

Notice of Meeting

CABINET

Monday, 21 February 2022 - 7:00 pm
Council Chamber, Town Hall, Barking

Members: Cllr Darren Rodwell (Chair); Cllr Saima Ashraf (Deputy Chair) and Cllr Dominic Twomey (Deputy Chair); Cllr Sade Bright, Cllr Evelyn Carpenter, Cllr Cameron Geddes, Cllr Syed Ghani, Cllr Elizabeth Kangethe, Cllr Margaret Mullane and Cllr Maureen Worby

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Please note that this meeting will be webcast and members of the press and public are encouraged to view the proceedings via this method due to COVID-19 restrictions. Those wishing to attend the meeting in person must provide evidence of a negative Lateral Flow Test on arrival and wear a face mask at all times, including while seated in the public gallery on the second floor of the Town Hall. To view the webcast click [here](#) and select the relevant meeting (the weblink will be available at least 24-hours before the meeting).

AGENDA

1. Apologies for Absence

2. Declaration of Members' Interests

In accordance with the Council's Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting. Members are reminded that the provisions of paragraph 9.3 and 9.4 of Part 5, Chapter 1 of the Constitution in relation to Council Tax and Council house rent arrears apply to agenda items 6 and 7 respectively.

3. Minutes - To confirm as correct the minutes of the meeting held on 18 January 2022 (Pages 3 - 9)

4. Revenue Budget Monitoring 2021/22 (Period 9, December 2021) (Pages 11 - 37)

5. **Carers Charter 2022-25 and Action Plan (Pages 39 - 56)**
6. **Budget Framework 2022/23 and Medium Term Financial Strategy 2022/23 - 2025/26 (Pages 57 - 107)**
7. **Housing Revenue Account: Estimates and Review of Rents and Other Charges 2022/23 (Pages 109 - 119)**
8. **Redevelopment of 53-135 Roxwell Road and 2-4 Stebbing Way, Thames View - Review of Costs (Pages 121 - 135)**
9. **Shareholder Governance Review (Pages 137 - 147)**
10. **Treasury Management Strategy Statement 2022/23 (Pages 149 - 193)**
11. **Pay Policy Statement 2022/23 (Pages 195 - 204)**
12. **Any other public items which the Chair decides are urgent**
13. **To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

Private Business

The public and press have a legal right to attend Council meetings such as the Cabinet, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). ***There are no such items at the time of preparing this agenda.***

14. **Any other confidential or exempt items which the Chair decides are urgent**

Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND

Our Priorities

Participation and Engagement

- To collaboratively build the foundations, platforms and networks that enable greater participation by:
 - Building capacity in and with the social sector to improve cross-sector collaboration
 - Developing opportunities to meaningfully participate across the Borough to improve individual agency and social networks
 - Facilitating democratic participation to create a more engaged, trusted and responsive democracy
- To design relational practices into the Council's activity and to focus that activity on the root causes of poverty and deprivation by:
 - Embedding our participatory principles across the Council's activity
 - Focusing our participatory activity on some of the root causes of poverty

Prevention, Independence and Resilience

- Working together with partners to deliver improved outcomes for children, families and adults
- Providing safe, innovative, strength-based and sustainable practice in all preventative and statutory services
- Every child gets the best start in life
- All children can attend and achieve in inclusive, good quality local schools
- More young people are supported to achieve success in adulthood through higher, further education and access to employment
- More children and young people in care find permanent, safe and stable homes
- All care leavers can access a good, enhanced local offer that meets their health, education, housing and employment needs
- Young people and vulnerable adults are safeguarded in the context of their families, peers, schools and communities

- Our children, young people, and their communities' benefit from a whole systems approach to tackling the impact of knife crime
- Zero tolerance to domestic abuse drives local action that tackles underlying causes, challenges perpetrators and empowers survivors
- All residents with a disability can access from birth, transition to, and in adulthood support that is seamless, personalised and enables them to thrive and contribute to their communities. Families with children who have Special Educational Needs or Disabilities (SEND) can access a good local offer in their communities that enables them independence and to live their lives to the full
- Children, young people and adults can better access social, emotional and mental wellbeing support - including loneliness reduction - in their communities
- All vulnerable adults are supported to access good quality, sustainable care that enables safety, independence, choice and control
- All vulnerable older people can access timely, purposeful integrated care in their communities that helps keep them safe and independent for longer, and in their own homes
- Effective use of public health interventions to reduce health inequalities

Inclusive Growth

- Homes: For local people and other working Londoners
- Jobs: A thriving and inclusive local economy
- Places: Aspirational and resilient places
- Environment: Becoming the green capital of the capital

Well Run Organisation

- Delivers value for money for the taxpayer
- Employs capable and values-driven staff, demonstrating excellent people management
- Enables democratic participation, works relationally and is transparent
- Puts the customer at the heart of what it does
- Is equipped and has the capability to deliver its vision

MINUTES OF CABINET

Tuesday, 18 January 2022
(7:00 - 8:31 pm)

Present: Cllr Darren Rodwell (Chair), Cllr Saima Ashraf (Deputy Chair), Cllr Dominic Twomey (Deputy Chair), Cllr Evelyn Carpenter, Cllr Cameron Geddes, Cllr Syed Ghani, Cllr Elizabeth Kangethe, Cllr Margaret Mullane and Cllr Maureen Worby

Apologies: Cllr Sade Bright

67. Declaration of Members' Interests

There were no declarations of interest.

68. Minutes (14 December 2021)

The minutes of the meeting held on 14 December 2021 were confirmed as correct.

69. Revenue Budget Monitoring 2021/22 (Period 8, November 2021)

The Cabinet Member for Finance, Performance and Core Services presented a report on the Council's revenue budget monitoring position for the 2021/22 financial year as at 30 November 2021 (period 8).

The Council's General Fund revenue budget for 2021/22 was £173.614m and the forecast outturn position at the end of November projected a net overspend of £7.408m once income had been taken into account, which represented an improvement of £1.843m compared to the previous month. It was noted that the specific Budget Support reserve of £11.433m would cover that overspend and leave approximately £4m to be carried forward into 2022/23. The Cabinet Member also referred to the ongoing pressures on service budgets due to increased demand and the latest position regarding the Housing Revenue Account and in-year savings.

Issues were raised relating to the arboriculture service having just one full-time equivalent member of staff, given the Council's major tree planting and monitoring programme, and the challenges faced by the Barking and Dagenham Trading Partnership which were impacting on its ability to make dividend payments to the Council.

Cabinet **resolved** to:

- (i) Note the projected revenue outturn forecast for the 2021/22 financial year as set out in sections 2 and 3 and Appendix A of the report; and
- (ii) Note the update on savings and commercial income, as set out in section 4 of the report.

70. Corporate Plan 2020-22 - Quarters 1 and 2 2021/22 Performance Reporting

The Cabinet Member for Finance, Performance and Core Services introduced a report which summarised performance in quarters one and two of 2021/22 against the numerous metrics and deliverables contained in the Council's Corporate Plan 2020-22.

Each Cabinet Member spoke on the key priorities, achievements and challenges within their respective portfolios and referenced a wide range of initiatives aimed at enhancing the Borough and improving the lives of the local community that had been launched or were in the pipeline.

Cabinet **resolved** to note the performance highlights and areas of improvement relating to quarters 1 and 2 of the 2021/22 financial year, as set out in Appendix 1 to the report.

71. LBBD Statement of Licensing Policy 2022-2027

The Cabinet Member for Enforcement and Community Safety introduced the draft Statement of Licensing Policy for the period 2022-2027 which had been subject to public consultation and was due to be submitted to the Assembly later in the month for adoption.

The Cabinet Member advised that the updated policy set out how the Council intended to discharge its responsibilities, as a licensing authority, in relation to the sale of alcohol, regulated entertainment and late-night refreshment. A number of changes were proposed to the Council's existing policy, which included new sections on entitlement to work in the UK, illegal working and the responsibilities of operators, 'Safe for All', COVID-19 and security and terrorism, as well as updates in relation to the use of outside areas and noise control, Public Spaces Protection Orders and licence fee payment arrangements.

With regard to 'Safe for All', the Cabinet Member explained that the Council was committed to ensuring that venues in the Borough were safe and inclusive and that operators and their staff were able to identify and deal with cases of harassment, sexual violence, discrimination and hate crime. The Council was, therefore, promoting the Mayor of London's Women's Safety Charter, as well as other initiatives such as 'Ask for Angela', allowing people to discreetly indicate to venue staff that they felt vulnerable or threatened, 'Ask for Clive', which promoted inclusion and welcoming environments for the LGBT+ community, and the Council's own Safe Haven campaign. Operators would be encouraged to sign up to those initiatives and, in return, would benefit from training support.

Cabinet **resolved** to:

- (i) Endorse the main changes to the policy, as set out in section 4 of the report; and
- (ii) Recommend the Assembly to adopt the London Borough of Barking and Dagenham Statement of Licensing Policy 2022-2027, as set out at Appendix A to the report.

72. East London Joint Resources and Waste Strategy 2027-2057 Update

Further to Minute 27 (13 July 2021), the Cabinet Member for Public Realm presented the draft East London Joint Resources and Waste Strategy (ELJRWS) 2027-2057 for adoption, following an eight-week consultation with stakeholders and the local communities of the four constituent Boroughs within the East London Waste Authority (ELWA).

The Cabinet Member advised that the draft ELJRWS had been subject to some minor changes following the public consultation. The Mayor of London's office had also commented that the lower floor recycling targets for controlled waste should not become the de facto targets for the respective Boroughs.

Cabinet Members commended the draft ELJRWS and drew attention to the need for recycling initiatives to be accessible to all types of housing tenure, particularly flats. Reference was also made to the need for ELWA to ensure that its next long-term waste disposal contract met the specific needs and requirements of the constituent Boroughs.

Cabinet **resolved** to adopt the East London Joint Resources and Waste Strategy 2027-2057, as set out at Appendix 1 to the report.

73. Electric Vehicle Charge-Points Pilot Scheme

The Cabinet Member for Finance, Performance and Core Services presented a report on a proposed pilot project to install 250 electric vehicle (EV) charge-points across the Borough, as part of the Council's commitment to Barking and Dagenham being recognised as the 'Green Capital of the Capital'.

The Cabinet Member advised that detailed discussions had taken place with Connected Kerb, a UK-based privately owned company that had already established itself as a market leader in charge-point innovation and design. The Connected Kerb proposal would utilise existing street furniture to house a future-proofed 'smart cities system', with a power and data pack sunk beneath the pavement in a protective steel box and a socket positioned directly above ground. As well as minimising additional street clutter and the visual impact often associated with standard EV charging points, the above-ground sockets could be easily replaced if damaged and the system could support an array of different hardware and software products such as environmental and air quality management sensors, parking management sensors and telco solutions such as wifi or small cell 5G. The system would also intelligently manage power across the charging network, to minimise stress on the local grid and simultaneously reduce the cost of charging to residents, as already demonstrated in a similar project in Hackney.

The Cabinet Member confirmed that the pilot project would only proceed if the Council was successful with a funding bid of £900,000 from the Government's Office for Zero Emission Vehicles (OZEV), which represented 75% of the estimated total cost of £1.2m. The remaining 25% (£300,000) and on-going operational costs would be met directly by Connected Kerb and any agreement would also include the potential for the Council to benefit from gainshare in later years.

Cabinet **resolved** to:

- (i) Approve the delivery of 250 electric vehicle charge-points fitted with air quality sensors tracking NOx, PM and CO2 emissions with future-proof capability to provide neutral hosting for 5G telecom networks across Council-owned public realm in 2022, subject to funding being secured from the Office for Zero Emission Vehicles;
- (ii) Approve, subject to the endorsement of the Procurement Board, the use of the Kent Commercial Services Framework to directly award to Connected Kerb to deliver the pilot scheme on the basis that the goods and services provided are unique; and
- (iii) Delegate authority to the Strategic Director, Inclusive Growth, in consultation with the Cabinet Member for Finance, Performance and Core Services and the Strategic Director, Law and Governance, to enter into contracts and all other necessary or ancillary agreements, including grant applications / awards, in accordance with the strategy set out in the report.

74. Review of the Council's Procurement Governance Arrangements

The Cabinet Member for Finance, Performance and Core Services introduced a report on proposals relating to a new, streamlined governance framework for the Council's procurement activities.

Following the return of the Council's procurement service from Elevate East London in 2020, officers had commenced a review of the Council's approach to procurement. Stemming from that work, a range of improvements had been identified which included the simplification of the multi-layered thresholds and multi-service oversight arrangements, particularly for low level spend, as a means of aiding compliance and enhancing procurement outcomes. The Cabinet Member explained that the eight existing procurement thresholds would be refined to just three, namely Bronze (up to £25,000), Silver (£25,000 to circa £190,000 (the Public Contracts Regulations 2015 threshold for supply and services contracts)) and Gold (above PCR 2015 threshold).

It was noted that the new procurement thresholds would not alter the requirement for all contracts with a value over £500,000 to be presented to the Cabinet for prior approval.

Cabinet **resolved** to:

- (i) Endorse the new approach to the Council's procurement governance arrangements, as set out in the report; and
- (ii) Note that the Assembly shall be asked to approve the new procurement governance arrangements and subsequent amendments to the Council's Contract Rules at its meeting on 2 March 2022, for implementation with effect from 1 April 2022.

75. Council Tax Support Scheme 2022/23

The Cabinet Member for Finance, Performance and Core Services introduced a report on the local Council Tax Support Scheme (CTSS) for 2022/23, which the Council had a statutory duty to review annually.

The Cabinet Member advised that the Council had made a number of improvements to its scheme over recent years to bring it into line with other welfare benefits, such as Universal Credit, and to enhance accessibility for the most vulnerable in the community. He added that without additional funding from Government it was not possible to further enhance the scheme on offer by, for example, reducing the current 'minimum payment' threshold of 25% for working age claimants. Therefore, it was proposed to retain the scheme that was agreed for 2021/22, subject to any amendments that may become necessary as a consequence of new regulations relating to the pension age scheme.

Cabinet **resolved** to recommend the Assembly to:

- (i) Agree that the Council Tax Support Scheme implemented for 2021/22 remain unchanged and implemented for 2022/23; and
- (ii) Note that any changes to the prescribed requirements for the pension age scheme shall be incorporated into the CTSS before publication.

76. Contract for Short Term / Spot Hire Vehicle Requirements

The Cabinet Member for Public Realm introduced a report on proposals relating to the procurement of the Council's short term / spot hire vehicle requirements through the Commercial Services Kent Limited (CSKL) Vehicle Rental Framework via The Procurement Partnership Limited (TPPL).

The Cabinet Member advised that the previous contract had expired on 14 June 2021. In order to maintain service delivery, the CSKL framework had been used since that time and, therefore, the proposed four-year term of the new contract would apply from that date until 14 June 2025.

Cabinet **resolved** to:

- (i) Agree the use of the Commercial Services Kent Limited Vehicle Rental Framework via The Procurement Partnership Limited for the Council's short-term and spot hire vehicle requirements for the four-year period 15 June 2021 to 14 June 2025, in accordance with the strategy set out in the report; and
- (ii) Delegate authority to the Strategic Director, My Place, in consultation with the Cabinet Member for Public Realm and the Strategic Director, Law and Governance, to enter into the contract and all other necessary or ancillary agreements.

77. Calculation and Setting of Council Tax Base 2022/23

The Cabinet Member for Finance, Performance and Core Services introduced the

annual Council Tax Base report for the 2022/23 financial year, which must be set by 31 January each year in accordance with Section 67 of the Local Government Finance Act 1992.

The Cabinet Member referred to the prescribed method of calculation of the Council Tax Base and advised that the debt provision for losses on collection had been reduced from 3% to 2%, due to improved collection procedures.

Cabinet **resolved** to agree that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Barking and Dagenham Council as its Tax Base for 2022/23 shall be 52,079.16 Band 'D' properties.

78. Confirmation of Article 4 Direction - Permitted Development Rights Allowing Upwards Extensions to Certain Buildings

Further to Minute 67 (19 January 2021), the Cabinet Member for Regeneration and Economic Development reported on the proposed confirmation of the non-immediate Article 4 Direction, in relation to permitted development regulations.

The Cabinet Member reminded colleagues that the Government had introduced new permitted development regulations, effective from August 2020, that granted rights to extend various buildings upwards through the prior approval process, without the need for a planning application. The permitted development process afforded local authorities limited criteria against which to examine proposals and only allowed limited contributions to mitigate any negative impacts. Therefore, it was felt necessary to progress an Article 4 Directive in order to protect local communities from eyesore extensions and so as not to undermine the Council's ambitions for improving the design quality of new developments within the Borough.

Cabinet **resolved** to confirm the Article 4 Direction, under the Town and Country Planning (General Permitted Development) (England) Order 2015, covering the whole borough except designated industrial land, withdrawing permitted development rights for additional storeys above existing residential and commercial properties, to come into force on 22 February 2022.

79. Amendments to the Funding Agreement for Be First Developments (Muller) Limited and Resolution to Dispose of the Muller Dairy Site on Shareholders Terms

Further to Minute 109 (11 February 2020), the Cabinet Member for Finance, Performance and Core Services presented a report on a proposal to dispose of the former Muller dairy site, Selinas Lane, Chadwell Heath, that had been acquired in July 2020.

The Cabinet Member advised that the site had always been intended for onward sale to a private developer in the medium-term. The acquisition of the designated Locally Significant Industrial Site meant that the Council would benefit from any uplift in value while Be First progressed plans for the promotion of the site as a major mixed residential and employment development space. However, strong demand for commercial space in east London had resulted in a number of

unsolicited offers from major industrial / mixed use developers during the past 12 months, ahead of the planned disposal schedule. In view of the significant interest and the values of the unsolicited offers, Be First carried out a formal marketing exercise which had resulted in three Best and Final Offers (BFOs) being received.

The Cabinet Member alluded to the evaluation of the BFOs, the details of which were included in an exempt appendix to the report, and the options appraisal which supported the proposed sale to the preferred bidder, as it would achieve a profit in excess of earlier estimations and represented the best scheme in terms of employment and design. It was further noted that the net profit from the sale would be paid back to the Council as dividends and accounted for as revenue income, to be used to support the Council's Medium Term Financial Strategy.

The Cabinet Member also referred to updated legal advice in respect of public subsidy rules and advised that, should the sale of the site not be completed by the end of the current financial year, it would be appropriate to convert the 0% element of the Public Works Loan Board funding used to purchase the site from a loan to equity (in the form of shares).

Cabinet resolved to:

- (i) Agree that the Council, in its capacity as the Shareholder of Be First Developments (Muller) Limited, approves the disposal of the site shown edged red in Appendix 1 to the report to the preferred bidder on an unconditional basis, in accordance with the terms set out in Appendix 2 to the report;
- (ii) Agree that the Council authorises, as Shareholder of Be First Developments (Muller) and in conjunction with the Directors of the Company, the conversion of the zero percent element of the loan to equity by issuing new share capital in the event of the sale not being completed by 31 March 2022;
- (iii) Authorise the Managing Director, in consultation with the Strategic Director, Law and Governance, to repatriate any profits issued by Be First Developments (Muller) Ltd back to the Council;
- (iv) Authorise the Managing Director to undertake any action or execute any legal documents required to wind up/liquidate the company; and
- (v) Delegate authority to the Managing Director, in consultation with the Strategic Director, Law and Governance, to agree and enter into any legal agreements and contract documents to fully implement the above proposals.

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CABINET

21 February 2022

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| Title: Revenue Budget Monitoring 2021/22 (Period 9, December 2021) | |
| Report of the Cabinet Member for Finance, Performance and Core Services | |
| Open Report | For Information |
| Wards Affected: None | Key Decision: No |
| Report Author: Katherine Heffernan and Philippa Farrell, Heads of Service Finance | Contact Details: E-mail: Katherine.heffernan@lbbd.gov.uk Philippa.farrell@lbbd.gov.uk |
| Accountable Director: Philip Gregory, Finance Director | |
| Accountable Strategic Leadership Director: Claire Symonds, Interim Chief Executive and Managing Director | |
| <p>Summary</p> <p>This report sets out the Councils budget monitoring position for 2021/22 as at the end of December 2021, highlighting key risks and opportunities and the forecast position.</p> <p>The Council's General Fund budget for 2021/22 is £173.614m. The current forecast outturn position is £181.361m which would be an overspend of £7.747m or £7.227m once income is considered. This is an improvement in the position by around £0.74m compared to last month. This can be managed by use of the budget support reserve which was £11.433m at the end of the previous financial year however this will deplete the reserve increasing the risk in future years. At this late stage in the year the forecasting is becoming less volatile, and risks and opportunities are beginning to crystallise and be quantifiable. The position will continue to be closely monitored and risks and opportunities recognised as soon as certain.</p> | |
| <p>Recommendation(s)</p> <p>Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Note the projected revenue outturn forecast for the 2021/22 financial year as set out in sections 2 and 3 and Appendix A of the report; and (ii) Note the update on savings proposals, as set out in section 4 of the report. | |
| <p>Reason(s)</p> <p>As a matter of good financial practice, the Cabinet should be informed about the Council's financial risks, spending performance and budgetary position. This will assist in holding officers to account and inform further financial decisions and support the objective of achieving Value for Money as part of the Well Run Organisation.</p> | |

1. Introduction and Background

- 1.1 This is the penultimate budget monitoring report to Cabinet for the 2021/22 financial year. The financial outturn for the previous financial year was a net underspend after transfers to and from reserves of £1.951m (subject to finalisation of the external audit). This was the net result of a large overspend of £26.13m offset by additional in year grant income from the Government of £28.02m. The grant income was provided to meet the financial challenges to Local Government from the Covid pandemic and the lockdown/other measures taken to contain it. The overspend was driven by a range of factors including underlying demographic pressures, additional costs and demands arising from Covid and delays in making savings and income.
- 1.2 There has been a net £17.817m of growth added to the budget for 2021/22 as part of the Council's budget setting process in February in order to meet the then known pressures especially those in Care and Support. This was funded from Council tax increases, commercial returns and government grants including special grants to meet additional Covid related costs in the first quarter of the year.
- 1.3 Despite the growth this year has a high level of financial risk including the continuing impact of the Covid pandemic and its aftermath, the potential impacts of Brexit, the long-standing pressures that impact across the Local Government sector and the high levels of deprivation and disadvantage that already existed for residents of the borough.
- 1.4 As part of our ongoing improvement programme a more streamlined budget monitoring process has been introduced. This has resulted in some changes to the format of the budget monitoring report. This report is now a high-level summary with key information and action points with more detailed being contained within the appendices.

2. Overall Financial Position

- 2.1 The 2021/22 budget was approved by the Cabinet in February and is £173.613m – a net increase of £17.817m from last year. Growth funding was supplied for Care and Support (to meet demographic and cost pressures), Community Solutions (for Homelessness, Temporary Accommodation and the Creation of a Customer Experience Team), Inclusive Growth (Economic Development Team), Legal and Finance (Counter Fraud), Participation and Engagement and Council-wide (Staff Pay award and non-staff inflation) It also includes £8.201m of savings plans – most of which were brought forward from previous years.
- 2.2 As the table below shows the expenditure forecast is £181.361m. This is a movement from Period 6 of £10.187m overspend to £7.747m at Period 9. This is a prudent estimate and there are still risks and opportunities yet to be realised. There is still the possibility that this overspend can be managed down further. This level of overspend can be fully met from the budget support reserve without the need for recourse to the General Fund which will remain at £17m. However, this would reduce the Council's ability to absorb further financial risks or support new investment in transformation in future years.

