progressive and accumulative. A member of the public informed the panel that he was delighted that the charge on disability was being reviewed. Maria Brenton, HAFAD, added that her organisation was also pleased about the proposal to cease charging for home care and fully supported it.

In addition, the panel noted the proposed savings from the Meals on Wheels Service, the development of assistive technology which would lead to reduced demand for care packages, and the reduction in the average length of drug and alcohol rehabilitation residential placements due to the range of treatments now available in a community-setting.

RESOLVED –

The panel endorsed the proposals for the Council's Budget for 2006/07 and in particular the proposal to cease charging for home care.

BGOP (BETTER GOVERNMENT FOR OLDER PEOPLE) COMMENTS - 26 JANUARY 2006

Members of Better Government for Older People (BGOP) met with the Cabinet Member for Social Inclusion and the Director of Finance on 26th January 2006.

Members of BGOP were pleased to hear of the changes being made to charging for Home Care and that there would be no cuts in grants to the Voluntary Sector. The meeting received information on the budgets for all council departments and discussed

Appendix F

Increase in Fees and Charges other than 5%

Department	Title	Description	2005/06	2006/07
<u>Housing General Fund</u>			£ per week	£ per week
		Rental charges for private sector leased properties	346.99	355.32

Education

The following charges for Holiday Care Schemes are now proposed

			£ per week	£ per week
PLAY SERVICE FEES	Holiday Care Schemes	Core Day: 09.00 - 17.30 (8 1/2 hours per day)	107.00	93.50
	Holiday Care Schemes	Sessional Care: 11.00 - 15.00 (4 hours per day)	50.00	44.00
	Holiday Care Schemes	Sessional Care for concessionary users: 11.00 - 15.00 (4 hours per day) borough residents only	New Offering	11.50
	Holiday Care Schemes	Registered Junior Care including some outings: 09.00 - 17.00 (8 hours per day)	New Offering	88.00
	Holiday Care Schemes	Registered Junior Care including some outings - for concessionary users: 09.00 - 17.00 (8 hours per day)	New Offering	24.00
	Holiday Care Schemes	Extended Day Care 08:00 to 18:00 (10 hours per day)	New Offering	109.50
YOUTH CENTRE FEES	Youth Centre Fees	Youth Centre Fees	£ per session 0.50	£ per session FREE

Appendix F

Increase in Fees and Charges other than 5%

Department	Title	Description	2005/06 £ per day	2006/07 £ per day	
LIBRARIES	Overdues-Audio/Visual	Books	0.10	0.10	} Maximum £6 per item
	Overdues-Audio/Visual	CD's	0.10	0.10	
	Overdues-Audio/Visual	Talking Books	0.10	0.10	
	Overdues-Audio/Visual	Language Courses	0.10	0.10	
	Overdues-Audio/Visual	DVDs (3 day loan)	£ per day 1.00	£ per day 0.50	
	Overdues-Audio/Visual	DVDs (7 day loan)	0.20	0.50	
	Overdues-Audio/Visual	Videos (3 day Loan)	1.00	0.50	
	Overdues-Audio/Visual	Videos (7 day Loan)	0.20	0.50	
	Loans-Audio/Visual	CD's	1.00	0.50	
	Loans-Audio/Visual	Language Courses/Learning Packs (3 week loan)	Various	2.00	
	Loans-Audio/Visual	DVDs (3 day loan)	1.00	1.00	
	Loans-Audio/Visual	DVDs (7 day loan)	1.00	1.00	
	Loans-Audio/Visual	Videos (3 day Loan)	1.00	FREE	
	Loans-Audio/Visual	Videos (7 day Loan)	1.00	FREE	
	Loans-Audio/Visual	Basic skills materials (3 week loan)	FREE	FREE	
	Reservations	in stock	0.70	0.70	
	Reservations	not in stock	1.00	1.00	
	Reservations	inter-library loans	1.00	1.00	
	Staff assisted reservations	in stock	N/A	1.00	
	Staff assisted reservations	not in stock	N/A	1.50	
	Staff assisted reservations	British Library	N/A	5.00	
	Self service reservations (GEOWEB)	in stock	N/A	0.50	

Appendix F**Increase in Fees and Charges other than 5%**

Department	Title	Description	2005/06	2006/07
LIBRARIES CONTINUED			£	£
	Self service reservations (GEOWEB)	not in stock	N/A	N/A
	Self service reservations (GEOWEB)	inter-library loans	N/A	N/A
	Self service reservations (GEOWEB)	Over 60's	FREE	FREE
	Self service reservations (GEOWEB)	Under 16's	FREE	FREE
	Internet Charges	Floppy Discs	0.50	0.50
	Internet Charges	Print outs - black & white	0.15	0.15
	Internet Charges	Print outs - colour	0.15	0.15
	Photocopying	A4 - black & white	0.15	0.15
	Photocopying	A4 - colour	0.15	0.15
	Photocopying	A3 - black & white	0.30	0.30
	Photocopying	A3 - colour	0.30	0.30
			£ per page	£ per page
	Fax Charges	Within United Kingdom	1.00	1.00
	Fax Charges	To Europe	1.50	1.50
	Fax Charges	To North America	2.00	2.00
	Fax Charges	To Australia	2.00	2.00
	Fax Charges	Elsewhere	4.00	4.00
	Fax Charges	Incoming material	1.00	1.00
			£	£
	Premises Hire	Community Groups -during library hours	5.00	7.50
	Premises Hire	Community Groups -outside hours	20.00	30.00
	Premises Hire	Other Groups -during library hours	10.00	15.00
	Premises Hire	Other Groups -outside hours	40.00	60.00

Appendix F**Increase in Fees and Charges other than 5%**

Department	Title	Description	2005/06	2006/07
			£	£
LIBRARIES CONTINUED	Premises Hire	Set up charges	30.00	45.00
	Premises Hire	Exhibitions - Monday-Friday	100.00	100.00
	Premises Hire	Exhibitions - Saturday/Sunday	130.00	130.00
	Other	Lost library membership card	0.50	0.50
	Other	Headphones-new for 2006/07	N/A	3.50
	Other	Pens-new for 2006/07	N/A	0.10
	Other	Pads-new for 2006/07	N/A	0.50
	Other	Lifestyle-50% of everything except fines		
ARCHIVES	Archives	Photocopy (A4)	£ per sheet 0.15	£ per sheet 0.20
	Archives	Photocopy (A3)	0.30	0.40
	Archives	Printout from microfilm	0.30	0.40
	Archives	Handling fee for copying stand	£ per hour or part thereof 10.00	£ per hour or part thereof 10.00
	Archives	Exhibition hire	£ per week/(per month) 10.00/(50.00)	£ per week/(per month) 10.00/(50.00)

Appendix F

Increase in Fees and Charges other than 5%

Department	Title	Description	2005/06	2006/07
			£	£
ARCHIVES CONTINUED				
	Archives	Reproduction fees (depending on the type of use to which the image will be put)	30-200	30-200
	Archives	Talks or walks in the borough	25.00	25.00
	Archives	Talks or walks in the borough (registered charities)	15.00	15.00
	Archives	Talks outside the borough	35.00	35.00
	Archives	Talks outside the borough (registered charities)	20.00	20.00

Direct Services

		£ per wash	£ per wash
	Sands End Laundry	3.50	4.00
		£ per 7 min dry	£ per 7 min dry
	Sands End Laundry	0.50	0.50
		£	£
	Events	35.00	40.00
		£ per person per night	£ per person per night
	Family Camp	9.00	9.50
		£ per person	£ per person
	Fireworks	5.00	5.00
		£ per person in advance	£ per person in advance
	Fireworks	3.75	3.75
		£	£
	Fireworks (under 5's)	FREE	FREE

Appendix F

Increase in Fees and Charges other than 5%

Department	Title	Description	2005/06	2006/07
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Adult Social Services

It is proposed that the Council ceases to charge for Home Care with effect from 1st March 2006. Budget provision for the net reduction has been made in the draft Community Services estimates for 2006/07. A detailed appendix on the future direction of adult social care and home care charges was included in the revenue budget report considered by the Health and Social Care Scrutiny Panel on 10th January 2006

Environment and Parking Services

			£	£
		Residents Parking Permit		no increase proposed for 2006/07
		Third Party fees charged for valuation services	250.00	400.00
		Exhibition Licence	Variable	2.5% Increase
		Land Charges (NLIS)	165.00	190.00
		Land Charges – (Borough)	200.00	224.00
HIGHWAY DIVISION CHARGES	Canopy Fees	One off Charge	200.00	100.00
	Canopy Fees	Annual Renewal Fee	New	50.00
	Table and Chairs Licences	Principal Centres	New	300.00
	Table and Chairs Licences	Town centres	200.00	500.00
	Table and Chairs Licences	Other streets	New	300.00
	Crane Licence	Major crane Application	160.00	200.00
	Crane Licence	Minor Crane Operations	New	80.00
	Storage Containers (developments, stadiums, etc)		New	500.00
	Cellar doors	On-Off license fee	New	200.00

Appendix F

Increase in Fees and Charges other than 5%

Department	Title	Description	2005/06	2006/07
HIGHWAY DIVISION CHARGES CONTINUED			£	£
	Cellar doors	Renewal Fee	New	100.00
	Portaloos		New	50.00
	Site huts		New	150.00
	Road Safety Driving Tests		New	50.00
	Accident Data		New	50.00
			£ per month	£ per month
	Scaffolding & Hoarding Licences Monthly Renewal Charge	Scaffolding & Hoarding Licences Commercial Single Frontage (or resident to 15m)	100.00	150.00
	Scaffolding & Hoarding Licences Monthly Renewal Charge	Scaffolding & Hoarding Licences over 15m in length	100.00	200.00

Appendix G**RISKS**

Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
DSD	Potential delay in the opening of the Belvedere Incinerator	0	700	700
Homelessness and Temporary Accommodation	Inclusion of management fee in HALS rents - the forecast saving in 2003/04 was £400k although difficulties with RSLs taking up the scheme mean that only £250k savings may be realised	150	150	150
Homelessness and Temporary Accommodation	Increase in numbers of 18+ UASC eligible for Leaving Care Support	600	600	600
Supporting People	Possible withdrawal of Supporting People funding from changes to the grant regime and a move to formula funding	0	700	1,400
ITSD	ITS Accommodation - Move from 275 King Street	0	1200	0
ITSD	Potential increase in re-licensing costs if Microsoft change the way they charge for new upgrades	0	300	300
Children's Trust	Action on lobbying DfES, currently being taken, may not be as successful as expected	400	400	400

Appendix G**RISKS**

Title	Description	2006/07 £'000	2007/08 £'000	2008/09 £'000
Benefits (Admin)	Previous MTFs savings in respect of EDM and the Benefit Fraud Inspectorate recommendations have not been achieved	400	400	400
Contaminated Land	Unable to contain expenditure within budget	40	40	40
Transport for London	Road condition - reduction in TfL funding for Principal Road Maintenance. Average allocation each year £900K. 05/06 allocation £658K (approx. £200K below annual allocation).	200	200	200
Social Services	White City Collaborative Care Centre	150	150	150
Social Services	Additional Direct Payment numbers.	500	500	500
Social Services	Increased demand for Services following Charging review.	300	300	300
IT community	Risk of not delivering full savings from IT modernisation	300	300	300
LABGI	Business Rates growth may be less than expected	400	800	2,000
Grand Total		3,440	6,740	7,440

LEADER'S COMMITTEE REPORT TO COUNCIL

6.2

22 FEBRUARY 2006

LEADER

*Councillor Stephen
Burke*

**Wards
ALL**

**CAPITAL PROGRAMME 2006/07 TO
2008/09**

DEPUTY LEADER

*Councillor Stephen
Cowan*

This item is included in the agenda for consideration under the General exception rules which apply when an item has not been listed previously on the Forward Plan.

**CABINET MEMBER
FOR
REGENERATION**

*Councillor Dame Sally
Powell*

This report sets out the estimated resources available to support the General Fund and the HRA Capital Programme for 2006/07 and the Council's expenditure plans.

CONTRIBUTORS

ALL DEPARTMENTS.

RECOMMENDATION:

1. To approve the General Fund Capital Programme for 2006/07 of £23.933m, and of £72.370m for the 2006/07 HRA Capital Programme.
2. To note that the General Fund Capital Programme includes the schemes and allocations identified in paragraph 2.8.
3. To earmark the Education Supported Borrowing of £1.239m for 2006/07 as match funding towards the Targetted Capital Fund of £4.535m.
4. To approve the use of £3m capital receipts in 2006/07 to repay debt and other funding switches as set out in paragraph 2.7

1. INTRODUCTION

This report indicates the estimated level of resources that will be available to support capital investment over the period 2006/07 to 2008/09. It shows the indicative Capital Programme for 2006/07 to 2008/09. Final decisions on the Capital Programme are due to be taken by Council on 22 February 2006.

2. GENERAL FUND SCHEMES

2.1 The current resource forecast is shown in Table 1.

Table 1 Capital Resources Forecast

	2006/7	2007/8	2008/9
	£'000s	£'000s	£'000s
Resources brought forward from 2005/06	2,202	0	0
Supported Borrowing in RSG	2,228	2,228	2,228
Supported Borrowing –Education	1,239	1,258	0
Capital Receipts	4,610	7,630	5,700
Overprogramming (10%)	1,028	1,112	793
Deduct Prior Year Slippage	0	(1,028)	(1,112)
Total Mainstream Resources (as reported to Leadership Scrutiny Panel on 18/01/2006)	11,307	11,200	7,609
Scheme Specific Resources	12,700	9,076	3,496
Total General Fund Resources	24,007	20,276	11,105

- 2.2 Allowance for the borrowing levels set out in Table 1 has been made within the Council's Medium Term Financial Strategy.
- 2.3 The capital receipts forecast incorporates the council's share (25%) of estimated Right-to Buy Sales and an allowance for other asset disposals. Progress regarding such sales will need to be carefully monitored. Allowance is made for over-programming on schemes due to be funded from mainstream resources. This recognises that many capital projects can suffer delays for a variety of reasons.
- 2.4 The Supported Borrowing allocation of £1.239m (previously Modernisation Grant) has been earmarked to the Education Department as a match funding contribution towards a Targetted Capital Fund allocation of £4.535m. The Council has received a provisional Supported Borrowing allocation for Education of £1.258m for 2007/08. For the purposes of the 2007/08 Capital Programme, this allocation is included in the Education Capital Programme. However, this will be reviewed as part of the 2007/08 Capital Programme.
- 2.5 The scheme specific funding resource forecast is based on known allocations. It will be updated over the forthcoming months in accordance with relevant government, and other public and private,

spending announcements. Schemes that are funded by external or specific resources are included in the capital programme set out in Appendix A. For 2006/07 such specific funding includes allocations of £3.592m from Transport for London, £1.100m from Department for Education and Science, £1.620m from National Lottery for the restoration of Fulham Palace, £1.348m from the ODPM and £2.862m on self financing schemes.

- 2.6 The capital resource forecast has a number of linkages with the Revenue Budget Strategy for 2006/07, the following adjustments have been taken account of :-
- A funding switch of £1m in respect of capitalisation, for 2006/07 and 2007/08, for Highways related schemes from the Parking Reserve Account. This adjustment is consistent with the Revenue Budget Strategy.
 - The use of £3m capital receipts in 2006/7 to repay debt in order to deliver £0.300m revenue budget savings consistent with the Revenue Budget Strategy.
 - A funding switch of £0.300m in 2006/07 and 2007/08 in respect of capitalisation from Modernisation and Invest to Save schemes as part of the Budget Revenue Strategy.
- 2.7 The capital programme for General Fund schemes, as it currently stands, is attached as Appendix A and summarised in Table 2. It incorporates reprofiled schemes for which available resources will be carried forward from 2005/06 and new schemes for which notification of grants have been received from various funding bodies.

Table 2 – The Current General Fund Capital Programme

	2006/7	2007/8	2008/9
	£'000	£'000	£'000
Education	2,789	5,026	1,183
Children Trust	319	361	0
Community Services	6,152	3,230	2,913
Environment (Incorporating BTS)	11,235	9,383	4,850
Finance and IT	1,438	2,350	2,050
Total Expenditure	23,933	20,350	10,996

- 2.8 The Capital Programme includes the following schemes, for which specific approval is sought from Leader's Committee.
- Ongoing core programmes for Corporate Planned Maintenance of £2.5m per annum, repairs to Carriageways and Footways of £2.1m and Renovation Grants of £2.6m per annum.
 - An annual budget of £0.250m from 2006/07 onwards to fund works required under the Disability Discrimination Act (DDA).
 - The capital expenditure and funding implications of the Expansion of Wendell Park School as a result of the Larden Road/Prestolite Development has been taken into account in this report. It is

anticipated that the total cost will be approximately £1.7m, of which external contributions are anticipated to be £0.450m.

- 2.9 The Capital Programme 2005/06 to 2007/08 approved by Budget Council on February 23 2005 indicated that the balance of unallocated resources over the three-year period was £0.052m.
- 2.10 Table 3, below sets out the expenditure and resource forecast for the period 2006/07 to 2008/09. After incorporating the schemes listed in paragraph 2.7, table 3 indicates that there is a balance of unallocated resources of £0.109m over the next three-year period.
- 2.11 It is considered prudent to set this surplus aside in order to respond to any fluctuations in the level of resources or to reduce the level of over-programming.