- 2.3 A proportion of the additional pressures are driven by the Covid epidemic – however as time has passed some of the additional costs have now become the “new normal” and it is becoming increasingly hard to draw a sharp distinction between covid costs and business as usual. Additional government support has been provided for the first quarter of the year and this has already been built into the forecasts.

| Table 1. | NET FULL YEAR BUDGET | Full Year Forecast inc. Reserve Movements | Variance |
|---------------------------|-----------------------------|--|-----------------|
| COMMUNITY SOLUTIONS | 24,775 | 26,258 | 1,483 |
| CORPORATE MANAGEMENT | 4,417 | 1,758 | (2,659) |
| INCLUSIVE GROWTH | 1,342 | 1,868 | 526 |
| LAW AND GOVERNANCE | (1,304) | (1,466) | (162) |
| MY PLACE | 16,589 | 18,134 | 1,546 |
| PEOPLE AND RESILIENCE | 124,179 | 128,232 | 4,053 |
| STRATEGY & CULTURE | 3,617 | 6,577 | 2,960 |
| TOTAL EXPENDITURE | 173,614 | 181,361 | 7,747 |
| FUNDING | (173,614) | (174,134) | (520) |
| TOTAL NET POSITION | 0 | 7,227 | 7,227 |

3. Key Variances

- 3.1 This section provides a high-level summary of the main variances. The overall position has continued to move in the right direction with the overall pressure reducing month on month. This has been driven by a combination of one-off grants received that were not budgeted for and in year management actions to reduce spend. The two biggest pressure areas are Care and Support and Strategy and Culture. More detail on all Council services is given in Appendix A.
- 3.2 **Community Solutions.** This service is facing a range of different financial risks and pressures including demand and cost pressures that may be partly covid driven in Homelessness, NRPF and the contact centre, additional costs from Digitalisation and the Innovate IT system and the loss of some external grant funding. In response a range of mitigation actions have already been put in place and the service continues to work on new grant bids to replace lost funding and long-term strategies to manage homelessness. The position remains static from last month, but a further £800k of opportunities is being worked on to reduce the pressure further.
- 3.3 **Corporate Management.** There is a forecast underspend of £1.4m in central expenses from provisions and corporate contingencies. This effectively serves as a buffer against service overspends. It should be noted that this is a much lower figure than in previous years as more funding has been moved into service department budgets. There is also an underspend on the ELWA levy budget.
- 3.4 **Inclusive Growth** There is an overspend in this area from income shortfalls - £394 for historic grants no longer being received which needs to be corrected in the MTFs and £145k from the Film Unit where income generation is still being adversely affected by the impact of Covid. A further £36k in unfunded Added Years Compensatory costs, offset by a £49k underspend in commercial services.

- 3.5 **Law and Governance.** Following the introduction of new CPZs and increased traffic as the lockdown has eased there has been an increase in Parking income since last year. This can be volatile and will be monitored throughout the year. Currently it is assumed that any additional income will be transferred to the ringfenced Parking Account reserve at year end. The income can be used for a range of specified purposes that support improved transport within the borough and proposals will be developed for how it can be invested most effectively in future years. The overall position has remained stable within this period.
- 3.6 **My Place.** There are long standing pressures in this service in both Homes and Assets and Public Realm including staffing and agency costs (which have been exacerbated by Covid and the self-isolation rules), transport costs and income from the HRA and commercial rents. The service is undertaking an in-depth review of its operating model to identify its true funding needs and where there is scope for cost reductions. The position has improved further this month due to income forecasts within Public Realm, mainly within pest control.
- 3.7 **People and Resilience.** There has been a very substantial increase in the Children's Care and Support caseload in the past year which is thought to be linked to Covid and lockdown. In addition, the number of children requiring residential care placements and the cost of that provision has also risen. Altogether there is an overspend of £2.6m in Children's Care and Support as a result of these two issues. This area has seen an increase in pressure of £481k in this month. In addition, there are similar pressures in Disabilities for Children with Disabilities, with a £2.2m overspend, a reduction of £243k as a result of one-off Workforce Fund. Adults' care and support is reporting an underspend of £1.8m, a reduction in spend of £7301k, driven by an exercise to reconcile Controcc with Oracle. Overall People and Resilience is forecasting a £4m overspend, and improved position of £599k in Period 9.
- 3.8 **Strategy and Culture.** The main pressure in this area is the loss of the Leisure concession income and financial support to the provider directly linked to Covid. In addition, there are income shortfalls across heritage and leisure and historic pressures in the ICT budget. The forecast has remained static this month.

4. Savings and Commercial Income

- 4.1 There is a savings target of £8.210 m for 2021/22 – of which £2.641m are new savings approved in the MTFs, £5.033m are unachieved A2020 brought forward from the previous year(s) and £0.536m are Transformation programme savings in Care and Support. £4.799m of these savings depend on efficiencies and cost reductions and £3.411m are based on new or increased income. £5.278 of the Council's total commercial income saving has also been included in the tables as this is the incremental increase expected.
- 4.2 Currently around £7m of these savings are regarded as high or medium risk. High risk savings include the contact centre restructure, savings on the Foyer lease arrangements and £2.2m relating to debt and income improvements. The Central Parks relandscaping income is now not expected to be delivered this year.

- 4.3 The budget also includes a target of £12.4m returns from the Council's subsidiary companies – part of which is also reflected in the savings tables. At present there is good confidence that this can be met through dividends paid by Be First for the financial years 2019/20 and 2020/21. (Dividends are paid in arrears following the audit of the accounts and may be delayed in times of uncertainty.) There is no dividend expected from BDTP.

5. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

- 5.1 This report is one of a series of regular updates to Cabinet about the Council's financial position.

6. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 6.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.
- 6.2 Nevertheless, the unique situation of Covid 19 presents the prospect of the need to purchase additional supplies and services with heavy competition for the same resources together with logistic challenges which is causing scarcity and rising costs. Still, value for money and the legal duties to achieve best value still apply. There is also the issue of the Councils existing suppliers and service providers also facing issues of pressure on supply chains and staffing matters of availability. As a result, these pressures will inevitably create extra costs which will have to be paid to ensure statutory services and care standards for the vulnerable are maintained. We must continue careful tracking of these costs and the reasoning for procurement choices to facilitate grounds for seeking Covid 19 support funds.

7 Other Implications

- 7.1 **Risk Management** – Regular monitoring and reporting of the Council's budget position is a key management action to reduce the financial risks of the organisation.
- 7.2 **Corporate Policy and Equality Impact** – regular monitoring is part of the Council's Well Run Organisation strategy and is a key contributor to the achievement of Value for Money.

Public Background Papers used in preparation of this report

- The Council's MTFs and budget setting report, Assembly 3rd March 2021
<https://modgov.lbbd.gov.uk/Internet/documents/s144013/Budget%20Framework%202021-22%20Report.pdf>

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- Appendix A: Revenue Budget Monitoring Pack (Period 9)

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London Borough of Barking and Dagenham Budget Monitor: Period 9

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London Borough of Barking and Dagenham Budget Monitor: Period 9

| Table 1. | Controllable BUDGET FY | Non-Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves | Movement from last month |
|---------------------------|---------------------------|-------------------------------|--------------------|------------------|----------------------------|------------------------|---------------------------|--------------------------|
| COMMUNITY SOLUTIONS | 17,934,548 | 6,840,150 | 27,696,198 | 2,921,500 | (1,438,000) | | 1,483,500 | — |
| CORPORATE MANAGEMENT | 3,075,140 | 1,342,250 | 1,758,273 | (2,659,117) | | | (2,659,117) | — |
| INCLUSIVE GROWTH | 322,991 | 1,018,760 | 1,746,145 | 404,394 | | 122,052 | 526,446 | (110,816) |
| LAW AND GOVERNANCE | 1,359,100 | (2,663,360) | (4,466,429) | (3,162,169) | | 3,000,000 | (162,169) | — |
| MY PLACE | 9,391,640 | 7,196,870 | 18,184,174 | 1,595,664 | (50,000) | | 1,545,664 | (25,235) |
| PEOPLE AND RESILIENCE | 99,835,601 | 24,343,420 | 128,560,955 | 4,381,934 | (328,740) | | 4,053,194 | (599,414) |
| STRATEGY & CULTURE | 8,978,030 | (5,361,190) | 7,212,706 | 3,595,866 | (635,903) | | 2,959,963 | — |
| TOTAL EXPENDITURE | 140,897,050 | 32,716,900 | 180,692,023 | 7,078,073 | (2,452,643) | 3,122,052 | 7,747,482 | (735,465) |
| FUNDING | (140,897,050) | (32,716,900) | (174,134,408) | (520,458) | | | (520,458) | — |
| TOTAL NET POSITION | 0 | 0 | 6,557,615 | 6,557,615 | (2,452,643) | 3,122,052 | 7,227,024 | (735,465) |

Summary: The NET position has improved to a £7.2 m overspend. Total Expenditure is c£7.7m, reduced by c£520k of additional funding, reducing to a NET position £7.3m. This is an overall improvement of c£735k less expenditure from P8 to P9.

Key Risks and Opportunities:

- Children's and Disability service remain the two areas of pressure within care and support, resulting in £4.7m of overspend. This is offset by £1.8m underspend within Adult's. There has been a net reduction in month of c£600k within Care and Support. This has been driven by a combination of one-off grants linked to COVID and data cleanses within Adult's on placement costs within Controcc. There is further potential that this overspend may reduce further over the next few months and we are tracking this through opportunities reporting.
- Community Solutions - There are a range of pressures in Community Solutions arising from additional demand and the loss of grant. However, one off grants and in year actions have reduced this pressure over the year to c£1.5 And there are c£800k of which are quantifiable opportunities still being pursued to bring the overspend down further.
- Strategy and Culture are 82% over budget. This is driven largely because it has been assumed up until now that the soil importation income target would be met. This has now been removed. Heritage income remains a risk in this area but should be limited to £300k. There are also opportunities within this area for additional income from digital advertising and an appeal on NNDR for Eastbury Manor and Valence House .
- We are now holding fewer central budgets following the write off savings and distribution of some contingencies. This should improve the service position but means there is much less of a buffer than in previous years.

Community Solutions: Period 9

Forecast Position: £27.7m (overspend of £1.484m, 5.9% variance)

Table 2.

| COMMUNITY SOLUTIONS | Controllable BUDGET FY | Non-Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves | Movement from last month |
|--|---------------------------|-------------------------------|--------------------|------------------|----------------------------|------------------------|---------------------------|-----------------------------|
| SUPPORT AND COLLECTIONS | 1,936,697 | 4,603,920 | 7,790,617 | 1,250,000 | (225,000) | | 1,025,000 | |
| COMMUNITY SOLUTIONS | 9,303,837 | 762,310 | 10,488,647 | 422,500 | (180,000) | | 242,500 | |
| COMMUNITY PARTICIPATION AND PREVENTION | 6,694,014 | 1,473,920 | 9,416,934 | 1,249,000 | (1,033,000) | | 216,000 | |
| TOTAL NET POSITION | 17,934,548 | 6,840,150 | 27,696,198 | 2,921,500 | (1,438,000) | 0 | 1,483,500 | 0 |

Key Drivers of the Position:

The total overspend for the Department is **£4.4m**.

This has been reduced by (£2.9m) mitigations.

The reported overspend of **£1.484m** is caused by the following:

This excludes COVID related costs charged to COMF.

- Reallocation of cost to one-off RSI Winter Grant **-£900k**
- Income target for Brocklebank & Foyer have not been removed, the buildings have been decommissioned. **£775k**
- Works & Skills Loss of grant **£400k**
- Comsol gap (includes £250k income target) **£318k**
- Pressure of TA (Voids & demand led) **£250k**
- Pressure of NRPF **£216k**
- Digitalisation **£180k**
- Contribution to Innovate system which was unbudgeted **£155k**
- CC & Careline (historic budget gap) **£59k**
- R&B Contact Centre (pressure of Agency cost after mitigations) **£31k**

Total Variance **£1.484m**

The loss of grant are due to combination of reduced amounts previously confirmed by grant providers , unsuccessful bids and ceased grants within Works & Skills.

Agency costs are due to increased demand and dealing with backlog of cases at contact centre.

Mitigation Table (Mitigations are included in the forecast):

| In Year Mitigation | Amount | RAG Rating |
|---|------------------|------------|
| Coroners court - One Year Lease (from July) | 112,500 | Green |
| RSI funding SO1 posts | 42,000 | Green |
| Homelessness growth for 21/22 | 260,000 | Green |
| Homelessness growth for 21/22 | 280,000 | Green |
| Gatefiled Final Payment | 53,000 | Green |
| new burdens grant for Bus Rate | 229,000 | Green |
| Social Care funding 2 posts PO2 & Scale 5 | 96,000 | Amber |
| 2x Scale 5 - Frontline post | 66,000 | Amber |
| Invest to Save (from Growth) | 100,000 | Amber |
| GLA collection grant | 250,000 | Amber |
| Concessionary Fares | 350,000 | Amber |
| Reallocation of cost to Grant (RSI) | 900,000 | Amber |
| Brocklebank Rent | 58,000 | Red |
| Transformation or CSR | 100,000 | Red |
| Total Potential Savings | 2,896,500 | |

Community Solutions: Period 9 Risk and Opportunities

Forecast Position: £27.7m (overspend of £1.484m, 5.9% variance)

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- Although Brocklebank has been decommissioned, there are ancillary costs being charged to the cost centre which may have an aggregate impact on the budget. We are investigating what these costs relates to.
- There are inherent risk associated with expected grants for Works & Skills, as there are possibility of the bids not being approved.
- Contributions towards additional costs associated with Community Banking worth £100k may not materialise.
- We are not able to identify Impacts which may arise from the Afghanistan Support Scheme. However, we do expect financial implications to arise.
- It is assumed COVID-19 related costs c£1.5m will be funded from COMF and other COVID Grants.
- The Ethical Collection Service Fee Income may be impacted due to delay in Parking data.
- The Customer Services invoice c£700k to BDMS for 2020/21 is still outstanding due to cashflow issues. A further invoice will be issued in 2021/22. This relates to the Housing Repairs Service.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

- Possible recharge of **£300k** to BDMS for additional duties at Contact centre will have a positive impact on the forecast
- Works & Skills have put forward grant bids worth circa **£245k**, if successful will reduce the overspend forecast
- A **£250k** gatekeeping buffer has been set-aside for Temporary accommodation due to Voids and demand, if unused will reduce the forecast.

Community Solutions: Period 9

Forecast Position: £27.7m (overspend of £1.484m, 5.9% variance)

| | | Controllable BUDGET FY | Non- Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves |
|--|---------------------------------|---------------------------|-----------------------------------|-----------------------|------------------|-------------------------------|------------------------|---------------------------|
| COMMUNITY SOLUTIONS | | | | | | | | |
| SUPPORT AND COLLECTIONS | Support Services | (1,784,300) | 3,310,220 | 2,550,920 | 1,025,000 | | | 1,025,000 |
| | REVENUE SERVICES | (455,120) | 1,293,700 | 1,063,580 | 225,000 | (225,000) | | |
| COMMUNITY SOLUTIONS | DIRECTOR OF COMMUNITY SOLUTIONS | 128,550 | 276,700 | (21,750) | (427,000) | | | (427,000) |
| | WORKS & SKILLS | 394,260 | 903,860 | 1,878,120 | 580,000 | (180,000) | | 400,000 |
| | CUSTOMER CONTACT | 7,854,242 | (460,050) | 7,663,692 | 269,500 | | | 269,500 |
| COMMUNITY PARTICIPATION AND PREVENTION | PARTICIPATION AND ENGAGEMENT | 1,160,980 | 107,380 | 2,301,360 | 1,033,000 | (1,033,000) | | |
| | TRIAGE SERVICES | 2,497,044 | 174,000 | 2,887,044 | 216,000 | | | 216,000 |
| TOTAL NET POSITION | | 9,795,656 | 5,605,810 | 18,322,966 | 2,921,500 | (1,438,000) | 0 | 1,483,500 |

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The overspend is due to 3 main lifecycles:

Support & Collections: £1.025m (Decommissioning of Brocklebank £525k, development of Foyer £250k, TA voids and demand £250k)

Community Solutions: (£0.427m) (relates to reallocation of general fund expenditure to one-off RSI Winter grant (£900k), Comsol historic gap £318k, cost of Innovate (one-off) £155k, W&S loss of grants £400k, digitalisation costs for Intranet re-design and strategy £180k and customer contact caseload agency costs (one-off) £31k & historic budget gap £59k). The Contact Centre is working on automation and efficiencies currently with a view to realise cost reductions by mid October 2022. This should bring the service back in line within budget.

Community Participation & Prevention: £216k (NRPF is a statutory function which has seen a 65% increase in demand compared to 2020/21)

Corporate Management: Period 9

Forecast Position: £1.76m (underspend of c£2.7m, 53%)

Table 3.

| CORPORATE MANAGEMENT | Controllable BUDGET FY | Non-Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves | Movement from last month |
|---------------------------|---------------------------|-------------------------------|--------------------|--------------------|----------------------------|------------------------|---------------------------|-----------------------------|
| STRATEGIC LEADERSHIP | 458,660 | (746,620) | (336,077) | (48,117) | | | (48,117) | |
| FINANCE | 2,863,330 | (537,890) | 2,073,218 | (252,222) | | | (252,222) | |
| IAS | (4,418,610) | 11,720 | (4,356,890) | 50,000 | | | 50,000 | |
| CENTRAL EXPENSES | 4,171,760 | 2,615,040 | 4,378,022 | (2,408,778) | | | (2,408,778) | |
| TOTAL NET POSITION | 3,075,140 | 1,342,250 | 1,758,273 | (2,659,117) | 0 | 0 | (2,659,117) | |

- There is an underspend of £2.4m in Corporate Management. There is a much smaller underspend in central expenses than in previous years as several provisions have been released into service budgets including the £2m for write off of non achieved savings. This provides much less of a buffer against service overspends.
- The recent one off £50 bonus payment to staff has been funded from this budget
- There is also an underspend of £0.9m against the ELWA levy budget reflecting the latest agreement with the authority.
- The movement has been driven by recruitment for budgeted posts.

Mitigation Table

NONE required in this area

Corporate Management: Period 9 Risk and Opportunities

Forecast Position: £1.76m (underspend of c£2.7m, 53%)

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- A £2m budget provision has been made for the 21/22 pay award i.e., approx. a 2% uplift. If a higher award is made this will cause a budget pressure (either here or dispersed among services.)
- Debt management improvement savings have reduced the budget available for providing against bad debt. The forecast currently assumes a provision in line with last year may be required which would be an overspend of £1m. If the position worsens then further provision would be required.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

- Currently the forecast assumes full spend against a number of contingency budgets including the central redundancy pot and insurance. If these are not required, then this will contribute further underspends the Council position.
- In addition to the reduced in year ELWA contribution some previous funding has been returned to the member authorities. This is not included in the forecast.

Inclusive Growth: Period 9

Forecast Position: £1.97m (overspend of £0. 626m, 47% overspend variance)

Table 4.

| INCLUSIVE GROWTH | Controllable BUDGET FY | Non-Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves | Movement from last month |
|---------------------------|---------------------------|-------------------------------|--------------------|----------------|----------------------------|------------------------|---------------------------|-----------------------------|
| COMMERCIAL | (220,819) | (216,700) | (341,510) | 96,009 | | | 96,009 | (110,816) |
| INCLUSIVE GROWTH | 543,810 | 1,235,460 | 2,087,655 | 308,385 | | 122,052 | 430,437 | |
| TOTAL NET POSITION | 322,991 | 1,018,760 | 1,746,145 | 404,394 | 0 | 122,052 | 526,446 | (110,816) |

Key Drivers of the Position (Summary)

The £526k variance is caused by:

- An income target for Inclusive Growth of £394k which will not be met. This target was set several years ago on the basis of grant income which is no longer received. The only income received by IG is the CIL admin fee which is minimal.
- A shortfall of £145k on Film Unit income. The target is unachievable given the reduction in filming locations.
- £36k unfunded Added Years Compensatory costs
- The above overspends are offset by a net underspend of £49k within commercial services, largely on salaries.

Mitigation Table: There are no mitigations within the forecast.

Opportunities: (These are NOT in the forecast)

- The forecast is based on gross income of £622,000 for the Film Unit and is based on known income to date. The level of income is anticipated to increase as the year progresses. However, it's unlikely that the net income target of £243,000 will be met, as the opportunity to generate income has been impacted by the reduction in filming locations, and the income target is unachievable.

Law and Governance: Period 9

Forecast Position: Underspend of £162k after transfer of estimated £3m parking surplus to reserves

Table 5.

| LAW AND GOVERNANCE | Controllable BUDGET FY | Non-Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves | Movement from last month |
|---------------------------|---------------------------|-------------------------------|-----------------------|--------------------|----------------------------|------------------------|---------------------------|-----------------------------|
| WORKFORCE CHANGE / HR | 2,132,460 | (1,762,520) | 406,540 | 36,600 | | | 36,600 | |
| LAW & ASSURANCE | 3,821,380 | (1,935,890) | 1,910,703 | 25,213 | | | 25,213 | |
| ENFORCEMENT | (4,846,530) | 1,293,500 | (6,820,212) | (3,267,182) | | 3,000,000 | (267,182) | |
| LEADERS OFFICE | 251,790 | (258,450) | 36,540 | 43,200 | | | 43,200 | |
| TOTAL NET POSITION | 1,359,100 | (2,663,360) | (4,466,429) | (3,162,169) | 0 | 3,000,000 | (162,169) | 0 |

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Key Drivers of the Position (Summary):

Following WFB approval the Director of Law and Governance and PA salary costs have been recharged across LGHR. This will require services to work to contain these costs (£244k).

Parking income is forecast to be around £3m above the expected level as traffic levels have increased after lockdown. PCN income to November has averaged £868k per month. It is anticipated that monthly income will fall between now and year end as some cameras will be out of use, but overall annual income including permits is forecast to be approx. £14.8m. This additional income will be taken to the Parking reserve at year end while proposals for its use to improve local transport and community safety are developed.

Mitigation Table:

There are vacancies across Enforcement resulting in budget savings which mitigate overspends elsewhere within the Directorate.

Law and Governance: Period 9 Risk and Opportunities

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- The Private Sector Property Licensing (PRPL) scheme has a challenging income target across five years and so there is a long term risk that it might not generate sufficient net income to meet the income target of £1.924m. This is not currently assessed as high risk but must be monitored.
- Parking income is volatile and depends on driver behaviour and compliance. There is a risk that actual income will be lower than the current forecast. Performance will be closely monitored, and the forecast will be updated over the course of the year based on actuals.
- Private sector Housing Income target of 100k. There is a risk that this may not be achieved. Although significant penalty income of 314k has been raised, most of this remain unpaid. LBBB may need to apply to the court to progress recovery of invoices raised.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

- There are significant staff vacancies currently being recruited to following major reorganisation. The level of underspend may vary depending on the success of the recruitment campaign.
- Barking Market Income: The current income level is influenced by post COVID activities. The monthly income can increase or decrease in future. An extra day was added based on a return to pre COVID levels, this is not being achieved yet and it depends on how COVID impact develops.