Table 3 Estimated Unallocated Resources

	2006/7	2007/8	2008/9
	£'000s	£'000s	£'000s
Estimated Resources – Table 1	24,007	20,276	11,105
Capital Programme – Table 2	23,933	20,350	10,996
Balance of Resources available for allocation – (Surplus)/Deficit	(74)	74	(109)
Cumulative (Surplus)/Deficit	(74)	0	(109)

3. HAMMERSMITH AND FULHAM HOUSING MANAGEMENT SERVICES.

- 3.1 The latest Capital Resource Forecast for the Housing Revenue Account is set out in Table 4.

Table 4 HRA Capital Resources Forecast

	2006/7	2007/8	2008/9
	£'000s	£'000s	£'000s
Resources B/fwd	2,477	0	0
SCE - HRA.	5,706	5,877	6,053
Major Repairs Allowance	11,132	11,132	11,132
ALMO Supported Borrowing	42,781	45,909	46,377
Capital Receipts	2,040	0	0
Total Mainstream Resources	64,136	62,918	63,562
Overprogramming	5,767	2,597	371
Scheme Specific Resources	2,467	3,195	2,639
Total HRA Resources	72,370	68,710	66,572

3.2 The proposed Housing Revenue Account Capital Programme is attached as Appendix B and summarised in table 5 below.

Table 5 Proposed Housing Revenue Account Capital Programme

HRA EXPENDITURE

	2006/7	2007/8	2008/9
	£'000s	£'000s	£'000s
Supply Initiatives	2,474	2,041	2,000
Internal Component Renewals	5,750	1,863	1,211
Major Refurbishments	3,689	1,740	500
Preventative Planned Maintenance – Main Programme	2,500	2,000	2,000
Minor Programmes	2,778	1,134	1,267
Pre-Partnering Schemes	7,051	338	0
Decent Homes Partnering	46,500	57,200	57,200
Sustainability Programme	1,628	2,394	2,394
Total HRA Expenditure	72,370	68,710	66,572

3.3 Table 6 sets out the updated expenditure and resources forecast and show that there is a balanced budget over the three-year period.

Table 6 Estimated Unallocated Resources

	2006/7	2007/8	2008/9
	£'000s	£'000s	£'000s
Estimated Resources	72,370	68,710	66,572
HRA Capital Programme	72,370	68,710	66,572
Balance of Resources available – (Surplus)/Deficit	0	0	0
Cumulative (Surplus)/Deficit	0	0	0

4. PRUDENTIAL CODE INDICATORS

- 4.1 Under the provisions of the Prudential Code, the Council is required to set, and review, a number of prudential indicators when considering its capital investment plans.
- 4.2 Such prudential indicators are shown in Appendix C. The indicators confirm that the spending proposals set out in this report are, in accordance with the Code, affordable, sustainable and prudent.

LOCAL GOVERNMENT ACT 2000
BACKGROUND PAPERS

No.	Brief Description of Background Papers	Name/Ext. of holder of file/copy	Department/ Location
1.	Capital Monitoring Documents	Isaac Egberedu Ext 2503	Finance Dept., 2nd floor , HTH Extension

Appendix A

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
1. EDUCATION			
1.1 MAINSTREAM			
Flora Gardens School - ICT Suite	6		
Hurlingh&Chelsea - Accom Improv. Ph 1	10		
Hurlingh&Chelsea - Accom Improv. Ph 2&3	11		
Hurlingh&Chelsea - Accom Improv. Ph 4	3		
Hurlingh&Chelsea - Accom Improv. Ph 5	1		
Education Modernisation Grant Now Mainstream Funded	1,074	1,258	
Janet Adegoke - Pools	165		
Wendell Park Expansion	150	1,050	50
TOTAL MAINSTREAM- EDUCATION	1,420	2,308	50
1.2 SPECIFIC FUNDED SCHEMES			
1.2.1 STANDARD FUND			
Targeted Capital Allocation	1,134	2,268	1,133
	1,134	2,268	1,133
1.2.2 NDS MODERNISATION & 03/04 CONDITION			
Fulham Cross - ext works	2		
Fulham Cross Phs 2 down pipe (NDS)	7		
Janet Adegoke - Pools	-		
William Morris Academy roof renewal			
	9		
1.2.3 NEW OPPORTUNITIES FUND			
Phoenix High - fitness suite NOF	3		
Gibbs Green MUGA	2		
Normand Croft Adventure playground (NoF)	61		
Kenmont & St Johns - Sports pitches(NOF)	3		
	69		
1.2.4 NEW DEAL FOR COMMUNITES			
Normand Croft Community School	85		
	85		
1.2.5 OTHERS			
Wendell Park School Extension(External Contribution)		450	
Linford Christie	15		
Sands End/Langford football Pitch	34		
Linford Christie Sports Pitche	23		
	72	450	
TOTAL SCHEME SPECIFIC - EDUCATION	1,369	2,718	1,133
TOTAL EDUCATION	2,789	5,026	1,183

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
<u>2.CHILDRENS' TRUST</u>			
<u>2.1 MAINSTREAM</u>			
Fostering Srvc - Expnsn of in hse placement	120	120	
TOTAL MAINSTREAM - CHILDRENS' TRUST	120	120	
<u>2.2 SCHEME SPECIFIC</u>			
<u>2.2.1 SURE START</u>			
Integrated Children's System IT(2006)	130	172	
Youth Capital Fund (2006)	69	69	
	199	241	
TOTAL SCHEME SPECIFIC-CHILDRENS' TRUST	199	241	
TOTAL CHILDRENS' TRUST	319	361	

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
<u>3.0 COMMUNITY SERVICES</u>			
<u>3.1 MAINSTREAM SCHEMES</u>			
<u>3.1.1 SOCIAL SERVICES</u>			
280 Goldhawk Road			
17 Rivercourt Rd (Upgrade & Refurbishment)	5		
280 Goldhawk Rd Improvements & Upgrades	5		
Day Centre/Community Centre (Nubian Life)	552	96	
Integrated Social Care Inform. Sys.(ISCIS)	300		
Retention			
	862	96	
<u>3.1.2 HOUSING</u>			
Renovation Grants	553	553	553
HMO Grants	815	815	815
Common Parts	11	11	11
DFG Private Clients	489	489	489
Minor Works Grants	732	732	732
	2,600	2,600	2,600
TOTAL MAINSTREAM-COMMUNITY SERVICES	3,462	2,696	2,600
<u>3.2 SPECIFIC FUNDED SCHEMES</u>			
<u>3.2.1 ODPM</u>			
DFG Private Clients	313	313	313
229 King Street - Hostel Conversion	1,035	23	
	1,348	336	313
<u>3.2.2 OTHER SPECIFIC SCHEMES</u>			
Integrated Social Care Inform. Sys.(ISCIS)	202		
	202		
TOTAL SCHEMES SPECIFIC - COMMUNITY SERVICE	1,550	336	313
<u>3.3 SELF-FINANCING SCHEME</u>			
Day Centre/Community Centre (Nubian Life)	1,140	198	
TOTAL SELF-FINANCING	1,140	198	
TOTAL COMMUNITY SERVICES	6,152	3,230	2,913

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
4.0 ENVIRONMENT			
4.1 MAINSTREAM SCHEMES			
William Parnell Park	22		
Ravenscourt Park	22		
South Park	20		
Bishops Park Boating Lake	297		
General Park Works	20		
	381		
Carriageways	1,349	1,349	1,349
Footways	751	751	751
Highways previously funded from Parking Reserve	1,000	1,000	
	3,100	3,100	2,100
Planned Maintenance	2,500	2,500	2,500
DDA Works	250	250	250
	2,750	2,750	2,750
TOTAL MAINSTREAM ENVIRONMENT	6,231	5,850	4,850
4.2 SPECIFIC FUNDED SCHEMES			
4.2.1 TRANSPORT FOR LONDON BSP			
Envt (Air Quality) (Regn Schemes)		725	
Town Centres			
Principal Road Maintenance	466		
Local Safety Schemes	310		
20 Miles per Hour Zones	335		
Safer Routes to School	100		
Cycling LCN+	312		
Travel Awareness	35		
Bus Priority	143		
Bus Stop Accessibility	40		
Freight	25		
Environment	50		
Park Royal - old Oak Common Lane / Ducane Rd. Jct			
Bridge Strengthening Programme	760		
Local Area Accessibility	30		
Walking	50		
Cycling Non LCN	81		
Station Access (Formerly Interchanges)	130		
Street Scene -Hammersmith			