My Place: Period 9

Forecast Position: £18.184m (overspend of £1.596m, 9.6% variance excluding transfers from reserves)

Table 6.

| MY PLACE | Controllable BUDGET FY | Non-Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves | Movement from last month |
|---------------------------|---------------------------|-------------------------------|--------------------|------------------|----------------------------|------------------------|---------------------------|-----------------------------|
| MY PLACE | (396,200) | 7,784,670 | 8,629,833 | 1,241,363 | (50,000) | | 1,191,363 | 114,700 |
| PUBLIC REALM | 9,787,840 | (587,800) | 9,554,341 | 354,301 | | | 354,301 | (139,935) |
| TOTAL NET POSITION | 9,391,640 | 7,196,870 | 18,184,174 | 1,595,664 | (50,000) | 0 | 1,545,664 | (25,235) |

Key Drivers of the Position (Summary):

- My Place:
 - a. £1.3m adverse variance due mainly to the recharge of expenditure to the HRA being below budget. The expenditure is being incurred, but was identified as non-HRA after the 2021/22 budget was set.
 - b. Mitigation within Property Assets.
- Public Realm:
 - a. Operations - £935,000 adverse variance related to excess expenditure mainly on transport (£663,000) and agency staff.
 - b. The above line is offset partly by Parks and Environments (£376,000) due to above budget income recharges for Ground Maintenance and Arboriculture, Compliance (£224,000) having favourable income forecasts, mainly on pest control.

Mitigation Table: Only mitigations currently in place around holding vacancies where possible for this financial year.

The HRA/My Place Recharge Budget issue is being addressed in the Budget Setting process for 2022/23.

My Place: Period 9 Risk and Opportunities

Forecast Position: £18.184m (overspend of £1.596m, 9.6% variance excluding transfers from reserves)

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- £130k: Commercial Rental Income due fell in 2020/21 by £190k compared to budget. The service lead is reviewing the current leases.
- £130k: Dispersed Working Saving (Roycraft House) £312k - the original projected timeline of the closure date has slipped. £90k already in Outturn but risk of further slippage if indicated milestones (e.g. start date of new lease arrangement are delayed). This is a one off risk for 2021/22.
- Unquantifiable Risks:
 1. Energy Budget uncertainty not only due to global market but also the delays in actuals coming through and new contract prices engaging from October.
 2. BDMS Corporate Repairs and Maintenance costs have yet to be provided by our partner company for 2021/22. This generates both a possible risk that they could be higher than forecast or conversely, an opportunity if reactive works are limited.
 3. Arboriculture planned works relies on one FTE, therefore it is a recognised point of failure. This could impact forecast income recharges in Parks & Environments. Succession planning and the reduction in overreliance to the post is being factored into the future establishment structure.
 4. Following an external consultancy review on Compliance, significant work is required, and the service are working to establish this position and the financial implications associated with it.
 5. Target Rent calculations used to set some new lets since 2018/19 have been incorrectly applied. There is a risk to the GF relating to potential benefit paybacks and/or penalty fees. Working Group established to address situation and options appraisal underway.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

- Unquantifiable – Transport, with investment in new fleet in recent years, it can be expected that some further reduction in transport expenditure should be realisable from less hire, leasing and breakdowns. This has started to show in the forecast.

People and Resilience: Period 9

Forecast Position: £128.6m (overspend of £4.38m, 3.5% variance)

| PEOPLE AND RESILIENCE | Controllable BUDGET FY | Non-Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves | Movement from last month |
|----------------------------------|---------------------------|-------------------------------|--------------------|------------------|----------------------------|---------------------|---------------------------|-----------------------------|
| DISABILITIES CARE AND SUPPORT | 28,314,597 | 2,376,440 | 32,869,429 | 2,178,392 | | | 2,178,392 | (243,045) |
| ADULT'S CARE & SUPPORT | 19,000,720 | 3,076,900 | 20,896,751 | (1,180,869) | | | (1,180,869) | (730,869) |
| COMMISSIONING - CARE AND SUPPORT | 11,425,014 | 965,320 | 12,368,084 | (22,250) | | | (22,250) | (106,930) |
| PUBLIC HEALTH | (559,250) | 63,000 | 144,880 | 641,130 | (328,740) | | 312,390 | |
| CHILDREN'S CARE & SUPPORT | 38,078,960 | 1,216,300 | 41,863,792 | 2,568,532 | | | 2,568,532 | 481,430 |
| EDUCATION, YOUTH & CHILDCARE | 3,575,560 | 16,645,460 | 20,418,020 | 197,000 | | | 197,000 | |
| TOTAL NET POSITION | 99,835,601 | 24,343,420 | 128,560,955 | 4,381,934 | (328,740) | 0 | 4,053,194 | (599,414) |

Key Drivers of the Position (Summary):

- Disabilities Service:**
 - The favourable movement of £243k is due to the receipt of the Workforce Fund to offset some of the staffing pressures due to an increase in caseloads as a result of COVID.
 - CWD LAC Disaggregation – is responsible for most of the pressure mainly due to the high-cost residential placements. The average weekly cost being £4,600 .
 - Home to school transport continues to carry an overspend due to the increasing demand for transport and the complexities of our children.
- Adults Care and Support**
 - Adults Care and Support reporting a £1.18m underspend, the positive movement in P9 was due to a re-alignment of the homecare forecast based on current actuals rather than Controcc which is overstated.
- Commissioning Care and Support**
 - One-off funding from COVID grants & D2A discharge grants have mitigated budget pressures that did exist at the start of the year such as Equipment costs and EH service.
- Public Health**
 - £312k overspend within PH solely on the Coroners and Mortuary service. This is our share of the overall service overspend which is demand led and is a shared service utilised by us and 4 other neighbouring boroughs.
- Children's Care & Support:**
 - The adverse movement at P9 is mainly attributable to the leaving care budget. A data cleansing exercise has resulted in a more accurate forecast of expected outturn. The overall budget pressure for the Services sits within Corporate Parenting. There has been a substantial increase in Residential placements to a country wide demand for places, which has been exacerbated by the COVID –19 pandemic.
- Education, Youth & Childcare:**
 - £197k relates to unachievable income budgets due to historical corporate budget adjustments

| In Year Mitigations: | Amount | RAG |
|--|----------|-----|
| CCS Commissioning Led Cost Reduction Initiatives 21/22 | | |
| Joint CCG Funding over and above budget | £226,000 | |
| Care Leaver Transitions into Accommodation and Care step downs | £278,000 | |
| Retrospective Residential Price Reductions | £82,000 | |
| CCS Operations Led Cost Reduction Initiatives 21/22 | | |
| Reductions of Supplies and Services Spend (e.g venue hire) | £110,200 | |
| Disabilities Service | | |
| COMF Grant for HTST COVID Measures | £276,400 | |
| Adults Care and Support | | |
| One-Off CCG Winter Pressures Funding | £320,000 | |
| Workforce Capacity Grant | £110,000 | |
| Commissioning | | |
| CCG Discharge Funding - Equipment | £240,000 | |

People and Resilience: Period 9 Risk and Opportunities

Forecast Position: £128.6m (overspend of £4.38m, 3.5% variance)

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- D2A CCG Funding to cease – Nursing placement rates inflated due to COVID Discharges which will be difficult to bring back down to LBBB rates in the short term, this additional cost currently being covered by CCG funding which is due to end in September.
- The outcome of the Norfolk judgement is still a significant risk factor, the cost to the service is currently unknown but it is likely to be very significant if the legal case goes against us.
- Early Help service TOM has yet to be finalised, it is expected that the cost of the service will significantly rise once this is complete as the service is currently significantly understaffed.
- Loss of funding such as the BCF in the future is a significant risk for Commissioning as it generally funds annual contract uplifts.
- The Sexual Health service commissioned by Public Health is a demand led service, although there is no data to support a significant increase in demand, if such a scenario was to occur this could cause the service to overspend.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

- The use of Care Technology is the biggest opportunity care and support has to exploit, currently going through a tendering process, this is not expected to bring about any cost's reductions/avoidance this financial year, but the hope is that we should see these benefits in the coming years.
- The successful step down on any LAC in a high-cost placement will help reduce overall costs. The service conducts regular panel meetings to assess suitability of the children to be moved into less expensive settings whilst not compromising on the quality of care.
- Brocklebank ASD units although delayed, are expected to bring about cost reductions next year by providing cheaper accommodation for our most complex clients
- Government extends Free PPE offer for Adult Social Care sector
- Approx £1.4m of BCF funding currently held in forecast in anticipation of Winter pressures and Assistive Tech costs that have not yet materialised, largely due to CCG discharge funds covering winter pressures and the care tech not yet in full swing, this will likely improve the Adults forecast position next month, if no further spend is committed.

Strategy and Culture: Period 9

Forecast Position: £7.2m net expenditure; overspend £2.96m; 82% adverse variance

Table 8.

| STRATEGY & CULTURE | Controllable BUDGET FY | Non-Controllable BUDGET FY | Full Year Forecast | Variance | Transfer (from) reserve | Transfer to reserve | Variance inc. Reserves | Movement from last month |
|---------------------------|---------------------------|-------------------------------|--------------------|------------------|----------------------------|------------------------|---------------------------|-----------------------------|
| CULTURE & RECREATION | (83,350) | 1,041,190 | 4,059,235 | 3,101,395 | (555,903) | | 2,545,492 | |
| CHIEF INFORMATION OFFICER | 7,160,730 | (5,596,210) | 2,050,520 | 486,000 | | | 486,000 | |
| STRATEGY & PROGRAMMES | 1,347,240 | (312,290) | 1,031,465 | (3,485) | (80,000) | | (83,485) | |
| COMMUNICATIONS | 553,410 | (493,880) | 71,486 | 11,956 | | | 11,956 | |
| TOTAL NET POSITION | 8,978,030 | (5,361,190) | 7,212,706 | 3,595,866 | (635,903) | 0 | 2,959,963 | 0 |

Culture and Recreation: Forecast overspend of £2.5m

Leisure overspend of £2m due to loss of concession income of £1.312k and the provision of a support package to Everyone Active of up to £898k, offset by Leisure Recovery grant of £515k.

Parks overspend of £939k mainly due to slippage in income from soil importation scheme.

Heritage overspend of £190k due to income under-recovery and overspend on NNDR. As Eastbury Manor remains closed the income target should still be considered to be at risk.

Chief Information Officer: Forecast overspend of £486,000

Loss of Income from traded entities £313k. 10% increase in licences due to 250 new users.

IT equipment couriering £99k.

Reduced income from schools due to replacement of VoIP by 8*8 telephony £45k.

There was a 5% vacancy factor applied to the salaries budget on transfer from Elevate which is not being met.

Strategy and Culture: Period 9 Risk and Opportunities

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- Heritage income remains a risk. The exposure should be limited to £300k.
- The forecast position on IT is to be confirmed.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

- The NNDR bills for Eastbury Manor and Valence House have been appealed and, if successful, may result in a refund of up to £200k.
- There may be some soil importation income in 2021/22, as works have commenced.
- Income from Digital Advertising is set to increase. There are currently 33 small format advertising units for which the minimum guaranteed rental income is £5,000 per unit plus a 35% share of income above the guaranteed sum. New units will be coming on-stream throughout the year and will generate additional income. There will be two large format sites in place before year end which will generate £10k each pa. The budget monitor does not currently include any income surplus over and above the income target of £158k.

HRA: Period 9

Forecast Position: £249,000 overspend

| PERIOD 8 VARIANCE | REPORT LEVEL | 2021/22 PERIOD 9 | | | |
|----------------------|-----------------------------------|-------------------|-------------------|-----------------|-----------|
| | | BUDGET | FORECAST | VARIANCE | CHANGE |
| | | £'000 | £'000 | £'000 | £'000 |
| (£1,634) | SUPERVISION & MANAGEMENT | 44,514 | 42,880 | (£1,634) | £0 |
| (£211) | REPAIRS & MAINTENANCE | 18,564 | 18,353 | (£211) | £0 |
| £333 | RENTS, RATES ETC | 423 | 755 | £333 | £0 |
| £0 | INTEREST PAYABLE | 10,742 | 10,742 | £0 | £0 |
| £0 | DEPRECIATION | 16,879 | 16,879 | £0 | £0 |
| £0 | DISREPAIR PROVISION | 0 | 0 | £0 | £0 |
| (£1,309) | BAD DEBT PROVISION | 3,309 | 2,000 | (£1,309) | £0 |
| £0 | CDC RECHARGE | 685 | 685 | £0 | £0 |
| (£2,822) | TOTAL EXPENDITURE | 95,116 | 92,294 | (£2,822) | £0 |
| (£915) | CHARGES FOR SERVICES & FACILITIES | (£20,581) | (£21,496) | (£915) | £0 |
| £2,692 | DWELLING RENTS | (£86,882) | (£84,190) | £2,692 | £0 |
| £13 | NON-DWELLING RENTS | (£770) | (£757) | £13 | £0 |
| £0 | INTEREST & INVESTMENT INCOME | (£50) | (£50) | £0 | £0 |
| £1,790 | TOTAL INCOME | (£108,283) | (£106,493) | £1,790 | £0 |
| £1,281 | TRANSFER TO HRA RESERVE | £ - | 1,281 | £1,281 | £0 |
| 0 | TRANSFER TO MRR | 13,167 | 13,167 | £ - | £ - |
| £249 | | £0 | £249 | £249 | £0 |

Key Drivers of the Position (Summary):

- Supervision & Management: **(£1.634m)**

(£1.311m) of underspend on internal recharges which is predominantly due to the My Place Recharge reduction compared to budget. An investigation is ongoing. (£289,000) on utilities, (£54,000) on security of premises budget not required this year.

- Bad Debt Provision: **(£1.309m)**

The budget has been prudently set at £3.309m for several years and has always been required at some level each year to bolster the existing provision. Last year the additional provision rose by 50%. However, it is not normally the case that the whole budget is required.

A BDP Review has been undertaken and based on a flat run rate, a £2.0m figure maybe required (compared to £1.2m in 2020/21). Therefore, the forecast has been reduced to match this.

- Dwelling Rents/Service Charges: **£1.790m**

On Dwelling Rents, £1.4m relates to void rates higher than both budget and last years Outturn. £900,000 relating to the Target Rent Rate issue, £399,000 Street Purchases which is in part also linked to void rates.

£644,000 on service charges, adjusted for the Leaseholder Reserve movement £1.281m, where water and sewerage recovery is lower than budgeted in part due to RTB sales and excess voids.

HRA: Period 9 Risk and Opportunities

Forecast Position: £249,000 Overspend

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- **£300,000:** Service Charges are raised based on an estimate, then actualised six months after the financial year. For 3 years, the process has concluded actualisation as lower than the estimate. This is down to issues in budget estimates but also being unable to identify costs at block level in certain areas (e.g. R&M).
- Unquantified: Energy Budget uncertainty not only due to global market but also the delays in actuals coming through and new contract prices engaging from October.
- An audit of compliance checks (gas, electricity, fire safety etc) has been completed and the business is preparing a programme to respond. Should this identify any areas of weakness or non compliance this will require immediate remedy. Additional funding will likely need to be built into the 2022/23 HRA Budget.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

- **£250,000:** The Bad Debt Provision budget is set at £3.309m and has historically not been fully required at year end. The opportunity value allows for some growth in the overall BDP but should be seen as a maximum figure.
- Unquantified: Should the Capital Programme forecast for HRA Stock Investment fall by more than £3m, this will create an underspend on the HRA Forecast as less in year funds will be required. It may also reduce interest payable charges slightly due to reduced borrowing requirement. In addition, some schemes in the Programme attract Leaseholder funding which would be used instead of HRA funding where appropriate consultation was undertaken.

In Year Savings: Period 9

2021/22 Savings and Income Targets

Savings

| | | |
|--------------|------------------|-------------|
| High Risk | 1,974,000 | 49% |
| Medium Risk | 1,508,147 | 37% |
| Low Risk | 440,000 | 11% |
| Delivered | 127,000 | 3% |
| Total | 4,049,147 | 100% |

Income

| | | |
|--------------|------------------|-------------|
| High Risk | 2,351,000 | 56% |
| Medium Risk | 1,225,000 | 29% |
| Low Risk | 442,070 | 11% |
| Delivered | 143,000 | 3% |
| Total | 4,161,070 | 100% |

Dividend

| | | |
|--------------|------------------|-------------|
| Low Risk | 5,128,330 | 100% |
| Total | 5,128,330 | 100% |

For the purposes of reporting savings , additional income targets and dividends are set out separately.

Savings: 86% of savings are high to medium risk currently. In some instances where savings are not being achieved alternatives are being delivered through in year as mitigations. Community solutions is a good example of this.

High Risk: The Elevate Exit saving of c£1.04m is now recorded as high risk. £900k of this savings was to be delivered through Revenue and Benefits. This is now considered unachievable. Although, there have been several financial benefits from bringing this service in house. The contact centre restructure savings remain high risk. Currently there are staff pressures in this area driven by demand. The Foyer is also not making the £250k saving identified. The CHC transition money within Disabilities is now recorded as medium risk.

Medium Risk: c.£650k of savings from Children's Efficiencies are also recorded as medium risk the area is delivering significant mitigation but is overspent against budget. Community Solutions restructure saving is not being made, but in year mitigations are delivering against this savings target. The remainder is a timing delay in exiting Roycraft House, £312k and HR restructure resulting in the savings being unlikely to be recognised in full. £600k relating to Central Park landscaping has been deferred to next financial year and recognised as income not savings.

Income:

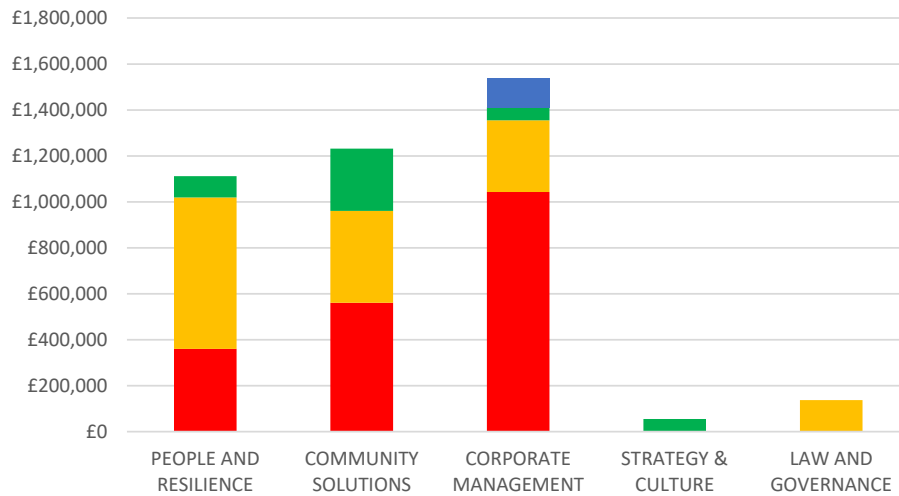
High Risk: £600k of CTSS, £614k of Central Core debt, £483k of Disabilities improvements, and £388k of improving debt collection income is recorded as high risk. A further £150k relating to the Adult's DRE charging policy is high risk. Heritage income of £25k is also recorded as high risk. Strategy & Culture £91k of concessionary fares income.

Medium Risk: £600k relating to Central Park landscaping has been deferred to next financial year. £400k of income generation in Adults social care. £145k in enforcement regulatory service income and £80k of Barking Market extra day income are identified as medium risk.

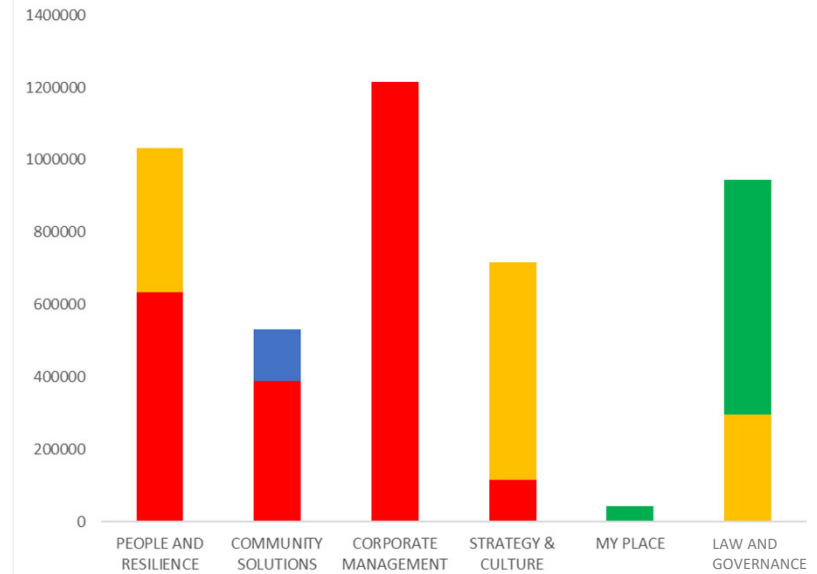
The biggest movement in this arena is dividends which are now low risk due to the expectation of Be First paying a £6m dividend.

In Year Savings: Period 9

2021/22 Savings: Risk Rated



2021/22 Additional Income targets



MTFS Savings/Income Position: 2021/22 to 2024/25

Across the MTFS c£16m in savings and income needs to be delivered. 95% of these proposals are to be delivered in 2021/22, c£13m, meaning that it is crucial that savings are delivered in this year. Of these 52% rated as high or medium risk. C£2.9m is to be made in 2022/23 and c£0.1k is due in 2023/24.

The savings to be made in 2022/23 are primarily made up of £1.1m from the children's efficient TOM. This is currently high risk and a further £1.1m from Brocklebank within Disabilities, which is also high risk. £0.2m from CHC transitions in Disabilities which is also recorded as high risk.

Companies Position: Period 9

Dividend income remains high risk.

The Medium-Term Financial Plan outlined a target of £12.4 from Company Dividends. Included in the £12.4m are income targets of £4.3m for Be First and £0.9m for BDTP which were included in the savings and income target programme representing the incremental increases from the previous year.

At present we are forecasting the following for each company:

- BDTP – no dividend is forecast for this financial year with a significant risk over the next two years of the MTFP
- Be First – we are forecasting a £6m dividend payment for this year, post tax, this is the dividend for 2019/20 and 2020/21. The balance of the £10.2m return will be made up of commercial income and New Homes Bonus from current year activity.
- Reside – There will be a marginal dividend, this will not offset the pressures and we will not be certain on the position until closer to year end
- BD Energy – no income is forecasted in this financial year in line with budget

It is expected that any overall shortfall this year will be funded by drawing down from the Investment Reserve.