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
Street Scene -Various	3,592		
<u>4.2.2 SECTION 106</u>			
Sbg - Phase 1a			
Imperial Wharf -Traffic Calming	766		
White City Dev't Viaduct Ext'n	114		
	880		
<u>4.2.3 NATIONAL LOTTERY</u>			
Fulham Palace-Restore-HLF Stage1	1,620	464	
Fulham Palace-Restore-HLF Stage2		2,236	
	1,620	2,700	
<u>4.2.4 OTHER FUNDERS</u>			
Carriageways-(Other)	290		
	290		
TOTAL SCHEME SPECIFIC -ENVIRONMENT	6,382	2,700	
<u>4.3 SELF FINANCING SCHEMES</u>			
Fulham Palace Restoration HLF Stage 1	368	333	
Fulham Palace Restoration HLF Stage 2	249	500	
Fulham Palace HLF Stage 1 (Phase 2)	5		
Surrender of Head Lease at Mitre Bridge			
TOTAL SELF FINANCING SCHEMES	622	833	
TOTAL ENVIRONMENT	13,235	9,383	4,850

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
<u>5.0 FINANCE AND IT</u>			
<u>5.1 MAINSTREAM SCHEMES</u>			
Modernisation/Invest to Save Programmes		300	
TOTAL MAINSTREAM FINANCE & IT.		300	
<u>5.2 SPECIFIC FUNDED SCHEMES(INVEST TO SAVE)</u>			
E-Procurement	208		
Planit Replacement	20		
E-Procurement - Change Management	110		
TOTAL SCHEME SPECIFIC	338		
<u>5.3 SELF FINANCING SCHEME</u>			
Other Leasing	1,100	2,050	2,050
TOTAL SELF FINANCING SCHEMES	1,100	2,050	2,050
TOTAL FINANCE AND CORPORATE	1,438	2,350	2,050

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
<u>SUMMARY</u>			
MAINSTREAM	11,233	11,274	7,500
SCHEME SPECIFIC	9,838	5,995	1,446
SELF-FINANCING	2,862	3,081	2,050
GRAND TOTAL - GENERAL FUND	23,933	20,350	10,996

Appendix B

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
<u>1. SUPPLY INITIATIVES</u>			
<u>1.1 HOSTEL REFURBISHMENT PROGRAMME</u>			
5 Castletown Road	425	40	
	425	40	
<u>1.2 REGENERATION DISPOSALS</u>			
Maystar/Cheesmans Terrace-BlockA	50		
	50		
<u>1.3 MAJOR VOIDS</u>			
Decent Homes Voids	2,000	2,000	2,000
	2,000	2,000	2,000
TOTAL SUPPLY INITIATIVES	2,475	2,040	2,000
<u>2. INTERNAL COMPONENT RENEWAL</u>			
<u>2.1 ENERGY SCHEMES</u>			
Catch-up central heating	100		
BayonneRdEstate (District Htng) Phase 2	24		
Swanbank Ct boilers	2		
Central heating new starts	500		
	626		
<u>2.2 LIFT SCHEMES</u>			
Philpot Square Lifts	102		
Sullivan Crt-Block J	93		
WOODMANS MEWS	91		
Continuing Programme	500	1,000	1,000
	786	1,000	1,000
<u>2.3 KITCHEN, BATHROOM AND REWIRING</u>			
Barton House	523	125	
Edith Summerskill/Herbert Morrison	2,429	685	211
Woodmans Mews Internals	18		
Wormholt Estate-Phase 5	24		
Hammersmith Central Estates Phase 3	28		
Wormholt Estate - Phase 6	55		
Kelmescott/Ashchurch/Grange/Morland internal	63		
Stebbing Hse internals	1,198	53	
	4,338	863	211
TOTAL INTERNAL COMPONENT RENEWAL	5,750	1,863	1,211
<u>3. MAJOR REFURBISHMENTS</u>			
<u>3.1 WINDOW RENEWAL SCHEMES</u>			
Springvale Estate Ph1	19		
Woodmans Mews-Externals	37		
	56		
<u>3.2 FABRIC REPAIR SCHEMES</u>			
22 Castletown Rd	5		
31 Gayford Road	60	5	
	65	5	
<u>3.3 EDWARD WOODS - REGENERATION PROJECT</u>			
Swanscombe Hse CPZ	25		

Appendix B

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
Stebbing's Hse Podia Improvements	35		
Norland House internals	54		
Mortimer House Refurbishment	4		
General Estate Improvements	100		
Programme Continuing	1,829	1,500	500
	2,047	1,500	500
<u>3.4 MAYSTAR ESTATE - REGENERATION</u>			
Alice Gilliat Court	62		
Maystar Phase 2	176		
Maystar Phase 3	103		
Maystar Phase 4	1,181	235	
	1,521	235	
TOTAL MAJOR REFURBISHMENTS	3,689	1,740	500
<u>4. PPM MAIN PRGOGRAMME</u>			
PPM Main Programme	2,500	2,000	2,000
	2,500	2,000	2,000
<u>5. MINOR PROGRAMMES</u>			
General Repairs Capitalisations	1,000		
Minor Estate Improvements (MEI)	270	270	270
Groundwork Environment	200	200	200
Disabled Adaptations	600	600	600
Hartopp & Lannoy Pt Asbestos removal	10		
Sheltered Hsg Fire Safety Total	16		
E-HM	182	64	
Charecroft-Amenity Deck Landscaping Ph 3			197
Capitalisation of DHRU salaries	500		
TOTAL MINOR PROGRAMMES	2,778	1,134	1,267
TOTAL HRA	17,192	8,777	6,978
<u>ALMO</u>			
<u>PRE PARTNERING SCHEMES</u>			
Lugard House	1,030	61	
Aldine Court	814	35	
Springvale Estate Phase 2	1,062	68	
Flora Gardens	874	43	
Queen Caroline Estate Phase 1	2,388	91	
Vereker Road, 1&25	883	40	
	7,051	338	
<u>DECENT HOMES PARTNERING</u>			
Contract set-up			
Area 1 - Hammersmith North	3,600	4,200	4,200
Area 2 - Shepherds Bush Green	10,200	12,500	12,500
Area 3 - Hammersmith Central	7,500	9,000	9,000
Area 4 - Fulham North	10,500	13,000	13,000
Area 5 - Fulham Central	7,000	8,500	8,500

Appendix B

	Capital Programme 2006/07 £ '000	Capital Programme 2007/08 £ '000	Capital Programme 2008/09 £ '000
Area 6 - Sands End	4,000	5,300	5,300
Area 7 - Sheltered Housing	3,700	4,700	4,700
	46,500	57,200	57,200
<u>SUSTAINABILITY PROGRAMME</u>			
Programme to be developed	1,363	2,368	2,394
Lancaster Ct tenants hall	250	26	
White City community Centre	15		
	1,628	2,394	2,394
GRAND TOTAL INCLUDING ALMO	72,371	68,709	66,572

PRUDENTIAL INDICATORS

CAPITAL EXPENDITURE

The proposed indicative capital programme for the current financial year and the forthcoming financial years built upon the assumed level of resources is as follows:

	Forecast 2005-06 £000	Estimate 2006-07 £000	Estimate 2007-08 £000	Estimate 2008-09 £000
General Fund	58,508	22,905	20,266	11,315
Housing Revenue Account	38,549	66,603	66,113	66,201
TOTAL	97,057	89,508	86,379	77,516

The above figures exclude over-programming.

CAPITAL FINANCING REQUIREMENT

As a consequence of the proposed indicative capital programme, it is envisaged that the capital financing requirement, which reflects the underlying need to borrow to finance the capital programme, will be as follows:

	Forecast 2005-06 £000	Estimate 2006-07 £000	Estimate 2007-08 £000	Estimate 2008-09 £000
General Fund	177,360	177,182	189,644	189,817
Housing Revenue Account	213,429	263,453	317,371	371,757
TOTAL	390,789	440,635	507,015	561,574

NET BORROWING AND THE CAPITAL FINANCING REQUIREMENT

This is the key indicator of prudence. Its purpose is to ensure that net borrowing is only for capital purposes. This is achieved by measuring net external borrowing against the capital-financing requirement. Estimates of net external borrowing for the preceding year, the current year, and the next two financial years indicate that net borrowing will be less than the capital financing requirement. The Council is forecast to meet the demands of this indicator. The projections are:

	Forecast 2005-06 £000	Estimate 2006-07 £000	Estimate 2007-08 £000	Estimate 2008-09 £000
Net Borrowing	324,820	372,820	438,820	493,820
Capital Financing Requirement (CFR)	390,789	440,635	507,015	561,574
Net Borrowing Less than CFR	-65,969	-67,815	-68,195	-67,754

RATIO OF FINANCING COSTS TO THE NET REVENUE STREAM

This indicator demonstrates the percentage of the GF budget and HRA budget that is consumed by financing the capital programme.