As of March 2021, included within the MTFP is income from dividends and investment activity from subsidiary companies. The income targets currently in the MTFS are shown in the table below:

| £million | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|----------------------------|--------------|---------------|---------------|---------------|---------------|
| Be First | 4.733 | 10.390 | 10.895 | 10.707 | 10.707 |
| BDTP | 1.225 | 2.100 | 2.100 | 2.100 | 2.100 |
| TOTAL INCOME TARGET | 5.958 | 12.490 | 12.995 | 12.807 | 12.807 |

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CABINET

21 February 2022

| | |
|---|--|
| Title: Carers Charter 2022-25 and Action Plan | |
| Report of the Cabinet Member for Social Care and Health Integration | |
| Open Report | For Decision |
| Wards Affected: All | Key Decision: Yes |
| Report Author: Arabjan Iqbal, Commissioning Manager, Commissioning Care and Support | Contact Details: Tel: 020 8227 5731 E-mail: Arabjan.iqbal@lbbd.gov.uk |
| Accountable Director: Chris Bush, Commissioning Director, Care and Support | |
| Accountable Strategic Leadership Director: Elaine Allegretti, Strategic Director Children's and Adults | |
| <p>Summary</p> <p>This report presents the Carers Charter for 2022-2025 and associated Action Plan, which act as a framework for the delivery and development of services, working practices, identification and support of unpaid or informal carers in the borough, through a partnership approach.</p> <p>The Carers Charter comprises a series of "I" statements that have been co-produced with carers in the borough alongside key stakeholders from health, social care and the community and voluntary sector.</p> <p>The Carers Charter supports participation and engagement with residents and partners. The outcomes defined in the "I" statements of the Carers Charter and Action Plan will enable carers and their loved ones to thrive and live independent and healthy lives. This is accomplished through joint working across the partnership and bringing carers to the forefront of service delivery. Building on existing partnerships with health and the community and voluntary sector, the Charter will work towards developing effective pathways with partners to identify 'hidden carers'. Hidden carers are those who do not recognise themselves as a carer or are not known to services as providing an informal, unpaid, caring role.</p> <p>The Carers Charter (Appendix A) acts as a basis for the Action Plan (Appendix B) which identifies key deliverables and will be refreshed annually. The Carers Charter was discussed and endorsed by the Health and Wellbeing Board at its January meeting.</p> | |
| <p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <p>(i) Approve the Carers Charter 2022-25 and Action Plan, as set out at Appendices A and B to the report; and</p> | |

- (ii) Note that the Health and Wellbeing Board shall receive an annual update on the delivery and ongoing development of the Action Plan.

Reason(s)

The Carers Charter will deliver the Council's priority of enabling social responsibility by supporting residents to take responsibility for themselves and their loved ones and become more resilient. By accessing timely support and developing a carer friendly community, carers can be identified early and provided with the support they need to thrive alongside their caring role.

1. Introduction and Background

- 1.1 The Care Act 2014 brought carers to the forefront of service delivery in health and social care, by putting them on an equal footing to the cared for. Informal carers make up a significant number of the population with an estimated 1 in 8 people providing unpaid or informal care.
- 1.2 There are a number of carers who provide care and support that are known to services, however, a large number of these are not known to services and are known as 'hidden carers'. It is worth noting that not all carers will require support but access to timely information and advice is valuable to supporting carers and preventing a crisis. Carers provide valuable one to one support to vulnerable residents who can include family and friends.
- 1.3 The Care Act 2014 put in statute for the first time the needs of carers and their right to be recognised for the work that they do. The Care Act and the Children and Families Act 2014 introduced measures to improve the rights of adult and young carers.
- 1.4 Barking and Dagenham's Carers Strategy, Let's Care for Carers 2015-2018 brought together the key elements of the Care Act, Children and Families Act and the National Carers Strategy 2008 to 2018 and provided an important framework in the design and delivery of carers services in the borough.
- 1.5 In 2016, the Government launched a carers' Call for Evidence consultation. The call for evidence showed that carers felt pride and satisfaction in their caring role, but also highlighted the many practical frustrations and difficulties they face, and the profound impact caring can have on their own health, employment and lives outside of caring.
- 1.6 The Carers Action Plan: Supporting Carers today¹ published in June 2018, builds on the National Carers Strategy and was developed following the Carers' Call for Evidence. This was put in place in anticipation of the Green Paper on Health and Social Care and the new National Carers Strategy when it is published. The action plan works to focus on the following five primary themes to improve the health and wellbeing of carers:

¹ [Carers Action Plan 2018 to 2020: Supporting carers today \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/682212/carsers-action-plan-2018-to-2020-supporting-carers-today.pdf)

- a) Services and systems that work for carers
- b) Employment and financial wellbeing
- c) Supporting young carers
- d) Recognising and supporting carers in the wider community and society
- e) Building research and evidence to improve outcomes for carers.

1.7 The Health and Care Bill (2021)² outlines closer working together of Health and Social Care and other partners in delivering services and to support post COVID-19 pandemic recovery. The Bill introduces Integrated Care Systems whose aim is to integrate care across different organisations and settings, joining up hospital, community-based services and health and social care. It is hoped that the Integrated Care Systems will act as a vehicle in improving population health and health inequalities. This step change brings more collaboration and a focus on places and local populations as the driving forces for improvement. This provides an opportunity for carers to be involved in the delivery of NHS services through the wider public consultation.

COVID-19 Pandemic

1.8 The value of carers has been brought to the forefront during the pandemic lockdowns. Carers have picked up a lot of the pressure from health and social care when services were challenged the most, for example by reducing presentations at hospital for the cared for and taking up the pressure from social care when day centres were closed due to Government guidance. This was done alongside working from home and other caring responsibilities such as young children. With the continued challenges on their time, carers often put their own needs on hold whilst prioritising the needs of the cared for person. This can sometimes result in lost opportunities of early intervention for health and wellbeing.

1.9 A report released by CarersUK, Caring behind closed doors: six months on ³ (October 2020) reviewed the impact that the pandemic had on carers, the findings of which have been incorporated in the development of the charter. Some of the findings from the report are detailed below;

- 4 in 5 unpaid carers (81%) are currently providing more care than before lockdown.
- More than three quarters (78%) of carers reported that the needs of the person they care for have increased recently.
- Most carers (64%) have not been able to take any breaks at all in the last six months.
- More than half (58%) of carers have seen their physical health impacted by caring through the pandemic, while 64% said their mental health has worsened.
- Despite government intervention in the labour market, 11% reported reducing their hours and 9% had given up work because of caring.

1.10 The COVID-19 pandemic has put increased pressure on carers, with several facing financial instability due to increases in the numbers of hours that they provide care and juggling working from home and their caring responsibilities.

² [newbook.book \(parliament.uk\)](https://www.newbook.parliament.uk)

³ [Caring_behind_closed_doors_Oct20.pdf \(carersuk.org\)](https://www.carersuk.org/research/caring-behind-closed-doors-oct20)

Carers Support Service in Barking and Dagenham

1.11 Carers of Barking and Dagenham provide the local carers support service and is commissioned jointly by the London Borough of Barking and Dagenham and NHS North East London Clinical Commissioning Group (NEL CCG). The services are delivered to all carers and comprise of a service for adult carers and one for young carers.

1.12 Adult carer support service includes:

- Information, Advice and Guidance
- Peer support including groups for specific communities
- Signposting to other services including health, social care and voluntary sector services
- Training
- Income maximisation
- Access and maintaining employment, training and education opportunities
- Accessing Personal Protective Equipment
- Through the pandemic the service has adapted its delivery model to support carers especially during the lockdowns so that carers can access food medication and necessary supplies
- Attend strategic and partnership meetings to promote, influence and develop carers support

1.13 Young carer support service includes:

- Support services for young carers in the borough up to the age of 18
- Activities for young carers including training, sports, days out
- 1:1 support for individual carers where they need more support
- Signposting to various services including careers services, CAMHS, Drug and alcohol services, sexual health and other council and voluntary services the young carers may benefit from
- Homework club for the young carers
- The opportunity to share their experiences with other young carers
- Peer support to help other young carers within schools

Carers Strategy Group

1.14 The Carers Strategy Group works as a partnership to deliver outcomes from the Carers Strategy. The group is made up from representatives from Social Care, NEL CCG, Healthwatch, DWP JobCentre Plus, NELFT End of Life, Employment and Skills, Public Health, Carers of Barking and Dagenham, Community Solutions, Commissioning and LBBB Performance and Intelligence Team as well as a Carer representative. The Carers Strategy Group meets quarterly to monitor delivery of the strategy, raise awareness of the challenges faced by carers, discuss new initiatives that are being delivered and bringing carers to the forefront of service delivery.

2. Carers Charter and Action Plan

2.1 The Carers Charter was developed to build on the work delivered as part of the Carers Strategy as well as to include Young Carers and to reflect the carers needs in the evolving COVID-19 landscape. The Carers Charter and initial Action Plan once agreed provide a framework for the partnership to deliver support to carers.

Structure of the Charter

2.2 The Carers Charter is made up of four areas:

- Working together for Carers
- Carers Wellbeing and Employment
- Supporting Young Carers
- Carers in the wider community

2.3 A Carers Charter and Action Plan was put in place to provide an accessible document that outlined our commitments to carers and a supporting document that had deliverable actions that could be monitored and updated as work progresses.

2.4 Initial discussions were started with stakeholders, residents and carers prior to COVID but the majority of the work and development for the charter has been developed during 2021; and takes into account the challenges and life experiences of carers as well as changing working practices of partners in reflection of the pandemic and the impact this has had on carers.

Strategic Context

Joint Strategic Needs Assessment

2.5 The Joint Strategic Needs Assessment makes recommendations for several areas that impact on the lives of both young and adult carers. This can range from the impact of young people not realising their potential through education and employment due to their caring roles as well as the impact of being a carer on the mental health of carers of all ages. Financial resilience alongside health and wellbeing of the cared for contributes to the impact on the carer. Carers are often caring for individuals with complex needs which means that they do not address their own health and wellbeing needs as the cared for person is prioritised.

2.6 The needs identified in the JSNA all impact on carers as they support individuals with varying needs and different stages of the life course. Positive outcomes for the cared for including timely support, access to services including prevention services and providing a carer friendly community will contribute to supporting carers in their caring role. An example of this is accessing COVID-19 vaccinations and identifying carers locally. The Carers Charter and Action Plan will support bringing carers to the forefront of service delivery across the partnership.

Joint Health and Wellbeing Strategy

2.7 The Joint Health and Wellbeing Strategy aims are aligned with the Carers Charter and Action Plan. Carers and the cared for can have health and wellbeing support

needs, which when addressed early through intervention and prevention can decrease or slow down the need for further support from health and social care.

- 2.8 Becoming a carer can often happen overnight and have far reaching multifaceted impacts on the lives of the carer, especially when a person does not identify themselves as a carer or equally are not given the information to come to that conclusion, thereby, are unable to access the right support. Building resilience and improving health and wellbeing outcomes using trauma-informed intervention models will enable carers to practice self-care as well as enable carers of all ages to participate in opportunities such as employment, education, and training.

Better Care Fund

- 2.9 It is important that everyone works together to improve the lives of carers in Barking and Dagenham. The partnership between health and social care is of particular importance and as such, the local authority and NEL CCG have agreed that support to carers should be one of the key themes of the Better Care Fund (BCF). This includes the joint commissioning of the carers support service delivered by Carers of Barking and Dagenham.

- 2.10 In particular, the BCF plan sets out that we will:

- Improve the support available to carers, recognising their key role in helping people to remain in their own homes, which will in turn support planned reductions in rates of avoidable admissions to hospitals and care homes;
- Identify additional services required for carers and supporting commissioning activities to develop these services;
- Target carers at risk of breakdown and positively increasing the number of carers supporting people in their own homes for as long as possible;
- Meet the requirements of the Care Act;
- Improve the experience of carers and service users by ensuring that their needs and priorities are reflected in provision.

NHS Long Term Plan

- 2.11 The NHS Long Term Plan launched in January 2019 echoes the commitment to carers including better recognition and support of carers, especially from vulnerable communities, and improve outcomes. Carers being supported through emergencies and not having to manage on their own by understanding access to and signposting to out of hours options, contingency planning and specific support for young carers. There is also an increased focus on social prescribing in primary care and a co-ordinated, proactive approach to the delivery of the service to enable a more differentiated support offer.

Borough Partnership

- 2.12 To achieve partnership goals and tackle the health inequality challenges of boundaries, the Partnership Board is being proposed to lead on strategy development to develop place-based care that addresses whole population needs. Commissioning plans would include commissioning services in the preventative space and the integration of the social sector into models of care so that there is a ground up connection with communities. The Board will be supported by a

programme structure that supports delivery across separate pathways of care for children and adults. Delegated authority would be sought for responsibility for pooled health and care budgets that are managed under a Section 75 partnership arrangement.

3. Options Appraisal

- 3.1 Having a Carers Charter in place supports the collective vision as a partnership across the Council, Health, the Community and Voluntary Sector. Although partners continue to support carers, having a collective approach and increasing awareness of the support available enables timely, appropriate support and information to be provided to prevent a crisis and enable carers to maintain their caring role, by putting carers at the forefront of service delivery. Supporting carers in their caring role empowers residents, increases resilience and reduces or delays additional support and intervention being put in place, thereby reducing pressures on health and social care. Having a holistic approach to supporting carers across the partnership also reduces health and social-economic inequalities through early intervention and reducing opportunity losses in employment, training and development due to their caring role.

4. Co-production and Engagement

- 4.1 To engage as widely across the Borough as possible and provide genuine opportunities for carers to be involved in the development of the Carers Charter, consultation took place through virtual events, meetings and via the Council's consultation and engagement website, One Borough Voice.
- 4.2 The consultation process was designed to take place in stages. This best practice approach allowed us to maintain continuous dialogue with carers throughout the development process, ensuring their input led to a Carers Charter that was co-produced and truly reflective of their priorities and aspirations. The consultation on the Carers Charter has been identified as an exemplar piece of work, bringing carers along the journey and adapting the method and format of the consultation, so that all carers' voices can be heard. Carers of Barking and Dagenham, as the carers support service provider, alongside development of the consultation material, also supported the workshops and focus groups, facilitating representation from a cross range of carers. A small number of carers preferred to complete hard copies of the consultation questions which was supported by Carers of Barking and Dagenham and sent through to be uploaded.
- 4.3 The Carers Charter consultation took place between February 2021 and August 2021 through three separate stages.
- Stage 1: 48 Participants (One Borough Voice consultation)
 - Stage 2: 21 Participants (virtual workshop via Zoom)
 - Stage 3: 22 Participants (One Borough Voice consultation)
- 4.4 Aside from the initial focus groups and the workshops, there were 337 visits to the Carers Charter page on the One Borough Voice portal with 70 engaging in completing the consultation.

- 4.5 Questions for the initial stage were developed with carers focus groups, based on the local and national policy and their lived experience, and were put on the One Borough Voice portal for consultation. Alongside this, work was done with stakeholders in health, social care and the community and voluntary sector to identify areas that are important to carers and building on the positive work that has already been undertaken to support carers in their caring role. From the analytics of One Borough Voice there was a lot of interest in each stage of the consultation but not all visits resulted in a completed questionnaire.
- 4.6 In addition to the questions, carers were given an opportunity to include things that they would like to be included or considered as part of the development of the Carers Charter. This provided a platform for more discussion in the absence of face-to-face workshops and forums, where discussion points could be teased out further or carers could approach the facilitator for a separate discussion. Following on from feedback from carers, a workshop was put in place to discuss the Carers Charter further and to develop I statements with the carers.
- 4.7 The Carers Charter uses the principles of 'Think Local Act Personal' and includes the co-produced I statements with the carers that talk about the outcomes that carers identified and we will deliver as part of the Carers Strategy Group and the partnership. Triangulation of all the information, feedback and policy context was used to develop the Carers Charter, with a long list of I statements put out for consultation and subsequently shortlisted down to four in each area by the carers.
- 4.8 The Carers Charter informed the development of the Action Plan and how partners would support the delivery of this shown in Appendix B. The Action Plan will be monitored through the Carers Strategy Group and updated annually through consultation with carers and the Carers Strategy Group to make this a reflective document monitoring the achievements delivered in this space and joint future areas of work that need to be focused on. In essence these two documents will outline our vision and priorities in supporting carers in their caring role across the partnership.
- 4.9 Feedback received from Carers of Barking and Dagenham on the development of the Carers Charter is as follows:
- "The document is a well thought out and user-friendly piece of work that has clearly identified the issues that carers face. Carers of Barking and Dagenham have been heavily involved in the consultation process and carers have expressed how they appreciated having their views listened to. The commissioner has worked very hard to ensure that all voices were heard, and the charter is presented in a way that is easily read and understood. This has been a good example of joint working and we look forward to receiving the final document."*
- 4.10 Previously, young carers were not included in the Carers Strategy, the work to support Young Carers has however been incorporated in the work of the Carers Strategy Group. A young carer within legislation is defined as someone who is under the age of 18 with caring responsibilities. Young carers take on various responsibilities, including washing and dressing the person they are caring for which could be a parent or other family member, looking after younger siblings, undertaking domestic chores such as cooking, cleaning, and shopping. Young

carers maybe supporting a family member with a disability, mental health issues or drug and alcohol dependency.

- 4.11 Consultation with young carers took place via the young carers' subgroup and ambassadors' workshop, where they were asked to develop I statements they felt were significant to them. We worked with the provider Carers of Barking and Dagenham to consult with young carers in the borough. Young carers were given the option of taking part in the carers survey, which was advertised widely and on the One Borough Voice website, at each of the stages.
- 4.12 Alongside this work, the Carers Charter and Action Plan were developed with members of the Carers Strategy Group including NEL CCG, NELFT End of Life, Social Care, Carers of Barking and Dagenham. Alongside the focus groups, the Carers Strategy Group provided the themes of the initial consultation questions, development of the I statements and subsequent Action Plan. All our partners have been promoting the consultation process locally and supporting carers to have equity in developing the Carers Charter.
- 4.13 There is also a Tri-Borough Carers Network Group which includes Barking and Dagenham, Havering and Redbridge carers leads, carers commissioned services alongside NEL CCG lead and the BHR Integrated Care Partnership (ICP) clinical lead for Carers. The group meets quarterly to discuss ideas, innovation and joint working to better support carers in their caring role across the tri-borough footprint. This group along with representatives from Barking, Havering and Redbridge University Hospitals NHS Trust (BHRUT) have also been involved in developing the Carers Charter and Action Plan.
- 4.14 The Community and Voluntary Sector are an important partner in delivering the Carers Charter and are often the first point of contact for carers including 'hidden carers' in the community. BD Collective, through the Re-imagining Adult Social Care Forum have also contributed to the development of the Carers Charter and Action Plan. In addition to this, consultation and development has also been undertaken with the Metropolitan Police and informed the Carers Charter and Action Plan.
- 4.15 As part of the consultation process the proposed Carers Charter and Action Plan have been considered and endorsed by the Corporate Strategy Group at its meeting on 18 November 2021. The report was subsequently considered and endorsed at the P & E Members Group Meeting on 21 December 2021. The report was then presented at the Health and Wellbeing Board on 12 January 2022 where it was endorsed. Both the Carers Charter and the Action Plan have been positively received and commended as an excellent piece of co-production that brought the carers along the journey of the development of the charter.
- 4.16 The Carers Charter and Action Plan promote a joined up and co-ordinated response across the partnership and allow services to provide a holistic support response. The Carers Action plan will be monitored through the Carers Strategy Group through measurable outcomes and a progress report will be presented to the Health and Wellbeing Board on an annual basis.

5. Financial Implications

Implications completed by: Murad Khan (Finance Manager)

- 5.1 There are no direct financial implications to this report, which sets out the carers support framework and charter which has been endorsed by the Health and Wellbeing Board in January 2022.
- 5.2 The health and wellbeing of our carers is of paramount importance as stress or poor working conditions can lead to sickness, absence or resignation, this could lead to significant financial pressures in the future in the form of increased care costs.

6. Legal Implications

Implications completed by: Dr Paul Feild (Senior Governance Lawyer)

- 6.1 The Care Act 2014 contains provisions relating to adult care and support and health and is intended to give effect to the policies requiring primary legislation that were set out in the White Paper Caring for our future: reforming care and support, to implement the changes put forward by the Commission on the Funding of Care and Support, and to meet the recommendations of the Law Commission in its report on Adult Social Care to consolidate and modernise existing care and support law. Furthermore, it establishes a fund for the integration of care and support with health services, to be known as the Better Care Fund and made provision for additional safeguards around the general dissemination of health and care information. While the Care Act is adult focused the important role that young carers and their need for support is addressed by the Children and Families Act 2014 and it shall working in conjunction with the Care Act.
- 6.2 Local Authorities responsibilities are set out in the Care Act including care and support roles. There is an overriding principle that that local authorities must promote the well-being of the adult when carrying out their functions under the Act.
- 6.3 As set out in the body of this report the Council is under a duty to assess carers. It requires a local authority to carry out an assessment, known as a “carer’s assessment”, where it appears that a carer may have needs for support at that time, or in the future. The aim of the assessment is to determine whether a carer has support needs either currently or, possibly, in the future and what those needs may be.

7. Other Implications

- 7.1 **Corporate Policy and Equality Impact** – During the development of the Carers Charter consideration was given to the Equality Impact of the Charter and Action Plan. Following completion of the screening tool and discussions with the Corporate Strategy team it was concluded that the charter had a positive impact and a full EIA would not be required. The Action Plan will however be continuously monitored and the screening tool revisited cyclically or when a significant impact is observed in the delivery of the Action Plan. Corporate Strategy noted that developing culturally specific support is built into the Carers Charter.

The Carers Charter is in line with the Borough Manifesto including:

- A place where every resident has access to lifelong learning, employment and opportunity.
- A place which supports residents to achieve independent, healthy, safe and fulfilling lives.
- A place where everyone is valued and has the opportunity to succeed.

The Charter also supports the Corporate Plan through;

- Participation and engagement - through the development and delivery of the Carers Charter.
- Prevention, Independence and Resilience - through the delivery of improved outcomes for children, families and adults. Alongside supporting young people to achieve success in adulthood through education, training, apprenticeships and employment.
- Tackling inequalities - such as prioritising carers health alongside the cared for persons needs, is a key part of the Carers Charter.
- Inclusive Growth - supporting carers to access employment opportunities and utilise transferable skills as well as increased financial resilience.

In addition to this as detailed earlier in the report, the Carers Charter links in with the Joint Strategic Needs Assessment, the Joint Health and Wellbeing Strategy, NHS Long Term Plan and the Borough Partnership.

7.2 Safeguarding Adults and Children - The Carers Charter will facilitate improving outcomes for Children and Adult carers as well as the cared for. This is an all age charter that looks to improve outcomes in health, wellbeing and financial resilience through access to early intervention and prevention and reduce opportunity losses due to the caring role, especially young carers. The Charter also takes into consideration all relevant legislation including the Children and Families Act 2014 and the Care Act 2014.