	Estimate 2006-07 %	Estimate 2007-08 %	Estimate 2008-09 %
General Fund	6.45	6.78	7.61
Housing Revenue Account	25.18	28.56	32.63

INCREMENTAL IMPACT OF CAPITAL SPENDING ON THE GENERAL FUND AND HOUSING REVENUE ACCOUNT.

The estimate of the incremental impact of capital decisions proposed over and above capital investment decisions that have already been taken by the council are as follows:

	Estimate 2006-07 £	Estimate 2007-08 £	Estimate 2008-09 £
General Fund– council tax £ per Band D home per annum	2.84	8.48	11.31
Housing Revenue Account – rent £ per household per week	0.00	0.00	0.00

The impact on the Housing Revenue Account is shown as nil. It is anticipated that all the new investment will either be fully funded through housing subsidy or from other specific funding allocations.

BORROWING – AUTHORISED LIMIT & OPERATIONAL BOUNDARY

The prudential indicators concerning the authorised limit for borrowing, and other treasury management activities, are set out in the Treasury Management Strategy report presented elsewhere on this agenda.

LEADER'S COMMITTEE REPORT TO COUNCIL

6.3

22 FEBRUARY 2006

LEADER

*Councillor Stephen
Burke*

DEPUTY LEADER

*Councillor Stephen
Cowan*

**TREASURY MANAGEMENT STRATEGY
REPORT**

**Wards
All**

This report provides information on the Council's Treasury Management Strategy for 2006/07 including interest rate projections and borrowing and investment activity reports for the period April to November 2005.

The report seeks approval for borrowing limits and authorisation for the Director of Finance to arrange the Council's cashflow, borrowing and investments in the year 2006/07.

CONTRIBUTORS

FD

Recommendations:

To recommend to Council:

- 1. To approve the future borrowing and investment strategies;**
- 2. To approve the Prudential Indicators as set out in Section 3 of this report.**
- 3. To approve the amendments to the Lending List of Financial Institutions.**
- 4. To approve the use of Bond Funds.**

1. Introduction

- 1.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.2 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.3 The suggested strategy for 2006/07 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:
 - the current treasury position;
 - the borrowing requirements;
 - prospects for interest rates;
 - treasury limits in force which will limit the treasury risk and activities of the Council;
 - Prudential Indicators;
 - the borrowing strategy;
 - the investment strategy;
 - debt rescheduling;

2. Treasury Management Prudential Indicators for 2006/07 to 2008/09

It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the authorised limits represent the legislative limits specified in section 3 of the Local Government Act 2003.

The Council must have regard to the Prudential Code when setting the Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and the two successive financial years.

2.1 Limits to Borrowing Activity

- a) **The Authorised Limit** – This represents the maximum amount the Council may borrow at any point in time in the year. It has to be set at a level the Council considers “prudent” and it needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable and encompasses borrowing for temporary purposes. It is not a limit that is designed to be brought into consideration during the routine financial management of the authority. That is the purpose of the Operational Boundary.
- b) **The Operational Boundary** – This indicator is the focus of day to day treasury management activity within the authority. It is a means by which the authority manages its external debt to ensure that it remains within the self imposed Authorised Limit. Sustained breaches of the Operational Boundary would give an indication that the authority may be in danger of stepping beyond the Prudential boundaries it has set itself.

2.2 Interest Rate Exposures

Interest rate risk management is a top priority for local authority management. While fixed rate borrowing and investment can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance may justify, or even demand, retaining a degree of flexibility through the use of variable interest rates on at least part of a treasury management portfolio. This is a best practice approach to treasury management and is to be encouraged to the extent that it is compatible with the effective management and control of risk.

- a) **Upper Limit on fixed rate exposure** – This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments.
 - b) **Upper Limit on variable rate exposure** – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
 - c) **Total principal funds invested for periods longer than 364 days** – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.
 - d) **Maturity structures of borrowing** – This indicator is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. It is not necessary to include variable rate debt because local authorities do not face substantial refinancing risks. The indicator is, in effect, a limit on longer term interest rate exposure.
- This indicator gives the upper and lower limits for maturity structure of borrowing.

3. Prudential Indicators for 2006/07 – 2008/09

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on 27th February 2002 by the full Council.

Treasury Management Indicators	2005/06	2006/07	2007/08	2008/09
Authorised limit for external debt	£'000	£'000	£'000	£'000
Borrowing	470,789	575,236	616,231	630,821
Other Long Term Liabilities	1,300	1,300	1,300	1,300
Totals	472,089	576,536	617,531	632,121
Operational boundary	427,120	507,967	550,516	565,110
Other Long Term Liabilities	1,300	1,300	1,300	1,300

Totals	428,420	509,267	551,816	566,410
Upper limit for fixed rate exposure	£'000	£'000	£'000	£'000
Expressed as :- net principal re fixed rate borrowing/ investments	424,083	506,231	506,231	506,231
Upper limit for variable rate exposure	£'000	£'000	£'000	£'000
Expressed as :- net principal re variable rate borrowing /investments	106,020	126,558	126,558	126,558
Upper limit for total principal sums invested for over 364 days	£'000	£'000	£'000	£'000
	20,000	20,000	20,000	20,000

Maturity structure of fixed rate borrowing during 2005/06	Upper Limit	Lower Limit
Under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%

4. Current Portfolio Position

The Council's treasury portfolio position at the 23 November 2005 is shown in the following table.

		Principal	Ave. rate
		£000's	%
Fixed rate funding	PWLB	318,520	
	Market	<u>0</u>	318,520 6.83
Variable rate funding	PWLB	15,000	
	Market	<u>0</u>	15,000 4.75
TOTAL DEBT			<u>333,520</u> 6.74
TOTAL SHORT TERM INVESTMENTS			45,200 4.61

5. Borrowing Requirement

	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Probable	Estimate	Estimate	Estimate
New borrowing (including ALMO)	48,100	51,000	56,000	55,000
Replacement borrowing	10,500	5,000	0	0
TOTAL	58,600	56,000	56,000	55,000

6 Prospects for Interest Rates

6.1 The Council appointed Sector Treasury Services as treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix A draws together a number of current City forecasts for short term or variable (the base rate or repo rate) and longer fixed interest rates. The following table gives the Sector central view:

Sector View: Interest rate forecast - 18 October 2005

	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
	%	%	%	%	%	%	%	%	%
Base Rate	4.50	4.50	4.25	4.25	4.00	4.25	4.50	4.75	4.75
5Yr Gilt Yield	4.25	4.00	4.00	4.25	4.50	4.75	4.75	4.75	4.75
10Yr PWLB	4.50	4.25	4.50	4.75	4.75	4.75	4.75	4.75	4.75
25 Yr PWLB Rate	4.50	4.50	4.50	4.50	4.75	4.75	4.75	5.00	5.00

Sector's current interest rate view is that the repo (base) rate will:-

- Remain on hold at 4.5% until the end of Q1 2006
- Fall to 4% by the end of Q4 2006
- Edge up by 0.25% in Q1, Q2 and Q3 of 2007 to end the year at 4.75%

The risk in this forecast is to the downside in as much as the cuts in rates could occur earlier than our forecast suggests, although this will not necessarily affect the timing of the first upward move in Q1 2007.

Economic background

UK

- UK is now in the downswing of the economic cycle. GDP growth will weaken from 3.2% in 2004 to about 1.7% in 2005 before rising to about 2% in 2006.
- Slowdown in household spending and rise in unemployment during 2005.
- House price inflation has fallen to very low levels and may now stabilise.

- Rise in inflation concerns; high oil prices have pushed inflation up over target - but this is a one off effect which will fall out even if oil prices remain at current levels.
- Increasing concerns that the public sector deficit will exceed targets significantly and lead to increases in taxation.

International

- Boom in world commodity prices driven by strong growth in China and India; potential for further increases in prices but supply side increases and improvements in technology are likely to reduce prices in the medium term.
- Inability of oil producers to spend their huge cash surpluses and reluctance of Asian economies to run current account deficits will suppress world demand and dampen world growth.
- US – continuation of measured rate raising by the Fed coupled with concerns about rising inflation. Fed rate may now peak at 4.5%.
- US GDP growth expected to weaken from 4.4% 2004 to 3.4% 2005 and 2.5% 2006.
- ECB has held repo rate at 2.0% since June 2003; likely to continue for a while but risk to the upside.
- European consumers lack the confidence to increase their spending; GDP growth expected to rise weakly and to continue to under perform the UK and US economies.