7.3 Health Issues – The Carers Charter has been developed in line with the Joint Health and Wellbeing Strategy and incorporates the Joint Strategic Needs Assessment and the NHS Long Term Plan. It is envisaged that the joint partnership response to the health of carers and the cared for will bring positive outcomes in health and work towards reducing some of the health inequalities faced by local residents, which includes carers and the cared for.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

Appendix A - Carers Charter 2022-25

Appendix B - Carers Charter Action Plan

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Carers Charter 2022-25

This Carers Charter has been developed with unpaid carers in Barking and Dagenham who provide valuable support to loved ones. The charter outlines the commitment to carers across the borough including our partners and how we will help them in their caring role.



Working together for carers

1. I have help at an early stage.
2. I want friendly professionals who understand my role as a carer and listen to me.
3. I am recognised as an expert and equal partner of care with my views and opinions valued and respected.
4. I want to access a range of support, including breaks from my caring responsibilities, to help me live my life and continue to carry on with my caring role.



Carers wellbeing and employment

1. I have access to information and advice to help me look after my own mental and physical health.
2. I can access an effective response from health and social care to address changes in my loved ones needs, for instance increase in care package so that I can return to work quickly.
3. I am supported to maximise my income including accessing benefits.
4. I am supported with my caring responsibilities so that I can continue to work or study.



Supporting young carers

1. I can attend carers support groups and activities with young carers that understand what I am going through.
2. I can access help to support me with my mental health and wellbeing.
3. I am able to focus on my future and my studies without impacting on my caring role, including university, training, apprenticeships and employment options.
4. My school or college understands my caring role and I feel supported.



Carers in the wider community

1. I recognise I may need help both in my caring role and in maintaining my own health and well-being.
2. I can access a carers needs assessment when I need it.
3. I want to be able to find out information about what services are available in the community.
4. Information is shared with me and other professionals to raise awareness and signposted appropriately.

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Appendix B

Carers Charter Action Plan

| Carers Charter Action Plan | | | | | |
|--|---|--|--|----------------|--|
| Carers Charter Area | Objective | Action | Owner | Reporting time | Measure |
| <ul style="list-style-type: none"> I have help at an early stage. I want friendly professionals who understand my role as a carer and listen to me. | Promote identification of hidden carers. | Training to identify carers/hidden carers and understand their contribution to health and social care for all frontline staff within the partnership. | All | Quarterly | % of staff completed training (target 60% per annum) |
| | Develop a referral pathway at hospital discharge to the Carers Centre. | Referral pathway developed and promoted to staff at BHRUT to refer carers to Carers of Barking and Dagenham. | CHAT | Mar-23 | Quarterly % increase in the number of referrals once pathway in place |
| | Promote identification of hidden carers by GPs. | Training and pop up reminder on GP system to promote recording of carers by GPs. Promote identification and recording of carers by GPs through GP intranet and PTI and links to signposting. | NEL CCG (BHR ICP) | Quarterly | Number of additional patients recorded as carers. |
| <ul style="list-style-type: none"> I am recognised as an expert and equal partner of care with my views and opinions valued and respected. | Involve Carers in cared for health and wellbeing planning. | Involve carers in the assessment and development of support plans for the cared for. | LBBB Social Care | Quarterly | Case studies of carers supported |
| | Develop Carers Champions | Identify champions in the workforce to drive the delivery of the carers charter and bring carers to the forefront of service delivery. | All | Annually | Number of carers champions and successful initiatives |
| <ul style="list-style-type: none"> I want to access a range of support, including breaks from my caring responsibilities, to help me live the life; and continue to carry on with my caring role. | Support carers in a culturally competent approach to deliver person centred outcomes. | Increase awareness of support requirements for carers of different cultural and racial backgrounds by meaningfully considering race and identity of carers through training and shared learning. | All | Quarterly | Number of training and shared learning sessions that reflect culturally competent practice. Survey of carers experience of service (annual) |
| | Carers access support and breaks through direct payments. | Development of Carers Market for carers to use direct payments. | LBBB Commissioning Carers of Barking and Dagenham LBBB Social Care | Annually | Number of carers accessing support and breaks through direct payments. |

| Carers wellbeing and employment | Objective | Action | Owner | Reporting time | Measure |
|---|--|---|---|----------------|--|
| <ul style="list-style-type: none"> I have access to information and advice to help me look after my own mental and physical health. | Maximise income for carers | Training to identify hidden carers Maximise income through employment, training and benefits. | LBBB Community Solutions DWP Job Centre Plus Carers of Barking and Dagenham | Quarterly | % of staff completed training (target 60% per annum) -accessing employment, including initiatives like Kickstart, Jets, Sector-based work Academy programmes (SWAPS) DEA Direct support, DWP Apprenticeships, volunteering opportunities and employment programmes run by DWP -increased engagement with Homes and Money Hub, including support with budgeting - wellbeing courses with a view to employment (confidence/motivation) -training -additional benefits -% increase of Carers Allowance from baseline. |
| | Increase screening and referrals for carers (prevention/early intervention) | Link worker to work with GPs and promote social prescribing carer referral. | LBBB Community Solutions/ NEL CCG | Quarterly | 2% increase in carers accessing social prescribing |
| <ul style="list-style-type: none"> I can access an effective response from health and social care to address changes in my loved ones needs, for instance increase in care package so that I can return to work quickly. | Increase awareness of working carers and impact of timely intervention for social care and health staff. | Work with health and social care partners to raise awareness. | Carers of Barking and Dagenham | Six monthly | Case studies of carers supported |
| <ul style="list-style-type: none"> I am supported to maximise my income including accessing benefits. | Increase employment/training opportunities. | Work with Carers to access employment/training and utilise experience gained as a carer. | LBBB Community Solutions/ Job Centre Plus | Quarterly | % increase in number of carers accessing employment/training and volunteering. % carers engaging with JobShop and Adult College |
| | Increase uptake of NHS health checks and screening for eligible carers. | Promote uptake of health checks to carers | NEL CCG/ LBBB Public Health | Quarterly | No. of healthchecks accessed by carers. |
| <ul style="list-style-type: none"> I am supported with my caring responsibilities so that I can continue to work or study. | Increase uptake of COVID and Flu vaccinations amongst carers | Continue to promote vaccinations to carers amongst partner organisations. | LBBB Public Health | Annually | % of identified carers vaccinated for COVID % of identified carers vaccinated for Flu |
| | Support older carers of adult children with disabilities to access advance care planning for cared for. | Plans for adult children with disabilities to be put in place to be implemented after parent passes away. | End of Life Care Service LBBB Social Care | Annually | Number of advance care plans in place |

| Supporting Young Carers | Objective | Action | Owner | Reporting time | Measure |
|---|---|---|--|----------------|---|
| • I can attend carers support groups and activities with young carers that understand what I am going through. | Young carers are able to attend activities and meet with peers who understand their situation, and they receive a break from their caring responsibilities. | Activities and regular groups take place to support young carers. | Carers of Barking and Dagenham | Quarterly | Number and type of online and face to face activities. |
| • Increase awareness and support for young carers. | Increase awareness and referral pathways for young carers | Safeguarding Board Partners are aware of the young carers services | Carers of Barking and Dagenham Disability Services Voluntary Sector Drugs and Alcohol Services Education Safeguarding | Quarterly | Partners are referring into services. |
| • I can access help to support me with my mental health and wellbeing. | Increase access to mental health and wellbeing support services. | Work with health partners to increase awareness of young carers and access support. Signpost young carers to mental health support | Carers of Barking and Dagenham, Education and all NHS partners | Quarterly | % increase from baseline young people accessing mental health support. |
| | Promote awareness of young carers | Work with Carers of Barking and Dagenham and Young Carers to promote carers in the young people's space. | Carers of Barking and Dagenham | Quarterly | Number of assemblies with schools. |
| • I am able to focus on my future and my studies without impacting on my caring role, including university training and employment options. | Support young people to continue in education, training and employment | Develop partnerships with schools to increase awareness of young carers and how schools/colleges can build on this work. | LBBB Education, Carers of Barking and Dagenham LBBB Community Solutions | Quarterly | Number of new initiatives delivered/ developed. - % increase in NEET young carers accessing advice services for training and employment. |
| • My school understands my caring role and I feel supported. | Schools where possible are able to work with and help young carers to meet their potential | Increase awareness of support requirements for carers in schools | Carers of Barking and Dagenham LBBB Social Care LBBB Education/ Designated Safeguarding Leads | Six monthly | Number of referrals from schools. |
| Carers in the wider community | Objective | Action | Owner | Reporting time | Measure |
| • Recognise I may need help both in my caring role and in maintaining my own health and well-being. | Identify carers and provide onward referral to Carers of Barking and Dagenham. | Increase awareness of support requirements for carers including providing culturally competent support by meaningfully considering race and identity of all age carers. | All | Quarterly | Breakdown and number of referrals received from partners by Carers of Barking and Dagenham - Case studies of carers supported |
| • I can access a carers needs assessment when I need. | Increase uptake of carers needs assessments. | All actively promote the carers needs assessment and referral to the Intake Team. | All LBBB Social Care LBBB Performance and Intelligence Team Carers of Barking and Dagenham LBBB Community Solutions Healthwatch | Quarterly | % increase in Carers Assessments from baseline. |
| • I want to be able to find out information about what services are available in the community. | Develop a carer friendly community. | Work with the all partners and local businesses and employers to develop a carer friendly community. | All Local businesses/ LBBB Community Solutions | Six monthly | Report initiatives and processes developed including service user feedback. - increase in number of flexible employment roles available for carers |
| | Identify and support carers at incidents or in contact with Police. | Increase awareness of all age carers and appropriately refer to carers support service. | Metropolitan Police | Quarterly | No of referrals received by Carers of Barking and Dagenham. |

| | | | | | |
|--|--|--|--|------------------|---|
| <p>•Information is shared with me and other professionals to raise awareness and signposted appropriately.</p> | <p>Promote services to carers and partners including signposting and referral pathway.</p> | <p>Promote services through GP intranet, partner websites, faith forums, community and voluntary sector organisations.</p> | <p>All, BHRUT BD Collective End of Life Care Service Healthwatch Carers of Barking and Dagenham Community Solutions Community Hubs</p> | <p>Quarterly</p> | <p>Monitor referral source to Carers of Barking and Dagenham Strong culture on feedback form referrals and areas where improvements can be made/best practice No of information and training sessions delivered. No of forums attended.</p> |
|--|--|--|--|------------------|---|

CABINET

21 February 2022

| | |
|--|---|
| Title: Budget Framework 2022/23 and Medium Term Financial Strategy 2022/23 to 2025/26 | |
| Report of the Cabinet Member for Finance, Performance and Core Services | |
| Open Report | For Decision |
| Wards Affected: All | Key Decision: Yes |
| Report Authors: Philip Gregory, Finance Director Katherine Heffernan, Head of Services Finance Philippa Farrell, Head of Services Finance Caroline Connolly, Principal Accountant | Contact Details: Tel: 020 3911 7936 E-mail: philip.gregory@lbbd.gov.uk |
| Accountable Director: Philip Gregory, Finance Director (Section 151 Officer) | |
| Accountable Strategic Leadership Director: Claire Symonds, Interim Chief Executive & Managing Director | |
| Summary | |
| <p>The budget framework for 2022-23 is prepared in the context of continued uncertainty arising from the COVID-19 pandemic. The impact on the community of COVID-19 has resulted in financial pressures to the Council since March 2020 which will have implications for years to come. The Council has paid over £45m to local businesses in COVID-19 grants. The Council continues to support vulnerable local residents by providing additional Council Tax Support in addition to providing other support and by working in partnership with community organisations.</p> <p>This Medium Term Financial Strategy (MTFS) shows how the delivery of a strategy for a new kind of council goes hand in hand with organisational financial health. It is prepared recognising the financial uncertainty as a result of the COVID-19 pandemic and from uncertainty facing the sector in light of plans to delay fair funding reforms and 75% business rates retention until 2023/24 at the earliest, whilst taking into account anticipated demands and pressures.</p> <p>The Government issued a Budget in March 2021 followed by a Budget and Autumn Statement in October 2021. The Government have set out their ambition to 'level-up' funding across the country, the impact of which for local government is a commitment to revise funding formulae for 2023-24 introducing the Review of Relative Needs and Resources (Fair Funding) and business rates reset. As an interim measure another one year funding settlement has been provided for 2022-23. Additional funding has been provided by Government for 2022-23 for one year only which will be redistributed in future years through funding reforms. This has resulted in an extremely uncertain environment within which the MTFS has been prepared.</p> <p>This report sets out the:</p> | |

- Proposed General Fund revenue budget for 2022-23
- Proposed level of Council Tax for 2022-23
- Medium Term Financial Strategy (MTFS) 2022-23 to 2025-26
- Draft capital investment programme 2022-23 to 2025-26
- Update on the Dedicated Schools Grant and Local Funding Formula for Schools

The General Fund net budget for 2022-23 is £181.895m. The budget for 2022-23 incorporates decisions previously approved by Members in the Medium Term Financial Strategy including the savings approved by Assembly in previous years together with changes in government grants and other financial adjustments.

The Council proposes to increase Council Tax by 2.99%. This includes 1.99% for general spending and a further 1% that is specifically ringfenced as an adult social care precept. This will increase the level of Council Tax from £1,348.91 to £1,389.24, (£40.33) for a band D property.

The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £31.93 (8.8%) for a Band D property, changing the charge from £363.66 to £395.59 of this £15.00 relates to the Police Precept, £1.93 for the London Fire Brigade and £15 as a contribution towards the cost of discretionary concessionary fares.

The combined amount payable for a Band D property will therefore be £1,784.83 for 2022-23, compared to £1,712.57 in 2021-22. This is a total change of £72.26. At its meeting on 18 January 2022, the Cabinet agreed an enhanced Council Tax Support Scheme in order to continue to support local residents on very low incomes.

The proposed draft 4-year capital programme is £1,483m for 2022-23 to 2025-26, including £96.517m for General Fund schemes. Details of the schemes included in the draft capital programme for 2022-23 are at Appendix F.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to:

- (i) Approve a base revenue budget for 2022-23 of £181.895m, as detailed in Appendix A to the report;
- (ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2022-23 to 2025-26 allowing for other known pressures and risks at this time, as detailed in Appendix B to the report, including the revised cost of borrowing to accommodate the capital costs associated with the implementation of the MTFS;
- (iii) Delegate authority to the Finance Director, in consultation with the Cabinet Member for Finance, Performance and Core Services, to finalise any contribution required to or from reserves in respect of the 2022-23 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2022;
- (iv) Delegate authority to the Finance Director, in consultation with the Cabinet Member for Finance, Performance and Core Services, to make arrangements for one-off £150 Council Tax energy rebate payments to be made to all households in

Bands A – D and establish a discretionary fund for households in need who would not otherwise be eligible;

- (v) Approve the Statutory Budget Determination for 2022-23 as set out at Appendix D to the report, which reflects an increase of 1.99% on the amount of Council Tax levied by the Council, an Adult Social Care precept of 1.00% and the final Council Tax proposed by the Greater London Assembly (8.8% increase), as detailed in Appendix E to the report;
- (vi) Note the update on the current projects, issues and risks in relation to Council services, as detailed in sections 8-10 of the report;
- (vii) Approve the proposed projects/allocations of funding as set out in paragraphs 9.5 and 9.6 of the report and delegate authority to the Strategic Director of Community Solutions in consultation with the Cabinet Member for Community Leadership and Engagement to approve and enter into all necessary contracts, agreements and other documents in order to implement such arrangements;
- (viii) Approve the Council's draft Capital Programme for 2022-23 totalling £522.625m, of which £66.813m are General Fund schemes, as detailed in Appendix F to the report;
- (ix) Approve the Flexible Use of Capital Receipts Strategy as set out section 12 of the report;
- (x) Note the update on Dedicated Schools Funding and approve the Local Funding Formula factors as set out in section 13 and Appendix H to the report;
- (xi) Approve the increased rates for Early Years Education as set out in section 13 of the report; and
- (xii) Note the Chief Financial Officer's Statutory Finance Report as set out in section 15 of the report, which includes a recommended minimum level of reserves of £12m.

Reason(s)

The setting of a robust and balanced budget for 2022-23 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community: no-one left behind and delivery of the priorities within available resources.

1. Introduction and Background

- 1.1. This report sets the context for the future financial position for the London Borough of Barking and Dagenham and to seek agreement to proposals for the revenue budget for 2022-23 of £181.895m. The report also sets out the Medium Term Financial Strategy (MTFS) for 2022-23 to 2025-26 and the Council Tax level for 2022-23.
- 1.2. The MTFS is a statement on the council's approach to the management of its

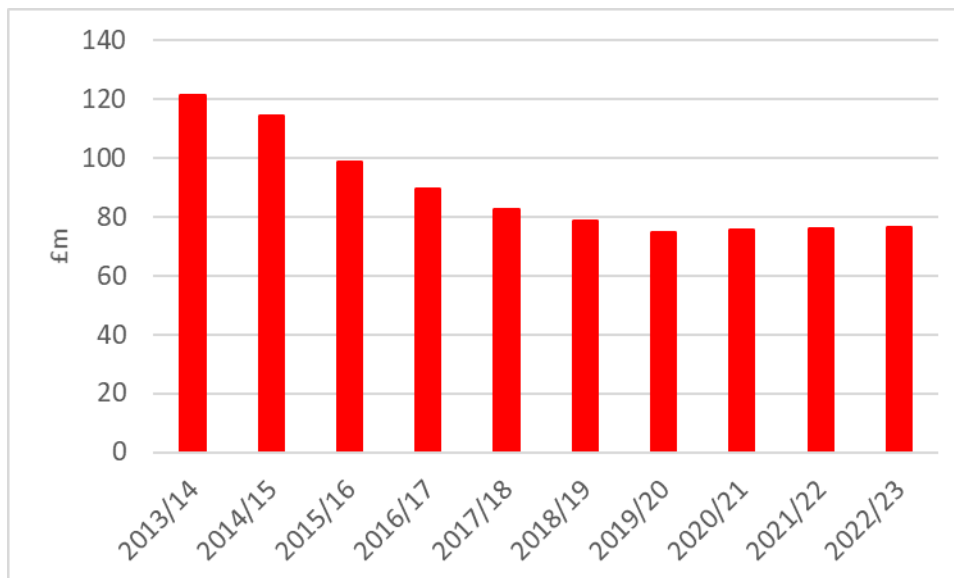
financial resources to meet its Corporate Priorities. The MTFs also considers the appropriate level of reserves that the Council holds to mitigate current and longer-term risks.

- 1.3. The Ambition 2020 programme set out savings and transformation to be delivered by 2020-21. The total programme savings target was £48.8m of which £36.129m is forecast to have been delivered by the end of 2021-22. A number of the original Ambition 2020 savings have been delayed as a direct impact of the COVID-19 pandemic. These savings were included in 2021-22 budgets and the implementation of these savings will continue to be delivered in 2022-23.
- 1.4. In July 2021, Cabinet approved an updated MTFs for 2021-22 including an indicative forward forecast for future years. This identified a cumulative savings gap of £25.1m during the MTFs period from 2022-23.
- 1.5. The wider context within which this Budget and MTFs has been prepared is one of unprecedented uncertainty. The financial sustainability of the whole of Local Government has been tested like never before in the response to the COVID-19 pandemic. This Council has stepped up to provide support to the most vulnerable members of the community as they have shielded from COVID-19 whilst still continuing to deliver a full range of services to our residents and businesses.
- 1.6. There have been significant cuts over several years to revenue support grant from the Department for Levelling Up, Homes and Communities (DLUHC) which, combined with increasing demographic and demand led pressures and the continuing cost of COVID-19, result in the need to identify savings and transformation proposals to deliver a sustainable MTFs. The 2022-23 Budget includes a number of savings and growth proposals.
- 1.7. The Government published their Budget and Spending Review on 25 October 2021. This set out the spending limit for DLUHC for the next 3 years with a number of policy and funding announcements related to local government.
- 1.8. DLUHC published the provisional Local Government Finance Settlement on 16 December 2021 allocating funding to individual local authorities. This set out a funding settlement for 2022-23 only with a commitment to introducing funding reforms from 2023-24. The Settlement provides a real terms funding increase for Local Government of 4.1% provided that councils increase council tax by the maximum amount allowed. Funding from Government will not increase in the following two years, although funding may be redistributed between local authorities as the Review of Relative Needs and Resources (Fair Funding) is introduced.
- 1.9. DLUHC included a one-off 'services grant' within the funding settlement although there is no additional funding for the impact of COVID-19 in 2022-23. It is expected that this grant will be redistributed from 2023-24 within local government and DLUHC have been clear that this grant will not be included in the baseline calculations for any redistribution. The implication of this is that we should not rely on receiving this funding from 2023-24. The absence of a financial framework over beyond 2022-23 significantly hampers the ability of the Council to assess the robustness of the MTFs beyond a one-year time frame, thereby increasing the uncertainty of financial projections from 2023-24 onwards.

- 1.10. When introduced, the Review of Relative Needs and Resources (Fair Funding) reforms and 75% business rates retention proposals are expected to be a benefit the council when introduced. These reforms were due to be introduced in 2020-21 following the four-year funding settlement. These reforms have now been delayed until 2023-24 at the earliest. The council has therefore lost the financial benefit from these reforms in 2020-21, 2021-22 and 2022-23 resulting in a wider savings gap in these financial years.
- 1.11. The approach of the Council continues to be to invest in the borough to generate growth and prosperity, while redesigning and transforming council services to meet the needs of the community at a lower cost.

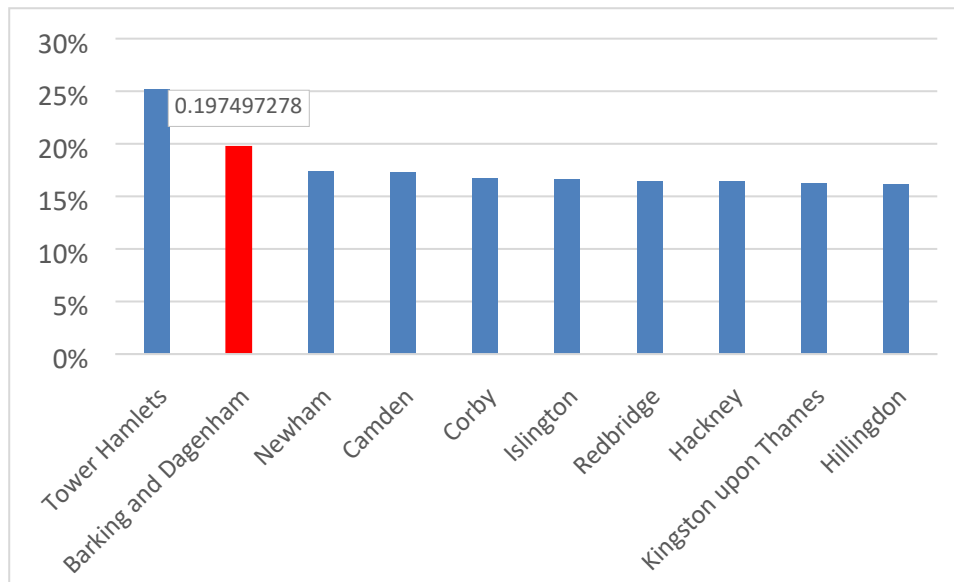
2. Our Medium Term Financial Strategy

- 2.1. The funding the Council receives from government has consistently reduced since public sector austerity was introduced in 2010-11. In 2013-14 local government were allocated a share of business rates from their area. Since 2013-14 core government grants have reduced by almost 40%. In 2013-14 our grant was £121m, in 2022-23 our grant will be £76m.



Government grant funding 2013-14 to 2022-23

- 2.2. Barking and Dagenham is projected to be the second fastest growing borough in the country between 2014 and 2024. The population of England is projected to grow by 7.5% over the 10 years to mid-2024. Of 324 local authorities, 315 are projected to see their population increase over the period and 13 local authorities are projected to grow by more than 15%.



England forecast population growth 2014-2024

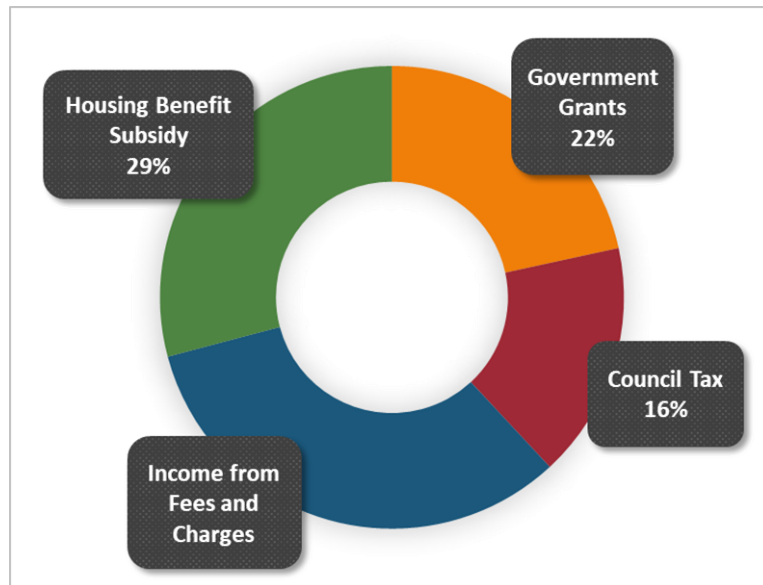
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/subnationalpopulationprojectionsforengland/2014basedprojections#projections-for-regions-london-region-is-projected-to-grow-the-fastest>

- 2.3. The combination of reducing funding and a growing population meant the Council had to do something in order to be able to continue to provide services to local residents and businesses. The Ambition 2020 programme began in 2017 and delivered a New Kind of Council whilst delivering almost £50m in savings. A primary focus of the programme was to maximise housing, business and economic growth within the borough.
- 2.4. This included the creation of an investment portfolio, the establishment of subsidiary companies to deliver services more efficiently and generate additional income and the redesign of all Council services into a New Kind of Council. The funding for the programme that delivered this scale of transformation has been largely drawn from the Flexible Use of Capital Receipts and further information on this can be found in section 12 of the report.
- 2.5. The 2017-21 Ambition 2020 Transformation Programme identified £48.8m of savings to be delivered over the four years of the programme. 2020/21 was due to be the fourth and final year of the original Ambition 2020 savings and transformation programme, however £5.033m of the savings have been rolled forward into 2021/22 mainly as a result of COVID-19 delaying the delivery of savings as officers concentrated their efforts on responding to the pandemic.
- 2.6. The total delivered so far is £43.767m leaving £5.033m so far undelivered and built into 2021/22 budgets. The savings to be delivered were already high risk even before the COVID-19 situation arose and the response to the pandemic has considerably worsened the situation. A small number of savings have been assessed as impossible and were written off as part of the budget setting process in March 2021.
- 2.7. The progress of the delivery of approved savings is reported in the regular budget monitoring reports to Cabinet. Any savings that are not delivered in full will result in an overspend and an increased drawdown on reserves.

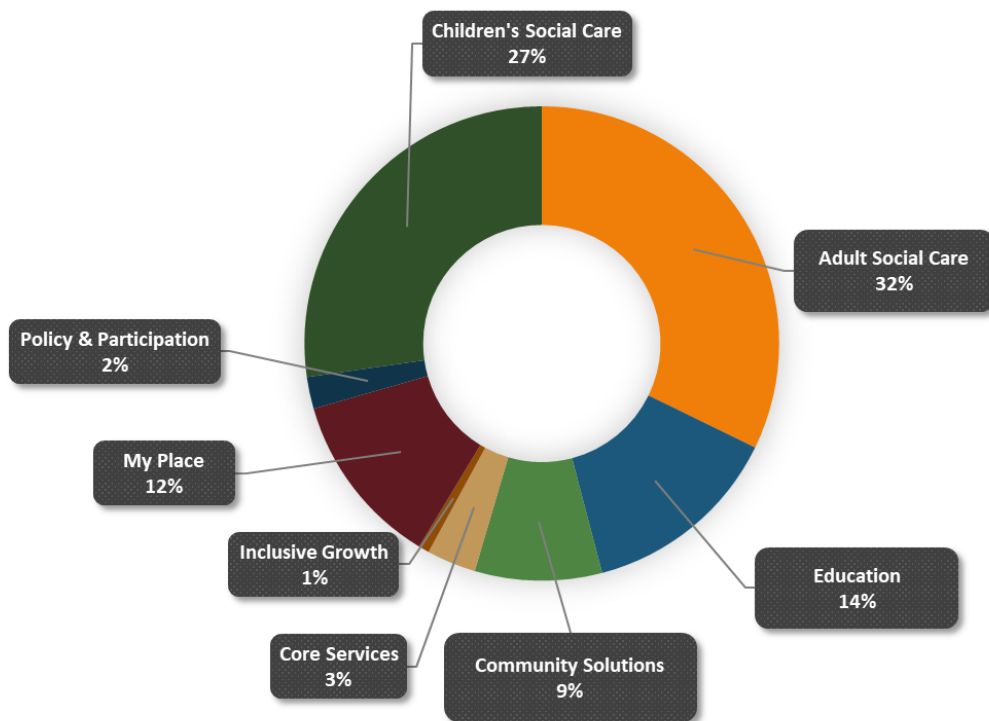
- 2.8. The delivery of agreed savings is essential to deliver a balanced budget for 2022/23 and beyond. Where agreed proposals are deemed to be unachievable these should be replaced with alternative proposals by the service responsible, subject to Cabinet approval.
- 2.9. We have continued to invest in our services by focusing our resources to meet the needs of the community and deliver the priorities set out in the Corporate Plan. Our Borough Manifesto has 11 aspirations which form the long-term vision for the Borough:



- 2.10. Over the course of many years the focus of the MTFs has been to deliver a transformed Council whilst maintain our financial sustainability. Over £175m of savings have been delivered since 2010. We have carefully set aside money into reserves and used these when necessary. This careful and prudent approach to financial management has enabled the Council to be in a position to meet the cost to the Council of COVID.
- 2.11. Funding for the Council largely comes from the following sources:



2.12. Our budget allocates funds to services in the proportions set out below. 73% of our budget is spent on Social Care and Education.



2.13. The continued aim of the Council is to prioritise investment in services for the most vulnerable in a sustainable way. The Council takes an innovative approach to the way it delivers services and the way it finances these through the development of its investment and acquisition strategy.

3. Building for the future

3.1. The Council has encountered unprecedented demands on its services since March 2020 as a result of the COVID-19 pandemic. This followed many years of financial pressure for local authorities which had resulted in underlying budget pressures

emerging. The COVID-19 impact of increased demand for services, lost revenue from income sources and the temporary closure of revenue generating facilities is likely to have a lasting effect on future budgets. This adds another layer of uncertainty to factor into the MTFS development.

- 3.2. The financial position of the council has proved resilient throughout COVID-19. The Government provided significant amounts of grant funding during 2020-21 and 2021-22 and provided a guarantee scheme for reductions in budgeted income. From 2022-23, the Government will not provide the Council with any further specific COVID-19 financial support to mitigate the additional costs and reduced income experienced as a result of the pandemic and expect the Council to deliver services within the usual budget provisions.
- 3.3. It is clear that the impact of COVID-19 is also affecting the local community. In particular, the rate of unemployment within the Borough is now the highest nationally and the end of the furlough scheme increases the risk that unemployment and poverty will increase with associated mental and physical needs that require support from the Council.
- 3.4. However, there is now an opportunity to reassess and recalibrate the Council budget to ensure that the Council provides services to residents taking into account the effect of the pandemic and consequent changes in demographics and behaviour. The Council has set out its long-term ambition and the strategy and tactics used over the next MTFS period between 2022-2026 will embed many of the structural changes that have already been made.
- 3.5. The investments made by the Council, including the creation of a number of subsidiary companies, are central to being able to continue to invest in services. These investments deliver significant financial returns to the Council and will continue to deliver over the MTFS period.
- 3.6. Local authorities have managed financial uncertainty since 2010 and this uncertainty will continue throughout the period between 2022-2026. The Government have committed to their 'levelling-up' agenda and set an expectation that local government funding allocations will be revised from 2023-24 onwards. A key part of these reforms will reintroduce financial settlements over periods of more than one year, providing a greater degree of certainty with which to plan budgets. As one of the most deprived boroughs in the country it is not unreasonable to assume that the Council will benefit from these changes.
- 3.7. 2022-23 is therefore expected to be a year of transition during which the Government consult upon and introduce funding reforms from 2023-24.

4. Three strategic priorities

- 4.1 The MTFS is underpinned by three key strategic priorities for the council:
 - **Inclusive Growth.** All activity related to homes, jobs, place and environment will be organised into a single strategy, focused on intervening in our economy in order to improve economic outcomes for all residents.
 - **Prevention, independence and resilience.** All activity relating to people facing public service is organised into a single strategy, focused on intervening in society in order to improve health and wellbeing outcomes for all residents,

at every stage of life.

- **Participation & engagement.** All activity related to community engagement and social infrastructure is organised into a single strategy focused on giving every resident the power to influence local decisions, and to pursue their version of the good life.

4.2. These strategic priorities will sit alongside our continued efforts to build and embed our **new kind of council** and will drive all council activity in the years ahead. Critically, each has an important part to play in managing future demand on council services. The financial position set out in the MTFS is designed to reflect this position.

Headline Financial Position

5.1. The Provisional Local Government Settlement was published on 16 December 2021. This is subject to the finalisation of business rates baseline and section 31 grant calculations.

5.2. The medium-term financial challenge facing the Council reflects significant risks and a great deal of uncertainty. The scale of these risks will become more certain during the next year, following the expected consultation on the implementation of the Review of Relative Needs and Resources (Fair Funding) from 2023-24.

5.3. Revenue streams are likely to be under considerable pressure as the Government intends to change current funding mechanisms to reflect an increased emphasis on need and to reset the current business rates retention system:

- **Autumn Budget and Spending Review 2021** – The Chancellor of the Exchequer presented the Autumn Budget will on 27 October 2021. There is significant uncertainty in relation to local government funding beyond 2022-23. The Government have set out their ambition to ‘level-up’ funding for local government targeting local areas most in need.
- The **Review of Relative Needs and Resources (Fair Funding)** of local government is likely to shift resources away from London. The design of new funding formula is predicated on moving to a more dynamic, realistic method of allocating funding that is able to respond to demographic changes. On this basis and considering the demographic changes within Barking and Dagenham, this approach may prove beneficial to us. The implementation of the new funding formula to be used to allocate funding has been delayed until at least 2023-24.
- The **Business Rates Retention** scheme is also being redesigned and is expected to be introduced from 2023-24.
- The **New Homes Bonus** funding for 2022-23 is allocated for one year only and will not result in legacy payments in future years. It is expected that the New Homes Bonus funding will be wrapped up within the Review of Relative Needs and Resources (Fair Funding). It is unclear how the Government will incentivise local authorities to deliver additional housing within the new funding regime. Funding allocations are included in Appendix J.

5.4. The Council will receive Government funding through Revenue Support Grant and Business rates baseline funding in 2022-23. The total amounts should be compared and are in line with the MTFP assumptions. The table below shows the funding changes over the past few years and the increased reliance on business rates as a

source of funding.

| £m | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| RSG | 36.7 | 28.8 | 0.0* | 0.0* | 18.0 | 18.1 | 18.7 |
| Baseline funding | 52.8 | 53.9 | 78.8 | 74.5 | 57.7 | 57.7 | 57.7 |
| TOTAL: | 89.5 | 82.6 | 78.8 | 74.5 | 75.7 | 75.8 | 76.4 |

* In 2018-19 and 2019-20 Revenue Support Grant was rolled into the baseline funding allocation as part of the business rates pilot arrangements

- 5.5. The Council took part in the London-wide business rates pilot introduced in 2018-19. Initially, the pilot allowed London to benefit from retaining 100% of the business rate growth but this was reduced for 2019-20 to 75%.
- 5.6. London Councils worked with all London Authorities to set up a business rates pool based on the original business rates retention scheme in 2017-18, retaining 67% of business rates. Cabinet approved the Council's participation in the London pool in December 2019. The pool shared the benefits of business rates growth across London during 2020-21. The net benefit of the scheme during 2020-21 became marginal as a result of the impact of COVID-19 on business rates across London.
- 5.7. The business rates pool will not operate in 2022-23 due to the financial exposure across London should business rates income not recover as a result of COVID-19. This is unfortunate as the pilot and subsequent pool demonstrated that London Authorities are able to work together and deliver strategic infrastructure for the benefit of London overall.
- 5.8. The forecast for business rate over the MTFS period is shown below.

| Business Rates Forecast | 2022-23 | 2023-24 | 2024-25 |
|---|---------------|---------------|---------------|
| Baseline Business Rates Funding (incl. S31 Grant) | 58.314 | 59.471 | 60.821 |
| RSG | 18.122 | 18.485 | 18.854 |
| Change to Baseline (Fair Funding) | 0.652 | 1.513 | 1.513 |
| NET Business Rates | 77.088 | 79.468 | 81.188 |

- 5.9. The forecast outturn for 2021-22 is an overspend of £7.2m as reported to Cabinet in January 2022. This can be mitigated through use of the budget support reserve. Overspends in future years will result in exhausting the budget support reserve and may result in a draw down from the unearmarked general reserve which has a balance of £17m and a minimum balance of £12m (i.e. only £5m is available).

6. Council Tax

- 6.1. Barking and Dagenham maintained a council tax freeze from 2008-09 until Assembly approved an increase for the 2015-16 budget. The impact of not increasing council tax is cumulative over many years and this freeze resulted in a tax base that is now £15m lower than it would have been had it risen by 1.99% every year.
- 6.2. Since 2010 government funding has reduced in real terms every year while the Council's costs have increased the Chief Financial Officer strongly advises council tax should as a minimum keep pace with inflation to ensure that the council can continue to meet the demands placed upon it.

- 6.3. The provisional Local Government Financial Settlement for 2022-23 sets a maximum increase of Council Tax of 1.99% without incurring any penalties or being required to hold a referendum. It is therefore proposed that the general council tax increase should be 1.99%. In addition, an Adult Social Care precept may be levied of up to 1.0%.
- 6.4. The Chancellor announced on 3 February 2022 that the Government would provide a £150 grant to be applied to all Council Tax bills between Band A and Band D. This will be fully funded by the Government as a measure to support increased costs of living in addition to other measures relating to energy bills. At the time of writing the report no further details are available.
- 6.5. The Council tax base report was approved by Cabinet in January 2022. This shows an increase in the Council tax base of 2.12% compared to an increase of 2.5% that was included in the MTFS. Due to Covid-19 the Council has seen an increase in the number of residents claiming Council Tax Support (CTS) which reduces the number of chargeable properties in the tax base. This represents a reduction in Council Tax income of £0.276m compared to the amount included in the MTFS.
- 6.6. If the number of CTS claimants doesn't decrease after COVID-19, this will represent a permanent reduction in Council Tax in future years and a permanent reduction in the spending power of the Council.
- 6.7. Details of all the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2022-23 are yet to be confirmed.
- 6.8. It is proposed that authority is delegated to the Chief Financial Officer in consultation with the Cabinet Member for Finance, Performance and Core to make the necessary adjustments using the funding provision or from reserves following confirmation of levy and final funding announcements.
- 6.9. The Council proposes to increase Council Tax by:
- 1.99% Local Authority Precept increase; and
 - 1.0% increase for the Adult Social Care Precept
- 6.10. These increases will raise the level of Council Tax for a Band D property from £1,348.91 to £1,389.24, an increase of £40.33.
- 6.11. The Greater London Authority has provisionally proposed an 8.8% increase in its charge for 2022-23. This precept will increase the charge to a Band D property from £363.66 to £395.59, an increase of £31.93 (comprising an additional £10 for the Metropolitan Police, £1.93 for the London Fire Brigade and £20 as a contribution towards the cost of transport services).
- 6.12. The combined amount payable for a Band D property will therefore be £1,784.83 for 2022-23, compared to £1,712.57 in 2021-22. This is a total change of £72.26 in comparison to the Council Tax bill for 2021-22. As always there will be a Council Tax Support Scheme to help the poorest taxpayers.
- 6.13. The calculation of the proposed Council Tax for 2020/21 is shown in Appendix E.

- 6.14. It is proposed that any surpluses on the Collection Fund should be transferred to the Budget Support reserve.
- 6.15. Under the Local Government Act 1992, Council Tax must be set before 11 March of the preceding financial year.
- 6.16. The Chancellor announced on 3 February that a one-off £150 Council Tax energy rebate payment would be made to all residents of properties in Bands A –D. This payment will operate outside of the council tax system, using council tax lists to identify eligible households, resulting in a direct payment being made to residents rather than a reduction shown on council tax bills. The Chancellor also announced a discretionary fund for households in need who would not otherwise be eligible. This could include for example individuals on low incomes who live in properties valued in bands E – H. It is proposed that authority is delegated to the Chief Financial Officer in consultation with the Cabinet Member for Finance, Performance and Core to make arrangements for these £150 payments to be made and establish a discretionary fund.

7. Medium Term Financial Strategy Forecasts

- 7.1. Reports to Cabinet in July and November 2021 set out the following financial forecasts over the medium term:

| | 2022-23 £m | 2023-24 £m | 2024-25 £m | 2025-26 £m |
|--------------------------|---------------|---------------|---------------|---------------|
| Budget Gap (incremental) | 5.110 | 6.767 | 6.767 | 6.416 |
| Budget Gap (cumulative) | 5.110 | 11.877 | 18.644 | 25.06 |

- 7.2. A review of the assumptions has been undertaken and the financial forecast has been updated as shown in the table below.

| | 2022-23 £m | 2023-24 £m | 2024-25 £m | 2025-26 £m |
|--------------------------|---------------|---------------|---------------|---------------|
| Budget Gap (incremental) | - | 6.094 | 10.952 | 9.291 |
| Budget Gap (cumulative) | - | 6.094 | 17.046 | 26.337 |

- 7.3. The MTFs set out in Appendix B shows a balanced budget. This is achieved through the prudent use of reserves and increased investment income as a result of a change in accounting policy. The cumulative spending gap has not materially altered, though the requirement for further savings during the MTFs period is significant.
- 7.4. The strategy to address the funding gap is through the following routes:
- Savings proposals: those that have been identified and those that are proposed for approval in this report.
 - Delivery of the corporate plan priorities and agreed transformation programmes to deliver sustainability in the longer term.
 - Continue to identify new investment opportunities to secure financial

sustainability and deliver regeneration for the borough.

7.5. A summary of the savings and growth proposals is included in Appendix C.

8. Revenue Spending Proposals

8.1. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2021-22 and 2022-23 are summarised below and included in Appendix A. The Statutory Budget Determination is included in Appendix D.

Summary of Revenue Budgets:

| Department | Original 21-22 | Latest 21-22 | Original 22-23 |
|--------------------------------|----------------|----------------|----------------|
| CARE & SUPPORT | 94.779 | 92.064 | 95.796 |
| CENTRAL | 9.684 | 6.787 | 4.897 |
| COMMUNITY SOLUTIONS | 17.218 | 24.775 | 25.897 |
| CONTRACTED SERVICES | 0.000 | 0.00 | 0.00 |
| CORE | 6.726 | 0.290 | 1.792 |
| EDUCATION, YOUTH & CHILDCARE | 18.581 | 20.221 | 20.432 |
| INCLUSIVE GROWTH | 1.305 | 1.342 | 1.816 |
| LAW, GOVERNANCE & HR | (1.386) | (1.304) | (2.811) |
| MY PLACE | 15.094 | 16.588 | 18.318 |
| POLICY & PARTICIPATION | 3.247 | 0.461 | 2.071 |
| SDI COMMISSIONING | 7.052 | 12.390 | 13.687 |
| TOTAL GENERAL FUND | 174.326 | 173.614 | 181.895 |
| BUSINESS RATES + S31 | (80.593) | (80.593) | (80.235) |
| C/F | 2.663 | 2.663 | 0 |
| NON-RINGFENCED GRANTS | (10.947) | (9.405) | (15.320) |
| COMPANY DIVIDENDS | (12.490) | (12.490) | (12.490) |
| INVESTMENT INCOME | (5.712) | (5.000) | (1.500) |
| NHB | 1.543 | 1.543 | 1.073 |
| COUNCIL TAX REQUIREMENT | 68.789 | 68.789 | 72.350 |

8.2. The 2022-23 budget is dependent on agreed savings and additional income being delivered totalling £2.399m. These are summarised below with a full description and any future year impact shown in Appendix C.

| Service Area | Savings/Income Proposal | 2022-23 £k |
|---------------------|---|---------------|
| Community Solutions | Debt and Affordable Credit | (580) |
| My Place | Property Management & Affordable Credit | (154) |
| Core | Digital Identity Verification | (25) |
| Core | Mobile Phone transfer to Daisy from EE | (72) |
| Core | Streamline IT Procurement | 45 |
| Core | MPLS Replacement | (115) |

| Service Area | Savings/Income Proposal | 2022-23 £k |
|--------------|----------------------------|----------------|
| Core | Parking Enforcement Income | (1,498) |
| TOTAL | | (2,399) |

- 8.3. It remains vitally important that all approved savings are delivered to plan. Directors must be focussed on managing expenditure within their service budgets and delivering all agreed savings or implementing alternative savings proposals. This includes implementing action plans in order to manage and mitigate expenditure pressures.
- 8.4. The 2022-23 budget also includes new budget growth proposals totalling £7.116m. These are summarised below with a full description and any future year impact shown in Appendix C.

| Service Area | Growth Proposal | 2022-23 £k |
|---------------------|--|---------------|
| My Place | Waste & Recycling | 150 |
| My Place | Keeping the Streets Clean | 150 |
| Care and Support | Giving Children the Best Chance | 2,000 |
| Care and Support | Market Sustainability & Fair Cost of Funding | 616 |
| Community Solutions | Community Hubs | 70 |
| Community Solutions | BD CAN | 112 |
| Community Solutions | Youth Zone | 200 |
| Community Solutions | Capacity Building in the Social Sector | 63 |
| Community Solutions | Improving Debt Collection (Saving reversal) | 388 |
| Core | Inclusive Workplace | 100 |
| Core | IT Core Budget Deficit | 105 |
| Core | IT Contract Inflation | 260 |
| Core | IT Operations | 586 |
| Core | IT Training budget | 200 |
| Core | Strategy & Policy Team resources | 167 |
| Strategy & Culture | Opportunities to Participate | 45 |
| Strategy & Culture | Cultural Productions | 106 |
| Inclusive Growth | Net Zero | 250 |
| Authority Wide | NI increase (Authority Wide) | 1,548 |
| TOTAL | | 7,116 |