7. Borrowing Strategy

7.1 The Sector forecast is as follows:-

- 25-30 year PWLB rate will remain flat at 4.5% up to and including Q3 2006, but will then rise to 4.75% with a further increase to 5.0% in Q3 2007. As the Sector forecast is in 25bp segments there is obviously scope for the rate to move away slightly from 4.5% without affecting this overall forecast.
- 10 year PWLB rate to dip to 4.25% in the first quarter of 2006 but will then rise to reach 4.75% in Q3 2006 and then remain unchanged until the end of 2007.
- A 5 year gilt yield will follow base rate down and trough by the end of Q1 2006 at 4.00%. Yields will then rise to 4.25% in Q3, 4.5% in Q4 2006 and to 4.75% in Q1 2007 as the interest rate cycle turns up again.

7.2 This forecast indicates, therefore, that the borrowing strategy for 2006/07 should be set to take long dated borrowings in the first half of the fiscal year before PWLB rates rise. This applies particularly to the 10 year area where we forecast the rate to fall to 4.25% in Q1 2006. Variable rate borrowing and borrowing in the five year area will also be attractive in the first half of the fiscal year while the repo rate is on a falling trend.

7.3 These interest rate expectations provide a variety of options:

- that short-term variable rates will be good value compared to long-term rates, and are likely to remain so for potentially at least the next couple of years. Best value will therefore be achieved by borrowing short term at variable rates in order to minimise borrowing costs in the short term or to make short-term savings in order to meet budgetary constraints. A suitable trigger point for considering new fixed rate long term borrowing would be 4.5%.
- that the risks intrinsic in the shorter term variable rates are such, when compared to historically relatively low long term fixed funding, which may be achievable in 2006/07, that the Council will maintain a stable, longer term portfolio by drawing longer term fixed rate funding at a marginally higher rate than short term rates.

Against this background caution will be adopted with 2006/07 treasury operations. The Director of Finance will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances.

7.4 **Sensitivity of the forecast** – The main sensitivities of the forecast are likely to be the two scenarios below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- if it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or an increase in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- if it were felt that there was a significant risk of a sharp fall in long and short term rates, due to e.g. growth rates remaining low or weakening, then long term borrowing will be postponed, and any rescheduling from fixed rate funding into variable or short rate funding will be exercised.

8. Annual Investment Policy

8.1 The Council will have regard to the ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investments priorities are:-

- (a) the security of capital and
- (b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non Specified' Investment categories. Counterparty limits will be as set through the Council's Treasury Management Practices.

8.2 Specified Investments

A specified investment is defined in the guidance as an investment which satisfies the conditions set out below:

- (a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- (b) The investment is not a long-term investment (ie over 364 days)
- (c) The investment does not involve the acquisition of share capital or loan capital in any body corporate

Types of specified investments used by the Council include.

Term deposit – UK government
Term deposits – other Local Authorities
Term deposits – banks and building societies
Money market funds

This is not an exclusive list but the other types of specified investments are not currently being used by the Council and would only be used after consultation with our Treasury Advisors.

8.3 The Council last reviewed the credit criteria for its lending list in September 2004. The Council uses Fitch ratings to decide its criteria. Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. All credit ratings will be monitored monthly.

8.4 The Council is alerted to changes in Fitch ratings through its use of the Sector creditworthiness service. If a downgrade results in the counterparty/ investment

no longer meeting the Council's minimum criteria it will be withdrawn immediately. The ODPM guidance requires authorities to specify their minimum acceptable credit rating. The minimum ratings required by the Council are:

	Fitch Long	Fitch Short	Fitch Individual	Fitch Support
Banks	AA-	F1	C	3
	Moody's Long	Moody's Short	Moody's Financial Strength	
Building Societies	A	P-1	C	

8.5 The Council receives a full monthly listing of current ratings of institutions and daily alerts of changes. These are monitored on a daily basis to ensure that no investments are made in organisations who have just been downgraded or are expected to be.

8.6 Non-Specified Investments

The Council had made no investments in non-specified investments to date. These are any investments not meeting the definition in para 8.2 above.

8.7 However if there was a core cash balance available after taking into account the cash flow requirements and the outlook for short-term interest rates then the following non-specified investments could be used:-

- Term deposits with banks with maturities in excess of one year.
- Term deposits with building societies with maturities in excess of one year
- Term deposits with Local Authorities with maturities in excess of one year.
- Bond Funds with AAA rating credit criteria

8.8 **Interest Rate Outlook:** Sector is forecasting base rates to be on a falling trend from 4.50% to reach 4% in Q4 2006 but to rise again to end Q1 2007 at 4.25%. The Council will therefore seek to lock in longer period investments at higher rates before this fall starts for some elements of their investment portfolio which represents their core balances.

Some investments should be aimed to mature during Q1 2007 when the interest rate cycle turns up and the market yield curve should have turned positive. This will enable council to lock into higher yielding investments with their maturing deposits. A cautious investment return of 4% has been estimated for 2006/07.

The Council has identified 4.5% as a rate it will consider lending for 1 year and beyond subject to cash flow liquidity. This rate will be kept under review and discussed with Sector so that investments can be made at the appropriate time.

For its day to day cash flow management, the Council will seek to utilise its business reserve accounts and short dated deposits (1-3 months) in order to benefit from the compounding of interest.

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

9. Debt Rescheduling

- 9.1 The opportunity was taken during November 2005 to take advantage of the interest differential in the yield curve between long-term and shorter-term rates. This involved repaying loans totalling £15 Million, which had an average life of two years, and refinancing them with a loan of £15 Million for 30 years, at 4.25%, thus realising approximate savings of £220,000 per annum for the Authority's General Fund in the process.

10. Lending List of Financial Institutions

- 10.1 Since the last report to committee on the 21 September 2004 a number of amendments have been made in accordance with the agreed credit criteria. These are monitored on a daily basis to ensure that no investments are made to organisations that have just been downgraded or are expected to be. During that period no institutions in which investments were made showed any difficulty in repaying investments and interest during the year.
- 10.2 Changes in investment guidance issued by the ODPM in March 2004 on Local Government Investments have given Local Authorities greater freedom to invest for longer periods than 364 days. The advice from our Treasury Advisors is that the Council should take advantage of this change and invest in lending institutions for a period in excess of one year. The Council would only do this if there was a core cash balance available and after taking into account the cash flow requirements and the outlook for short-term interest rates.
- 10.3 Since the last report to Committee more banking institutions have merged and as a result the minimum size of funds that many institutions will take for investment purposes has increased, thus making it difficult to get funds placed in the deposit market at competitive rates.
- 10.4 It might appear that those difficulties could be overcome by extending the Lending List. However, this would weaken the tight credit criteria the Council already has in place and so after consultation with our external Treasury Advisors the recommendation is to adjust the amount with any one institution and then

extend the period of time that funds can be deposited to give greater flexibility at the lower end of the scale and to take advantage of the changes in the Investment Guidance at the top end.

10.5 It is proposed that the following limits and investment periods be amended.

£10 Million limit change to £12 Million - 364 days to change to 3 years

£ 7 Million limit change to £10 Million - 6 mths to change to 1 year

£ 5 Million limit change to £ 7 Million - 3 mths to change to 6 mths

£ 3 Million limit change to £ 5 Million - 1 mth to change to 2 mths

(See Appendix B)

The Treasury Advisors confirm that these limits are similar to other local authorities that have similar cash balances invested and are considered to be practicable and prudent.

11. Hammersmith & Fulham Housing Management Services (HFHMS)

11.1 The HFHMS submitted a bid for £192 Million to the ODPM for supported borrowing for the Decent Homes Initiative.

11.2 Following inspection, the HFHMS achieved a two star rating and this released £78 million supported borrowing from the government for the financial years 2005/06 and 2006/07.

11.3 The ODPM will at a later date consider making available the balance of £114 million that will enable the HFHMS to complete the Decent Homes Programme by 2010.

11.4 The authorised borrowing limits and operational boundary are designed to be upper limits to borrowing and therefore we have included this additional borrowing within these limits in paragraph 3 as follows: **£21.9 million in 2005/06, £44.4 million in 2006/07, £48.3 million in 2007/08, £48.8 million in 2008/09 and £28.1 million in 2009/10.** It is expected that the £192 million over the five years will be supported through Housing Revenue Account Subsidy.

12. Bond Funds

12.1 As a result of the changes in investment guidance issued by the ODPM in March 2004 on Local Government Investment the Council have greater freedom on where it can place its investments. On the advice of our Treasury Advisors it is recommended that the Council approve the use of Bond Funds. These are listed in paragraph 8.7 above under Non-Specified Investments.

12.2 Bond Funds operate in a similar way to Money Market Funds, which were approved by Committee on 3rd September 2002. The one difference on liquidity

is that the Council is required to give 7 days notice for the return of its investment. Another difference is that Bond Funds have a weighted average maturity of up to 1 year as opposed to 60 days for Money Market Funds.

- 12.3 It is proposed that these funds be used mainly for medium term investments as opposed to short investments.
- 12.4 All Funds used would have an AAA credit rating.
- 12.5 A rating of AAA places the Bond Funds rating on a par with Government debt, a quality rating agencies do not bestow on a fund lightly.