- 8.5. A review of known budget issues and pressures has been undertaken since the report to Cabinet in December 2021. There are several budget items that need to be adjusted in order to deliver a balanced budget from 2022-23 onwards. Addressing these pressures will mitigate the risk that a significant overspend develops in 2022/23, however, funding these items will reduce the amounts held in central contingencies currently used to offset in-year budget pressures.

| Service Area | Savings/Income Proposal | 2022-23 £k | |
|------------------------------|---|---------------|--------------------------|
| Strategy & Culture | Leisure Concession Fee Income reduction as a result of COVID-19 | 1,311 | Reducing in future years |
| Public Health | Increased Coroner & Mortuary fees & demography pressure | 178 | Ongoing |
| My Place | Reduced recharge to HRA | 700 | On going |
| My Place | Adjustment to ELWA income | 30 | Ongoing |
| Inclusive Growth | Removal of unachievable income target | 394 | Ongoing |
| Inclusive Growth | Barking Foyer – unachievable income target | 250 | Ongoing |
| Community Solutions | Rental income for Brocklebank | 583 | Ongoing |
| Community Solutions | Unachievable savings from Elevate (50%) – service to manage 50% | 450 | Ongoing |
| Community Solutions | No Recourse to Pubic Funds – demand and cost pressures | 282 | Ongoing |
| LGHR – Court Cost Income | Fewer case are proceeding to court | 300 | Ongoing |
| Education, Youth & Childcare | Savings relating to CYPS dept no longer achievable | 197 | Ongoing |
| Community Solutions | Reduction in cost of TfL Concessionary Fares Scheme as a result of COVID-19 | (1,000) | Reducing in future years |
| Central Expenses | Release balance of savings non-achievement provision | (307) | Ongoing |
| Central Expenses | Release from inflation costs provision | (634) | Ongoing |
| Central Expenses | Capitalisation of Pension Strain funding no longer required | (560) | Ongoing |
| Central Expenses | Care Leavers CT exemption – now included in tax base calculation | (151) | Ongoing |
| Central Expenses | IT funding provision no longer required | (775) | Ongoing |
| Central Expenses | Reduction in TA growth provision | (833) | Ongoing |
| Central Expenses | Reduction in BDTP pension cost provision | (359) | Ongoing |
| Central Expenses | Removal of leisure fees provision | (56) | Ongoing |
| TOTAL | | - | |

8.6. The existing MTFs includes the following savings and additional income totalling £1.100m. This is summarised below with a full description and any future year impact shown in Appendix C.

| Service Area | Approved Savings/Income | 2022-23 £k |
|------------------------------|--|---------------|
| Education, Youth & Childcare | Increase in Fixed Penalty Notice Income | (50) |
| Community Solutions | Transfer of Leys Children’s Centre to VCS | (40) |
| Community Solutions | Transfer of Becontree Children’s Centre to VCS | (30) |
| Community Solutions | Transfer of Sue Bramley Children’s Centre to VCS | (20) |
| Community Solutions | Revenues and Benefits Transformation | (300) |
| Community Solutions | Local Community Banking Service | (100) |

| Service Area | Approved Savings/Income | 2022-23 £k |
|----------------------------|---------------------------------|----------------|
| LGHR – Regulatory Services | Additional Fine Revenue | (50) |
| LGHR – Regulatory Services | Barking Market additional day | (20) |
| LGHR – Regulatory Services | Additional on-street PCN income | (100) |
| LGHR – Parking Services | Additional CCTV PCN income | (100) |
| LGHR – Parking Services | Additional Permit Income | (50) |
| Inclusive Growth | Economic Development Team | (200) |
| IT | Cyber Security | (40) |
| Total | | (1,100) |

- 8.7. The existing MTFS includes the following budget growth totalling £7.919m. This is summarised below with a full description and any future year impact shown in Appendix C.

| Service Area | Approved Growth | 2022-23 £k |
|----------------------------|---|---------------|
| Care and Support | Disabilities Net Revenue Pressures | 600 |
| Care and Support | Children’s Net Revenue Pressures | 614 |
| Care and Support | Adults Net Revenue Pressures | 600 |
| Community Solutions | Service Pressures | 260 |
| Participation & Engagement | Service Pressure | (50) |
| Public Realm | Service Pressures | 530 |
| ELWA | Levy Increase | 765 |
| Core | Staff Pay Award and Capacity Building | 2,000 |
| Core | Non Staff Inflation | 1,000 |
| Core | Pensions Remove advance payment element | 1,000 |
| Core | Capital Repayment Costs | 600 |
| TOTAL | | 7,919 |

- 8.8. The net impact of savings and growth (proposed and approved) is shown in the table below These values have been included in the MTFS.

| £'000 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--------------------------|---------------|----------------|----------------|----------------|
| New Savings | (2,399) | (6,157) | (11,376) | (9,413) |
| New Growth | 7,116 | 1,501 | 1,600 | 1,900 |
| SUBTOTAL | 4,717 | (4,656) | (9,776) | (7,513) |
| Approved Savings | (1,100) | (1,227) | 0,500 | 0,000 |
| Approved Growth | 7,919 | 10,902 | 11,252 | 13,002 |
| NET BUDGET CHANGE | 11,536 | 5,019 | 1,976 | 5,489 |

- 8.9. Included within the MTFS is income from dividends and investment activity from subsidiary companies. The income targets currently in the MTFS are shown in the table below.

| £million | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|----------------------------|---------------|---------------|---------------|---------------|
| Be First | 10.390 | 10.707 | 10.707 | 10.707 |
| BDTP | 2.100 | 2.100 | 2.100 | 2.100 |
| TOTAL INCOME TARGET | 12.490 | 12.807 | 12.807 | 12.807 |

- 8.10. The Council is reliant on the subsidiary companies delivering the expected dividend payments in the relevant financial year. There is a significant risk to the MTFP if these dividends are not delivered. In the short term, the Investment Strategy reserve will be used to smooth out dividend income.
- 8.11. The MTFFS also includes the expectation of a return of £1.5m from the Investment Strategy and £0.7m from further commercial activity (Hotel scheme) which increases the level of commercial risk. The MTFFS is included in Appendix B.

9. Current Service Updates

- 9.1. **Children's Care and Support** – There are several factors driving the pressures within Children's Care and Support. The impact of COVID-19 has resulted in an increase in the number and complexity of the cases presenting, meaning that additional social workers have been needed to ensure children are protected from harm and there has also been an increase in the numbers of specialist placements required. This has resulted in increased market prices. In the current year and looking to the future the economic climate will impact on care providers further driving up costs. The relatively young demographic makeup of our borough and the multiple challenges faced by some of our residents means that supporting our most vulnerable children and families remains our largest area of expenditure. These needs are expected to persist into next year and the number of children and adolescents in the borough is continuing to grow year on year. In 2020-21 the Council spent around £42m on Care and Support for vulnerable children and the level of spend is forecasted to remain at this level during the current financial year. The service has identified a number of both in year and long-term efficiency improvements and commissioning savings as a contribution to meeting these pressures. The Council is increasing the budget £0.614m in 2022.23. In addition, the Council is investing £2m in the Targeted Early Help service. This is with a view to realising better outcomes for Children and families and to prevent Children migrating through the service requiring a higher level of support. This is in addition to substantial budget growth provided in 2020-21 and 2021-22.
- 9.2. **Disabilities Care and Support** - Continuing medical advancements mean an increased life expectancy of people with living with severe and complex disabilities in our borough, and we are seeing a significant number of children with special educational needs and young adults living longer with much more complex needs. Previous reviews of the service and development of the Disabilities Improvement Programme identified the need for significant investment in assessment, support, and prevention especially for children and young people. We have recognised these needs by allocating £6.8m of growth funding to this service. This is partly funded from the Care and Support grants from Central Government and partly from the Council's own resources including Council tax. This financial year we are providing a further £0.6m of growth.
- 9.3. **Adults' Social Care** – significant budget growth was provided for Adult services in

2020-21. This has allowed us to meet the needs of vulnerable Older People and the increasing numbers of residents with mental health needs. We have maintained this level of investment in 2021-22 and are providing a further £0.6m of investment in 2022-23.

- 9.4. **Community Solutions** - Community Solutions has continued to expand and encompasses a range of front-line services supporting residents in challenges such as debt, unemployment, homelessness, providing advice and support for several universal services including those commissioned by Care and Support and Library Services for all. During the epidemic and lockdown, it has had a particularly important role and is central to the delivery of Community Hubs. Community Solutions has made ££6m savings from 2017-18 to 2021-22. In 2022-23. We are investing in areas such Revenues and Benefits to generate further income £420k to generate £1.0m of income, Community Hubs, participation, and engagement to ensure continued improvement in working with our community. Moving forward the department now includes Customer Service and Digital where there has been a focus on how we are responding to changes in technology and our customers' preferences when contacting the Council, this should release savings out of the Council's current processes.
- 9.5. Every One Every Day has been awarded funding of £200k per year, for a further three years, (previously £300k per year), subject to external grant funding being secured to deliver the estimated £1.1m annual running costs. This programme will continue to secure further investment into the Borough via external funders.
- 9.6. As part of the ongoing funding arrangements performance and outcome targets are to be agreed that will be reviewed on annual basis and contained within a Memorandum of Understanding and governance arrangements concerning the Council's investment. This will also include all necessary steps to implement the development and necessary support for the ongoing development of a participation culture and its projects, reporting to the Participation and Engagement Members group as required.
- 9.7. **My Place** - My Place delivers the Council's "place-based" services that is housing management and environmental services such as waste, recycling and parks and also asset management. It will continue to support delivery of the Council's capital programme. Over the next few years we expect to make significant investment in the waste and recycling services to meet the National Waste Strategy standards and residents expectations while contributing to carbon reduction. In 2022-23 there will be some initial investment in these programmes and funding to support cost pressures from inflation and the increase in housing. We will also be realigning the budget for income received from the HRA.
- 9.8. **Enforcement**- As normal business begins to return Parking is forecasting a surplus of £3.4m in this financial year, and a further £3.5m in 2033-23 based on current performance. This is income from a mixture of fines and commercial income and potential additional markets activity.
- 9.9. **Core Support Services** – During the 2020-21 financial year the borough's joint venture with Elevate was wound up and services such as ICT, income collection, procurement and customer services were brought back into the Council. There is a clear need to invest further in our IT infrastructure so that we can continue to

improve efficiency, make services more accessible online and also ensure data security and protection from cyber attack.

- 9.10. **Leisure** - The Council has a long term agreement with a Leisure Provider to manage its leisure facilities. Until the pandemic this provided a significant income to the Council. However the centres were required to close for long periods and the terms of the agreement were renegotiated. This has reduced the income expectation in this financial year and 2022-23 and then start to increase from 23-24 onwards. A budget adjustment has been built in to reflect this revised profile.
- 9.11. **Concessionary Fares** The borough makes a contribution to TFL for the costs of free and subsidised public transport for older and disabled people. The amounts charged depend on the cost of fares and the level of activity. Use of public transport reduced very sharply during the pandemic and has not yet returned to previous levels resulting in much lower costs of the scheme. The budget for this has therefore been reduced in line with costs. In future years activity is expected to rise again and the costs are likely to increase with inflation so budget increases have been built in for future years.

10. Investment Strategy

- 10.1. The Council continues to put our balance sheet to work. We are continuing to leverage our assets to generate financial returns to the Council and provide benefits for the community.
- 10.2. The Council has pursued an ambitious programme of investment. The target return included in the MTFS is £5.7m in 2021-22. This is dependent on investments delivering the expected return on time as outlined in business plans that have been agreed already. The cumulative General Fund borrowing total is expected to reach £784m in 2021-22, growing to £1,340m in 2022-23. Work is ongoing to ensure that the cost of financing the borrowing requirement is managed carefully in order to meet the target return in each year of the MTFS.
- 10.3. Further detail on the Investment Strategy can be found in the Treasury Management Strategy Statement also on this meeting's agenda.

11. Capital Programme

- 11.1. The Council's current gross General Fund capital programme for 2022-23 is £66.814m for Services and transformation and £418.168m for the Investment and acquisition (IAS) strategy. The largest element of the Services programme is Schools/Education (£40.776m) which is largely grant funded by the Department of Education.
- 11.2. The Council's Indicative General Fund Capital Programme 2021-22 to 2024-25 is set out below. A more detailed breakdown of the 2022-23 programme is set out in Appendix F. Appendix F does include the forecast spend for a number of IAS schemes that have not, as yet, had confirmed budgets agreed and therefore the report does contain a significant amount of acceleration. This position will be corrected prior to yearend, as and when schemes budgets are formally agreed. The Capital spend in the appendix is also gross, with financing noted next to each scheme. Cabinet are asked to approve the 2022-23 programme.

| Capital Expenditure | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Adults Care & Support | 1,000 | 1,604 | - | - |
| Community Solutions | 74 | - | - | - |
| Core | 1,231 | 1,145 | - | - |
| CIL / S106 | 623 | 878 | - | - |
| Culture, Heritage & Recreation | 3,718 | 8,022 | 250 | |
| Enforcement | 591 | 2,369 | 0 | - |
| Inclusive Growth | 10,236 | | | |
| Transport for London schemes | 554 | 893 | - | - |
| My Place | 7,028 | 6,518 | 5,190 | |
| Public Realm | 1,530 | 732 | - | - |
| Education, Youth and Childcare | 25,297 | 39,687 | 24,263 | |
| Other | 331 | 1,634 | | |
| Transformation | 6,094 | 1,990 | - | - |
| TOTAL EXPENDITURE | 58,307 | 65,472 | 29,703 | 0 |
| Financed by: | | | | |
| Grant | -37,087 | -46,157 | -24,263 | 0 |
| CIL/S106 | -254 | -1,376 | -100 | 0 |
| Revenue | -665 | -2,149 | 0 | 0 |
| Capital Receipts | -6,094 | -1,990 | 0 | 0 |
| Self-Financing | -1,968 | -2,768 | 0 | 0 |
| Total Net Borrowing Requirement | 12,239 | 11,032 | 5,340 | 0 |
| Investment and Acquisition Strategy | | | | |
| Committed Funding Requirement | 398,209 | 418,168 | 373,174 | 182,798 |
| IAS Grants (RtB, GLA) and sales | -69,927 | -93,313 | -109,133 | -46,768 |
| Total Net Borrowing Requirement | 328,282 | 324,855 | 264,041 | 136,030 |
| PFI Additions & Repayments | -3,009 | 70,000 | -3,459 | -3,768 |
| Net financing need for the year | 337,512 | 405,887 | 265,922 | 132,262 |

- 11.3. The budgets include estimates of roll-forwards budgets from 2021-22 and are indicative. Not all the IAS expenditure is under contract but they have been agreed by Cabinet. Capital Receipts include the sale of the Film Studio land and part of the potential sale of Pondfield and will be used to fund transformation costs. Additional capital receipts are not included here but will be used to reduce the Council's overall Capital Financing Requirement (CFR).
- 11.4. The MTFs includes provision of £450k to fund a corporate capital programme of £5m of new capital schemes (actual cost dependent on asset life and interest rate). This budget is split between interest and Minimum Revenue Provision and work will be completed, following the confirmation of the 2021-22 outturn and allocated.
- 11.5. There was no bidding round for the 2022-23 capital budget for new capital schemes as internal funding available from non-ringfenced resources is already set aside for existing commitments. Non-ringfenced resources comprise prudential borrowing, capital receipts (excluding HRA right to buy receipts) and revenue contributions from either budgets or earmarked reserves. Given the current pressures on the

revenue General Fund budget and the lack of previously accumulated General Fund capital receipts, the main resource available to meet future capital demands is prudential borrowing for 2022-23, limiting any new capital schemes which are not externally funded to £5m as set out in 11.7. The commitments can be summarised as follows:

| | £m |
|---|-------------|
| Recurring allocations (see 11.6 below) | 1.34 |
| Future year impact of 2020-21 bids (see 11.7 below) | 3.70 |
| Total already committed | 5.04 |

11.6. As part of the 2021-22 budget report, there were two schemes which were put forward for approval as recurring amounts in the capital programme every year. These are:

- £1m for urgent maintenance and health and safety works
- £340k for ward budgets

11.7. There were also a number of capital bids approved as part of the 2021-22 budget which included future year commitments against those schemes approved. These schemes total £3.70m for 2022-23 and, including £280k of forecast slippage from 2021-22, a total of £3.98m. Including the £1.34m recurring amounts, the total for 2022-23 is £5.949m, as outlined below:

| | | Q3 | Q3 | Q3 | 21/22 | 22/23 | 22/23 | 23/24 |
|--------------|--|--------------|--------------|--------------|---------------|--------------|-------------------|--------------|
| Code | Project | Budget | Cost | Forecast | Carry-Forward | Budget | Indicative Budget | Budget |
| FC05018 | Stock Condition Survey | 1,054 | 324 | 885 | 169 | 1,000 | 1,169 | 1,000 |
| FC02811 | Ward Capital Spend | 578 | 88 | 118 | 460 | 340 | 800 | 340 |
| FC05048 | Procuring in cab tech for waste vehicles & subsequent licences etc | 140 | - | 50 | 90 | 65 | 155 | 30 |
| FC03065 | HIP 2016-17 Footways & Carriageways | 3,726 | 3,011 | 3,960 | -234 | 3,485 | 3,251 | 3,820 |
| FC05038 | 82A AND 82B OVAL ROAD SOUTH | 325 | - | - | 325 | - | 325 | - |
| FC03090 | Lakes | 254 | 94 | 155 | 99 | 150 | 249 | 150 |
| Total | | 6,077 | 3,517 | 5,168 | 909 | 5,040 | 5,949 | 5,340 |

12. Flexible Use of Capital Receipts

12.1. The Council intends to make further use of the flexibility provided by the Government to use capital receipts for the specific purpose of investment in 2022-23 transformation projects that deliver ongoing revenue budget savings. This flexibility has been in place since 2016/17 following a number of extensions to the initial directive by Government. The most recent extension was announced in February 2021 to apply from 2022/23 to 2024/25, however at the time of writing the report the formal guidance has not been issued.

12.2. Due to the delay in publication by DLUHC of the details of the extension to the flexible use of capital receipts the updated policy and qualifying schemes have not

been published alongside this report. Should the Direction be issued in advance of the Assembly meeting in March, an updated policy will be provided.

13. Dedicated Schools Budget and Early Years Funding

- 13.1. The Dedicated Schools Grant is a ringfenced grant provided by the Department for Education. The allocation for 2022-23 is based on October 2021 pupil census data and the Department for Education has published the final DSG allocations for 2021-22 which is £319.7m (pre-recoupment i.e., inclusive of funding for academies and free schools.).
- 13.2. In December Cabinet received a report detailing the Dedicated Schools Grant (DSG) and approved the principles for setting the local funding formula for schools.
- 13.3. As set out in the December report there will be no transfers between the DSG blocks this year. However, the Schools block has been topsliced to provide sufficient funding for growth – new classes that we expect to be required for September 2022. We will be drawing down on the DSG reserve to create a small fund to assist schools facing temporary financial challenges as a result of falling rolls.
- 13.4. The Schools funding formula has been set in line with the principles agreed by Schools Forum and Cabinet. The national rates (adjusted for area costs) have been used for all additional needs factors but the basic age weighted funding element has been adjusted to bring the funding balance between primary and secondary phases to the agreed ratio of 1:1.35. All schools have had their pupil led funding protected to give them an increase of 2.0% per pupil. Cabinet are recommended to confirm approval of the overall principles and the consequent funding factors for the schools block, which are set out in appendix H
- 13.5. The Dedicated Schools Grant also provides funding for Early Years Education and Childcare for eligible two year olds (15 hours per week) and three and four years olds (fifteen or thirty hours depending on eligibility.) The provisional allocation for 2021-22 for Early Years is £21.6m but this is subject to change in line with take up of places. This allocation includes an increase in the hourly rates of 17p for three to four year olds and 21p for two year olds. It is recommended that this increase is passed through to our local providers.
- 13.6. In addition, it is proposed to top up both rates to make the total increase of 25p to be funded by drawing down on the DSG reserve. This would increase the basic provider rate to £5.76 per hour for two year olds and £5.09 per hour for three to four year olds.

14. Consultation

- 14.1. A report on the Budget strategy was presented to Cabinet in November 2021, updating the Committee on funding assumptions and other factors affecting the MTFS.
- 14.2. A consultation exercise on the budget with residents and businesses began in January 2022. The Council was interested to hear residents' views on the proposed social care precept and their views on the type of services that will need to be

delivered in the future.

14.3. As a result of the provisional local government finance settlement being published later than expected in December 2021, the consultation exercises started later than in previous years.

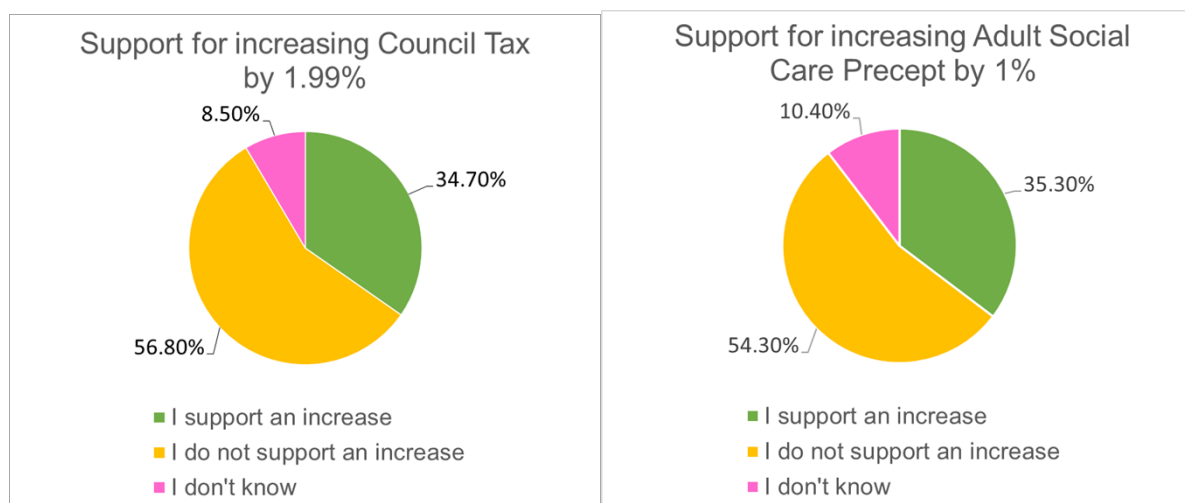
14.4. The exercise comprised a number of events as follows:

- An online budget consultation which ran throughout January. The online survey was undertaken which had 173 responses.
- Social media posts from 7 January to 31 January
- Facebook Live Q&A, 27 January 6pm

14.5. The Facebook Live Q&A session had 1,000 views with 89 comments, 81 likes and 9 shares. It is estimated that the reach of the session was 2,400 people (based on the average number of people watching the livestream).