13. RECOMMENDATIONS

- 1. To approve the future borrowing and investment strategies.
- 2. In relation to the Council’s overall borrowing for the financial year 2006/07, approve the following Prudential Indicators as set out in paragraph 3 of this report.
- 3. Approve the amendments to the Lending List of Financial Institutions
- 4. Approve the use of Bond Funds

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1	Borrowings and Investments Ledger	Rosie Watson Ext. 2563	2 nd Floor Town hall Ext.
2	CIPFA-Prudential Code - Accounting for Capital Finance	Rosie Watson Ext. 2563	2 nd Floor Town Hall Ext.
4	Various Economic commentaries	Rosie Watson Ext. 2563	2 nd Floor Town Hall Ext.

Appendix A

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represent summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. INDIVIDUAL FORECASTS

Sector View interest rate forecast – 18 October 2005

(%)	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006	Q/E1 2007	Q/E2 2007	Q/E3 2007	Q/E4 2007
Base Rate	4.50%	4.50%	4.25%	4.25%	4.00%	4.25%	4.50%	4.75%	4.75%
5yr Gilt Yield	4.25%	4.00%	4.00%	4.25%	4.50%	4.75%	4.75%	4.75%	4.75%
10yr PWLB	4.50%	4.25%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
25yr PWLB	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	5.00%	5.00%

UBS Economic interest rate forecast (for quarter ends) - October 2005

(%)	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 20046
Base Rate	4.50%	4.50%	4.50%	4.75%	4.75%
10yr PWLB	4.67%	4.70%	4.80%	4.85%	4.90%
25yr PWLB	4.78%	4.85%	4.87%	4.95%	5.00%

Capital Economics interest rate forecast – 21 October 2005

(%)	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006	Q/E1 2007	Q/E2 2007	Q/E3 2007	Q/E4 2007
Base Rate	4.50%	4.00%	3.75%	3.50%	3.50%	3.75%	4.00%	4.25%	4.50%
5yr Gilt Yield	4.00%	3.80%	3.70%	3.60%	3.70%	3.90%	4.50%	4.60%	4.60%
10yr PWLB	4.25%	4.15%	4.15%	4.25%	4.35%	4.15%	4.75%	4.85%	4.75%
25yr PWLB	4.35%	4.45%	4.45%	4.45%	4.55%	4.55%	4.60%	4.60%	4.60%

2. SURVEYS OF ECONOMIC FORECASTS

HM Treasury – October 2005 summary of forecasts of 28 City and 14 academic analysts for Q4 2005 and 2006.

(2007-2009 are as at August 2005 but are based on 18 forecasts)

	Quarter end		Annual average repo rate		
	Q4 2005	Q4 2006	Average 2007	Average 2008	Average 2009
Indep. Forecaster					
BoE base rate	4.41%	4.20%	4.51%	4.72%	4.78%
Highest base rate	4.50%	5.00%	5.50%	6.00%	6.60%
Lowest base rate	4.20%	3.25%	4.00%	3.83%	3.75%

APPENDIX B

INSTITUTION

LOCAL AUTHORITIES

Unitary Authorities, London Boroughs,
Met. Councils, Borough and District Councils,
Fire and Police Authorities

Exposure limit of £12 Million for 3 years

GROUP 1 - BANKS

Long Term Rating of AAA, AA+, AA

Short Term Rating of F1+

Individual Rating of lowest being B

Support Rating of lowest being 2

Exposure limit of £12 Million for 3years

	COUNTRY	L TERM	S TERM	INDIV	SUPPORT
Commonwealth Bank of Australia	Australia	AA	F1+	A/B	2
National Australia Bank Ltd	Australia	AA	F1+	A/B	2
Dexia Bank	Belgium	AA+	F1+	B	1
Royal Bank of Canada	Canada	AA	F1+	A/B	1
BNP Paribas	France	AA	F1+	A/B	1
Credit Agricole (Caisse Nationale de)	France	AA	F1+	B	1
Dexia Credit Local	France	AA+	F1+	A/B	1
Landwirtschaftliche Rentenbank	Germany	AAA	F1+	A/B	1
HongKong and Shanghai Banking Corporation Ltd	HongKong	AA	F1+	A/B	1
Dexia Banque Internationale a Luxembourg SA	Luxembourg	AA+	F1+	A/B	1
Bank Nederlandse Gemeenten	Netherland	AAA	F1+	A	1
Rabobank International	Netherland	AA+	F1+	A	1
Banco Popular Espanol	Spain	AA	F1+	A	2
UBS AG	Switzerland	AA+	F1+	A/B	1
Bank of Scotland	UK	AA+	F1+	A/B	1
Barclays Bank plc	UK	AA+	F1+	A/B	1
Halifax plc	UK	AA+	F1+	A/B	1
HBOS Treasury Services (guaranteed by Bank of Scotland)	UK	AA+	F1+	A/B	1
HSBC Bank plc	UK	AA	F1+	A/B	1
Lloyds TSB Bank plc	UK	AA+	F1+	A	1
National Westminster Bank plc	UK	AA+	F1+	A/B	1
Royal Bank of Scotland	UK	AA+	F1+	A/B	1
Citibank NA	US	AA+	F1+	A	1
HSBC Bank USA	US	AA	F1+	B	1

GROUP 2 - BANKS

Long Term Rating of AA-, A+, A

Short Term Rating of F1+

Individual Rating of lowest being B

Support Rating of lowest being 2

Exposure limit of £10 Million for 1 year

	COUNTRY	L TERM	S TERM	INDIV	SUPPORT
Australia & New Zealand Banking Group Ltd	Australia	AA-	F1+	B	2
Westpac Bank Corporation	Australia	AA-	F1+	B	2
Fortis Bank NV	Belgium	AA-	F1+	B	1
KBC Bank NV	Belgium	AA-	F1+	B	2
Bank of Montreal	Canada	AA-	F1+	B	1
Bank of Nova Scotia	Canada	AA-	F1+	B	1
Canadian Imperial Bank of Commerce	Canada	AA-	F1+	B	1
Toronto Dominion Bank	Canada	AA-	F1+	B	1
Danske Bank AS	Denmark	AA-	F1+	B	1
Nordea Bank Finland	Finland	AA-	F1+	B	1
Societe Generale	France	AA-	F1+	B	1
Banque Generale du Luxembourg SA	Luxembourg	AA-	F1+	A/B	1
ABN AMRO Bank NV	Netherland	AA-	F1+	B	1
Banco Sander Totta SA	Portugal	AA-	F1+	B	1
Allied Irish Banks plc	Rep of Ireland	AA-	F1+	B	1
Bank of Ireland	Rep of Ireland	AA-	F1+	B	1
DBS Ltd	Singapore	AA-	F1+	B	2
Banco Bilbao Vizcaya Agentaria	Spain	AA-	F1+	B	1
Banco Santander Central Hispano	Spain	AA-	F1+	B	1
Confederacion Espanola de Caja de Ahorros	Spain	AA-	F1+	B	2
Nordea Bank AB	Sweden	AA-	F1+	B	1
Svenska Handelsbanken AB	Sweden	AA-	F1+	B	1

Exposure limit of £10 Million for 1 year

	COUNTRY	L TERM	S TERM	INDIV	SUPPORT
Abbey National	UK	AA-	F1+	B	2
Bristol & West plc	UK	AA-	F1+	B	1
Bank of New York	US	AA-	F1+	A/B	2
State Street Bank and Trust Company	US	AA-	F1+	A/B	2
Bank of America NA	US	AA-	F1+	A/B	1

GROUP 3 - BANKS

Long Term Rating of AA-, A+, A or above

Short Term Rating of F1+ and F1

Individual Rating of lowest being C

Support Rating of lowest being 3

Exposure limit of £7 Million for 6 months

	COUNTRY	L TERM	S TERM	INDIV	SUPPORT
Deutsche Bank AG	Germany	AA-	F1+	B	1
Dresdner Bank AG	Germany	A	F1	C	1
HSH Nordbank	Germany	A	F1	C	1
Landesbank Baden-Wuerttemberg	Germany	A+	F1+	B/C	1
Landesbank Rheinland-Pfaiz Girozentrale	Germany	A	F1	C	1
Norddeutsche Landesbank Girozentrale	Germany	A	F1	C	1
DBS Bank (Hong Kong) Ltd	Hong Kong	A+	F1	B	1
Sanpaolo IMI SpA	Italy	AA-	F1+	B	2
UniCredito Italiano SpA	Italy	A+	F1	B/C	1
National Bank of Kuwait	Kuwait	A+	F1	A/B	1
ING Bank NV	Netherland	AA-	F1+	B	1
DePfa Bank plc	Rep of Ireland	AA-	F1+	B	3
Alliance & Leicester plc	UK	AA-	F1+	B	3
Bradford & Bingley	UK	A	F1	B	3
Bank One NA	US	A+	F1+	B	1
American Express Bank	US	A+	F1	B	1
Mellon Bank NA	US	AA-	F1+	A/B	3
Northern Trust Company	US	AA-	F1+	A/B	3

GROUP 4 - BUILDING SOCIETIES

Moody's Credit Ratings

Long Term Ratings Aaa to A

Short Term Ratings P-1

Bank Financial Strength Ratings A - C

Exposure Limit of £5 Million for 2 months

	COUNTRY	L TERM	S TERM	FSR
Britannia BS	UK	A2	P-1	C+
Chelsea BS	UK	A3	P-1	C
Cheshire BS	UK	A3	P-1	C
Coventry BS	UK	A2	P-1	C+
Derbyshire BS	UK	A3	P-1	C
Dunfermline BS	UK	A3	P-1	C
Leeds and Holbeck BS	UK	A3	P-1	C
Nationwide BS	UK	Aa3	P-1	B
Newcastle BS	UK	A3	P-1	C
Norwich and Peterborough BS	UK	A3	P-1	C
Portman BS	UK	A2	P-1	C+
Principality BS	UK	A3	P-1	C+
Skipton BS	UK	A3	P-1	C
Yorkshire BS	UK	A2	P-1	C+

Group Limits

The following banks operate under their own name but are part of the same banking group

- 1) Bank of Scotland, Halifax plc, HBOS Treasury Services
- 2) Nat West, Ulster Bank and Royal Bank of Scotland
- 3) Dexia Bank (in Belgium), Dexia BIL (in Luxembourg), Dexia Credit Local (in France)
- 4) Credit Agricole and Credit Agricole Indosuez
- 5) HSBC plc, Credit Commercial de France and HSBC Bank USA
- 6) Bank of Ireland and Bristol and West
- 7) Nordea Bank's - Denmark, Finland, Norge ASA, Sweden
- 8) Banco Santander Central Hispano, Abbey National

The limits for the Groups will be £12 Million or as per the Lending limit for the individual Bank

Money Market Funds - £12 Million

Bond Funds - £12 Million

LEADER'S COMMITTEE REPORT TO COUNCIL **6.4**

22 FEBRUARY 2006

LEADER

*Councillor Stephen
Burke*

**COUNCILLORS' ALLOWANCES: ANNUAL
REVIEW**

This report performs the statutory annual
review of Councillors' allowances.

WARDS

All

CONTRIBUTORS

ACE (PP), FD, HLS

RECOMMENDATION:

**That the scheme of Councillors'
allowances 2006-07 be approved as
attached.**

1. BACKGROUND

- 1.1 The Council is required under the Local Government Act 2000 to undertake an annual review of its allowances scheme. The Council's scheme has an automatic inflation uplift linking councillors', and co-optees', allowances to the annual pay award for council employees.

2. GENERAL REVIEW

- 2.1 As mentioned above, the Council is formally required to undertake an annual review of its allowances regime. The Council has put in place a link with the local government pay award. All allowances will therefore rise by 2.95% as set out in Appendix 1. All changes in allowances are required to take into account the local independent panel on remuneration for councillors. In the case of London, there is a standing report produced by the panel appointed by the Association of London Government. All the proposals contained within this report are consistent with that report.

3. COMMENTS OF THE HEAD OF LEGAL SERVICES

- 3.1 The proposals contained within the report are in line with the Local Government Act 2000 and appropriate regulations.

4. COMMENTS OF THE DIRECTOR OF FINANCE

- 4.1 The Council's budget includes specific provision for the ordinary inflation in respect of allowances for 2006-07.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Reports of ALG appointed panel on remuneration of councillors in London	Peter Savage, ext 2017	Asst CE (PP) 230, Hammersmith Town Hall

Members' Allowances Scheme 2006-07

This scheme is made in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 ("the Regulations") for the year 2005 –2006 and subsequent years. The scheme has been prepared having regard to the content of the reports of the Independent Panel on the Remuneration of Councillors in London chaired by Professor Malcolm Grant (which reported in August 2001 and July 2003).

BASIC ALLOWANCE

- 4.2 The following basic allowance shall be paid to each member of the authority:
- £8,475 per annum to be paid in 12 monthly instalments on the 15th of each month.

Where a Councillor's term of office begins or ends otherwise than at the beginning or the end of the municipal year the entitlement shall be to payment of such part of the basic allowance as bears to the whole the same proportion as the number of days during which the term of office as member subsists bears to the number of days in that municipal year.

5. SPECIAL RESPONSIBILITY ALLOWANCES

- 5.1 The following special responsibility allowances shall be paid to Councillors holding the specified offices.

The Leader	£33,900
Deputy Leader	£28,248
Other Cabinet members (5)	£22,595
Chief Whip	£22,595
Deputy Chief Whip	£5,862
Chairs of scrutiny panels (5)	£5,862
Chair of Strategic Partnership Board	£5,862
Leader of the Opposition	£16,947
Deputy Leader of the Opposition	£5,862
Opposition Whip	£5,862
Chairs of Planning Applications Committee, Personnel Panel, Audit Committee and Licensing Committee	£5,862
Mayor	£11,300
Deputy Mayor	£5,862

Where a Councillor does not hold throughout the municipal year any such office the entitlement shall be to payment of such part of the special responsibility allowance as bears to the whole the same proportion as the number of days during which the term of office subsists bears to the number of days in that municipal year.

6. OTHER ALLOWANCES

6.1 Dependent carer allowance

Dependant carer allowance is payable in respect of expenses incurred for the care of a member's children or dependants in attending meetings of the authority, its executive, committees and sub-committees and in discharging the duties set out in paragraph 7 of the Regulations.

- £3.97 per half hour before 10 p.m.; £5.05 per half hour after 10 p.m. (not payable in respect of a member of the councillor's household).

6.2 Subsistence and Travel

Allowances only payable (at same rates as employees) for duties undertaken away from the Town Halls when discharging duties under paragraph 8 of the Regulations.

- **Public Transport**
ACTUAL COSTS REIMBURSED.
- **Car mileage**

Cc	first 8500 miles (pence per mile)	above 8500 miles (pence per mile)
Below 1000	38.7	11.7
1000 or more	42	11.8

- **Cycle allowance**
£34.76 per month – where this is claimed no other travel claims are permissible.
- **Subsistence**
Allowances payable at same rates and conditions as employees.
Payment is only made for expenses incurred outside the borough, subject to a maximum of £5.00 per claim.

7. ANNUAL INCREASE

The allowances in this scheme apply to the financial year 2005-06 and shall be increased by the same percentage rate of increase as the national Local Government pay award in each subsequent year until 2007-08. Up-rating shall be applied to these allowances at the same time as the employees' pay award.

8. ELECTION TO FOREGO ALLOWANCES

A Councillor may, by notice in writing to the Chief Executive or Assistant Chief Executive (Policy & Partnerships), elect to forgo any part, or all, of his or her entitlement to an allowance under this scheme.

9. TIME LIMIT FOR CLAIMS

The majority of allowances are payable monthly, but where allowances are the subject of claims, these claims should be made in the agreed form with the appropriate declaration within six months of the duty to which they relate.

10. WITHHOLDING OF ALLOWANCES

In the event of a Councillor being suspended, the Standards Committee shall have the power to withhold the allowances payable to that Councillor either in whole or in part for the duration of that suspension.

11. PENSIONS

All Councillors under the age of 70 years shall be entitled to join the London Borough of Hammersmith & Fulham Pension Scheme and have their basic allowance and special responsibility allowance treated as pensionable. Councillors can only join the scheme if they are under 70 and can only pay contributions, and accrue benefits, until their 70th birthday. If they carry on in office beyond age 70 they will not pay any contributions or accrue any further membership. Instead, the benefits that were accrued at age 70 will be paid at an actuarially increased rate when they either reach 75 or cease holding office, whichever comes first.

12. MEMBERSHIP OF MORE THAN ONE AUTHORITY

A member may not receive allowances from more than one authority (within the meaning of the regulations) in respect of the same duties.

ALLOWANCES FOR CO-OPTED MEMBERS AND INDEPENDENT MEMBERS OF STANDARDS COMMITTEE

The rate of allowance for co-opted members shall be £1093 pa payable in equal monthly instalments. The rate of allowance for independent members of the Standards Committee shall be £435 pa payable in equal monthly instalments.

These allowances shall be up-rated at the same percentage rate of increase of the national Local Government pay award and at the same time as the employees' pay award is implemented.

Co-opted members shall be entitled to the same travel allowances as Councillors, but shall not be entitled to subsistence payments.