14.6. The online budget consultation was completed by 172 residents and 1 representatives of a business that pays business rates in the Borough. The online survey asked 9 questions which provided the opportunity to include detailed comments on where the council should reduce or remove spending, where service users could be charged and where the council should focus when developing future proposals.

14.7. When asked for their views on raising council tax and the adult social care precept the results are shown below:

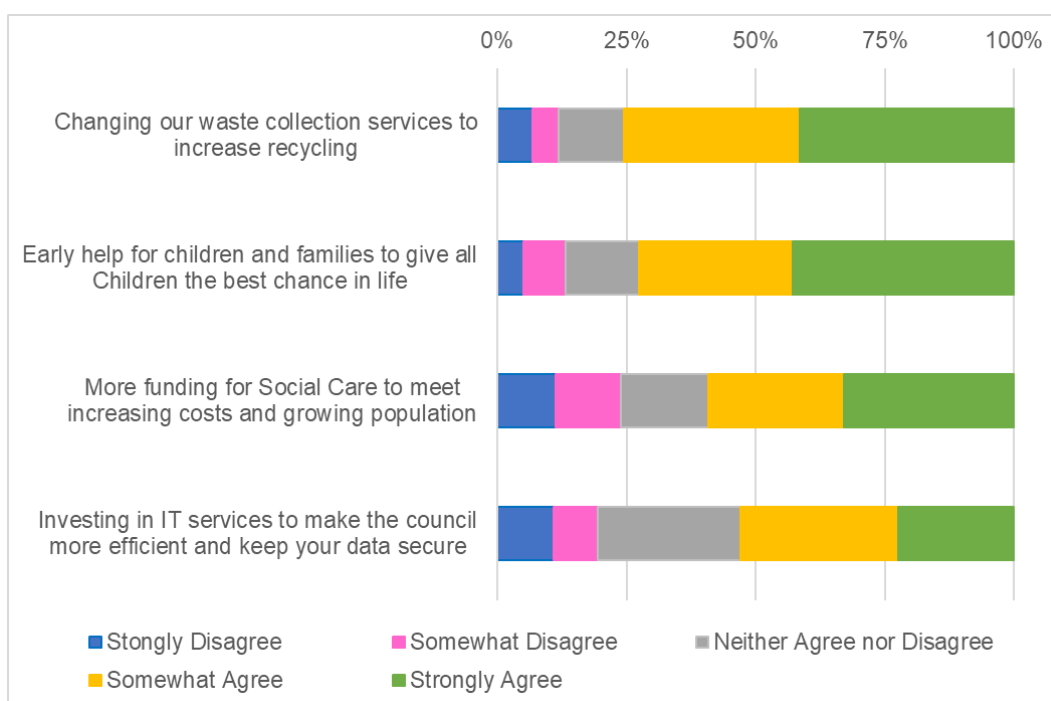


14.8. The consultation asked respondents to rank service areas that the Council should prioritise. A score of 1 represents areas that are most important and 10 represents areas that are less important. The ranked results are shown below:

| Service Area | Rank |
|--|------|
| Keeping the streets clean and collecting waste | 4.06 |
| Giving all children the best start in life | 4.14 |
| Reducing anti-social behaviour | 4.33 |
| Supporting older people and adults with disabilities | 4.59 |
| Providing economic development and jobs | 5.52 |

| Service Area | Rank |
|---|------|
| Providing more affordable housing | 5.84 |
| Better engagement with our residents as citizens, voters and customers | 6.60 |
| Providing opportunities for everyone to participate in leisure, culture, and community activities | 6.85 |
| Working to reduce debt for our residents | 7.28 |
| Carbon reduction and moving towards net zero | 7.45 |
| Improving private rented housing | 7.54 |

The consultation asked respondents for an indication of their support for areas where investment is planned in the 2022/23 budget. The results are shown below:



15. Statutory Report of the Chief Financial (S151) Officer

- 15.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget estimates and the adequacy of financial reserves. The Act also requires the Authority to which the report is made to have regard to the report when making decisions about the budget.
- 15.2. In this context, the reference to the Chief Finance Officer is defined in Section 151 of the Local Government Act 1972. This statutory role is fulfilled in this authority by the Finance Director.
- 15.3. In summary, the Chief Finance Officer considers the budget proposals to establish a net budget requirement of £181.895m and council tax requirement of £72.350m for 2022-23 as set out in this report as robust. The level of reserves is sufficient to mitigate known risks during the forthcoming financial year taking account of the Council's financial management framework. However, the financial outlook over the medium term remains challenging with increasing cost pressures and uncertainty due to the ongoing impact of the COVID-19 pandemic and further delays to planned changes to the national local government funding framework, now expected from 2023-24. The council will be required to remain proactive in delivering sustainable

council transformation to ensure a balanced budget position can be maintained for 2021-22 and beyond.

15.4. The robustness of the underpinning financial planning assumptions on which the budget has been determined:

- Financial resources are appropriately aligned to the strategic priorities of the council with appropriate investment to meet priorities and respond to changes in demand.
- Savings have been identified in line with the Council's transformation programme and action plans are in place for their delivery.
- Appropriate actions are being taken to identify and collect outstanding debts owed to the council, including historic debts.
- Contingency budgets are held centrally to mitigate unforeseen cost pressures in the event they arise during the course of the year. This could be used to meet unexpected increases in demand led services or potential continued impact following the COVID-19 pandemic and the Exit from the EU.
- Employee budgets are based on the appropriate scale point although the cost of annual pay rises is expected to be absorbed within service budgets.
- Assumptions about future inflation and interest rates are realistic.
- Income estimates are based on updated forecasts against trend.
- Capital and revenue budgeting are integrated with the revenue consequences of the capital programme considered as part of the overall budget process.

15.5. Appropriate governance arrangements are in place to manage financial resource throughout 2022-23:

- Financial management is delegated appropriately, and commitments are entered into in compliance with Financial Regulations and Contract Rules as contained in the Council's Constitution.
- Effective governance arrangements are in place for budget monitoring and reporting during the financial year with corrective action taken to mitigate overspends where necessary.
- A risk assessment has been carried out on the revenue budget and this will be monitored and reported to Cabinet throughout the year.

15.6. An assessment of the funding framework for local government:

- The settlement figures provided in the budget are based on the provisional settlement. Any variations in the final settlement will be reported as part of quarter 1 budget monitoring 2022-23.
- The Cabinet's proposals do not breach the "excessiveness" principle for 2022-23, where local referendum is required. The threshold for 2022-23 for general council tax if it rises by 2% or more, alongside a 1% social care precept.
- Appropriate assessment has been made of the council tax and business rate base 2022-23 and the likely levels of collection and bad debt recovery. There is a risk that may emerge during 2022-23 if business rate revaluations take place as a result of COVID-19.

15.7. In assessing the adequacy of reserves, the Chief Finance Officer has considered the level of reserves and undertaken a risk-based approach to assessing the

minimum level of balances. For 2022-23 and 2023-24 the minimum level of General Reserves is recommended at £12.0m. The current level of the General Fund balance is £17.0m.

- 15.8. Earmarked Reserves are available to provide financing for future expenditure plans. Earmarked Reserves (excluding those held by schools under delegation) stood at £91.2m at 1 April 2021. These are forecast to be £89.3m by 31 March 2022.
- 15.9. The Budget Support Reserve, intended to provide short term support and pump prime efficiencies, stood at £11.4m at 31 March 2021. This reserve balance is forecast to be £4.2m by 31 March 2022. The underlying 202-23 budget does not place undue reliance on reserves as general budget support.
- 15.10. The Council continues to face financial challenges over the medium term. The delivery of a balanced budget for 2022-23 is reliant on delivering new savings of £2.399m in addition to those outstanding from previous years. Further savings will need to be identified in 2023-24, 2024-25 and 2025-26. There is significant uncertainty in relation to local government funding beyond 2022-23 and the potential impact of changes to New Homes Bonus, the Business Rates Retention Scheme and the Review of Relative Needs (Fair Funding). The Council continues to maintain its focus on delivering transformation at pace and thereby securing financial sustainability.

16. Financial Implications

Implications completed by: Philip Gregory, Finance Director

- 16.1. The detailed financial implications have been covered throughout the report. Members are asked to note the CFO opinion as outlined in section 15 above.

17. Legal Implications

Implications completed by: Dr Paul Feild, Senior Standards & Governance Lawyer

- 17.1. As set out in the main body of the report, local authorities are under an explicit statutory duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This is set by sound public accounting practice guidance. As part of this requirement a forward-thinking medium-term budget strategy is key to ensuring stability. This includes taking account of future income, liabilities, risks, investments, contingencies, statutory compliances, contractual obligations and of course securing best value for money.
- 17.2. The Local Government Act 2003 Section 25 sets a specific duty on an Authority's Chief Financial Officer (Finance Director) to make a report to the authority for it to take into account when it is considering its budget and funding for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget and the Authority must have regard to the report in making its decisions. Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that 'the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards

the advice of its Chief Financial Officer and is heading for serious financial difficulty’.

- 17.3. The proposals are founded on the information known at the time however circumstances can change such as we have seen in the current financial year (2021-22) with the Covid 19 Pandemic continuing with the Autumn and Winter new viral strains of Delta and Omnicom which continue its significant impact on both incomes and additional costs, though tempered by the widescale vaccination and booster programme. Budgetary tools such the MTFs are living documents which must adjust according to the situation the authority encounters and further anticipates. As a consequence, there is an ongoing need to prepare for contingencies including maintaining sound risk management and level of reserves which enables the authority to be prepared to deal with risks, contingencies and its future strategic vision.
- 17.4. By law a local authority is required under the Local Government Finance Act 1992 to produce a ‘balanced budget’. The current budget setting takes place in the context of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is may be subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of any agreed savings options. Relevant legal considerations are identified below.
- 17.5. Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing then it will require consultation with unions and staff. In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant ‘protected characteristic’. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information. In addition to that, Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.
- 17.6. If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. The Council must have regard to:
- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;
 - any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
 - any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);

- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;
- to any responses from stakeholders to consultation undertaken.

18. Corporate Policy and Equality Impact

- 18.1. The Equality Act 2010 requires a public authority, in the exercise of its functions, to have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant protected characteristic. As well as complying with legislation, assessing the equality implications can help to design services that are customer focussed, in turn leading to improved service delivery and customer satisfaction.
- 18.2. The Council's Equality and Diversity strategy commits the Council to ensuring fair and open service delivery, making best use of data and insight and reflecting the needs of the service users. Equality Impact Assessments allow for a structured, evidence based and consistent approach to considering the equality implications of proposals and should be considered at the early stages of planning.
- 18.3. There are no new savings proposals put forward that require EIAs and these have been carried out for all existing saving to ensure the Council properly considers any impact of the proposal. The Council's transformation programme aims to redesign services to make them more person-centred and focussing on improving outcomes for residents. Therefore, in most cases the proposals have either a positive or neutral impact. However, where a negative impact has been identified, the Council will ensure appropriate mitigations are considered and relevant affected groups are consulted.

Public Background Papers Used in the Preparation of the Report:

- Provisional Local Government Finance Settlement
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023>
- Calculation and Setting of Council Tax Base 2022-23
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=86303>
- Council Tax Support Scheme 2022-23
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=86301>
- Dedicated Schools Budget and Schools Funding Formula 2022-23
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=86300>
- Fees and Charges 2022
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=86292>

List of appendices:

- Appendix A – Revenue Budget
- Appendix B – MTFS
- Appendix C – Savings and Growth Proposals
- Appendix D – The Statutory Budget Determination
- Appendix E – Calculation of the Council Tax Requirement
- Appendix F – Draft Capital Programme
- Appendix G – Flexible Use of Capital Receipts *(to follow subject to DLUHC)*

guidance)

- Appendix H – School Funding Formula Factors
- Appendix I – Forecast General Fund and Usable Reserves
- Appendix J – New Homes Bonus Allocations

| | Initial Base | Capital | Recharges | Savings | Growth | Other MTFS Ac | Central Items | Service Adjustments | Total |
|------------------------------|--------------------|----------------|-------------|--------------------|-------------------|---------------------|------------------|---------------------|--------------------|
| CARE AND SUPPORT | 85,394,277 | 1,248,640 | 5,421,000 | - | 4,182,856 | - | - | 450,000 | 95,796,773 |
| CENTRAL | 37,120,660 | - 32,116,900 | 2,615,040 | - 212,000 | 5,419,869 | - 10,949,325 | 7,694,000 | - 4,674,857 | 4,896,487 |
| COMMUNITY SOLUTIONS | 17,702,548 | 4,749,310 | 2,090,840 | - 1,070,000 | 1,298,508 | - | - | 1,125,600 | 25,896,806 |
| CONTRACTED SERVICES | - | - | - | - | - | - | - | - | - |
| CORE | 7,964,760 | 549,050 | - 8,224,220 | 5,000 | 1,544,660 | - | - | 47,330 | 1,791,920 |
| EDUCATION, YOUTH & CHILDCARE | 3,575,560 | 14,566,510 | 2,078,950 | - 50,000 | 64,691 | - | - | 196,620 | 20,432,331 |
| INCLUSIVE GROWTH | 322,991 | 104,170 | 914,590 | - 200,000 | 280,947 | - | - | 393,520 | 1,816,218 |
| LAW, GOVERNANCE & HR | 1,359,100 | 346,680 | - 3,010,040 | - 1,818,000 | 311,400 | - | - | - | - 2,810,860 |
| MY PLACE | 9,391,640 | 10,135,450 | - 2,938,580 | - 154,000 | 1,152,987 | - | - | 730,000 | 18,317,497 |
| POLICY & PARTICIPATION | - 642,600 | 1,017,090 | 87,100 | - | 72,735 | - | - | 1,536,647 | 2,070,972 |
| SDI COMMISSIONING | 11,425,014 | - | 965,320 | - | 107,004 | - | - | 1,189,800 | 13,687,138 |
| TOTAL | 173,613,950 | 600,000 | - | - 3,499,000 | 14,435,656 | - 10,949,325 | 7,694,000 | - | 181,895,281 |

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MEDIUM TERM FINANCIAL STRATEGY

Summary Model - MTFS February 2022

| 2020/21 Outturn | 2021/22 Budget | 2021/22 Forecast Outturn | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast | 2025/26 Forecast |
|--------------------|-------------------|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| £m | £m | £m | £m | £m | £m | £m |

| | | | | | | | |
|----------------------|---------|---------|---------|---------|---------|---------|---------|
| NET COST OF SERVICES | 149.352 | 161.318 | 161.318 | 175.653 | 187.190 | 192.142 | 194.118 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|

Financial Planning

| | | | | | | | |
|----------------------------|---|---------|---------|---------|---------|----------|---------|
| Savings - Existing Plans | - | (2.641) | (2.641) | (3.499) | (1.290) | 0.076 | (0.122) |
| Savings - to be identified | - | - | - | - | (6.161) | (10.952) | (9.291) |
| Growth | - | 17.428 | 24.655 | 14.436 | 11.803 | 12.252 | 12.402 |
| Capital | - | 0.260 | 0.260 | 0.600 | 0.600 | 0.600 | 0.600 |

Reserves

| | | | | | | | |
|---------------------------------------|---------|---------|----------|---------|---------|---------|---------|
| Contributions to Earmarked Reserves | 31.071 | 9.062 | 9.062 | - | - | - | - |
| Contributions from Earmarked Reserves | (1.471) | (3.407) | (10.634) | (4.130) | (1.600) | - | - |
| COVID-19 Reserves/carry forward | 13.924 | - | - | - | - | - | - |
| Use of General Reserve | - | - | - | - | - | - | - |
| Net Expenditure after Reserves | 192.876 | 182.020 | 182.020 | 183.060 | 190.542 | 194.118 | 197.707 |

Funding

| | | | | | | | |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| NDR/RSG | (81.300) | (80.593) | (80.593) | (81.391) | (79.468) | (81.188) | (81.188) |
| Other Grants | (9.062) | (9.405) | (9.405) | (11.351) | (18.019) | (17.942) | (17.942) |
| COVID Grants | (34.220) | (7.694) | (7.694) | - | - | - | - |
| 22/23 Services Grant | - | - | - | (3.978) | - | - | - |
| (Surplus)/Deficit on Collection Fund | (1.745) | 2.663 | 2.663 | - | - | - | - |
| Company Dividends | - | (12.490) | (12.490) | (12.490) | (12.807) | (12.807) | (12.807) |
| Investment Income | (0.762) | (5.712) | (5.712) | (1.500) | (4.542) | (3.042) | (3.042) |
| Demand on Collection Fund | 65.787 | 68.789 | 68.789 | 72.350 | 75.705 | 79.139 | 82.728 |

| | | | | | | | |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Council Taxbase | 51,204.00 | 50,996.00 | 50,996.00 | 52,079.16 | 53,939.13 | 54,748.22 | 55,569.44 |
| Council Tax at Band D (£) | 1,284.80 | 1,348.91 | 1,348.91 | 1,389.24 | 1,403.53 | 1,445.50 | 1,488.72 |

| | | | | | | | |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Council Tax Precept £m | 65.787 | 68.789 | 68.789 | 72.350 | 75.705 | 79.139 | 82.727 |
| Percentage Increase in Council Tax | 4.99% | 4.99% | 4.99% | 2.99% | 2.99% | 2.99% | 2.99% |

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SAVINGS AND GROWTH PROPOSALS

Incremental Basis

| *negative values (in brackets) are savings | | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|---|---------|---------|---------|---------|
| | | £k | £k | £k | £k |
| Service Area | Growth Proposal | | | | |
| My Place | Waste & Recycling New year on year pressure of £2,295k by 2025/26 to implement the National Waste Strategy, including weekly food collection, free Green Garden Waste and weekly recycling. | 0 | 295 | 1,000 | 1,000 |
| My Place | Waste & Recycling A one-off investment of £150k in 2022/23 will fund consultancy work to support implementation of the National Waste Strategy and public engagement to support implementation of the food waste service. | 150 | (150) | 0 | 0 |
| My Place | Keeping the Streets Clean There is a year-on-year pressure of £250k. This is the cost of addressing the pressure in the current budget to ensure delivery of current levels of activity is sustainable. This pressure has been considerably reduced over the last year. | 0 | 250 | 0 | 0 |
| My Place | Keeping the Streets Clean There is a one-off budget requirement of £150k to support new strategies linked to resident behaviour change, waste minimisation and recycling. | 150 | (150) | 0 | 0 |
| Care & Support | Giving Children the Best Chance There is a year-on-year pressure at a minimum of £3,000k. Additional funding is required to create a sustainable Early Help Service. Since the workshops, further work on the Early Help Target Operating Model (TOM) identified that an immediate investment of £1.6m is required to ensure the safety and effectiveness of the current service. The EH TOM also points to independent evidence suggesting a further estimated investment of £1.4m - subject to a business case - would curb predicted future demand on statutory services. | 2,000 | 1,000 | 0 | 0 |
| Care & Support | Market Sustainability & Fair Cost of Care Grant *This is a new grant we have assumed it will continue Grant coming to Borough to be passported to the service. | 616 | 0 | 0 | 0 |
| Community Solutions | Community Hubs (2 years funding) There is an investment requirement in these services of £70k for 2 years. This is the cost of appointing a senior manager who would be responsible for getting the 17 hubs up and running, and then further developing, maintaining and managing the hubs. | 70 | 0 | (70) | 0 |
| Community Solutions | BD-Can (one year funding only) There is an investment of £112k to extend current resources to support the delivery of CAN (2 roles) for one year. | 112 | (112) | 0 | 0 |
| Community Solutions | Youth Zone (3 year funding agreement). | 200 | 0 | 0 | (200) |
| Community Solutions | Building Capacity in the Social Sector (1 year FTC) in addition to the £112k proposal previously. | 63 | (63) | 0 | 0 |
| Community Solutions | Improving Debt Collection Invest to Save 21-22 Saving, not reversed at end of 12 month pilot. Expenditure £112k, to save £500k. | 388 | 0 | 0 | 0 |
| Community Solutions | Community Solution Pressures (2022/23 and 23/24 already approved) | 0 | 0 | 260 | 260 |
| Core | Inclusive Workplace There is a continued investment in these services required to maintain the delivery of Inclusive Workplace aspirations. This extends some of the temporary HR resources enabling the delivery of Inclusive Workplace priorities. | 100 | 0 | (100) | 0 |
| Core | Tools & Capabilities IT core budget deficit. | 105 | 0 | 0 | 300 |
| Core | Tools & Capabilities IT contract inflation costs. | 260 | 0 | 0 | 0 |
| Core | Tools & Capabilities | 586 | 0 | 0 | 0 |

SAVINGS AND GROWTH PROPOSALS

Incremental Basis

| *negative values (in brackets) are savings | | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|---|----------------|----------------|-----------|--------------|
| | | £k | £k | £k | £k |
| Service Area | Growth Proposal | | | | |
| | IT operations resourcing specialist, technical expertise - related to ERP, DCAP, GIS and Cyber Security. | | | | |
| Core | Tools & Capabilities IT training budget and an IT trainee and career development scheme. | 200 | 0 | 0 | 0 |
| Core | ELWA Levy Increase Provision for ELWA increases (2022/23 and £2023/24 already approved) | | | 800 | 800 |
| Core | Staff Pay Award and Capacity Building (2022/23 and 23/24 already approved) | | | 2,000 | 2,000 |
| Core | Non Staff Inflation (2022/23 and 23/24 already approved) | | | 1,000 | 1,000 |
| Inclusive Growth | Net Zero Year-on year investment in these services of £250k is required to deliver on our Green Capital of The Capital ambitions. This is the cost of 2 roles in commissioning to drive the agenda forward and attract new funding, plus 2 roles to boost capacity in communications and procurement, to help drive the behaviour change and practises of our residents and contractors. It also includes a small commissioning budget to run public engagement campaigns and to commission technical expertise. | 250 | 0 | 0 | 0 |
| Strategy and Culture | Cultural Production There is an investment required of £106k for the cost of a new set of resources in the cultural commissioning team to ensure cultural and economic benefits of major new programmes and activity - including TATE - are fully realised. | 106 | 0 | 0 | 0 |
| Strategy & Culture | Tools & Capabilities Make fixed term resources in the Strategy & Policy team permanent (Head of Strategy, Policy & Equalities Strategy Manager. | 167 | 0 | 0 | 0 |
| Strategy & Culture | Opportunities to Participate There is an investment requirement of £45k to bring the EFG London Jazz Festival and related community workshops and family programmes to the Borough. | 45 | (45) | 0 | 0 |
| Authority Wide | NI Insurance Growth for increase (1.25% of salary budget) | 1,548 | 0 | 0 | 0 |
| SUB-TOTAL | | 7,116 | 1,025 | 4,890 | 5,160 |
| Pre- Approved Growth (February 2021) | | 7,319 | 11,102 | 7,042 | 7,402 |
| MTFS Total | | 14,435 | 12,127 | 11,932 | 12,562 |
| SAVINGS PROPOSALS | | | | | |
| Community Solutions | Debt & Affordable Credit (2 years funding) | (580) | 0 | (420) | 0 |
| My Place | Property Management & Capital Delivery | (154) | (66) | (65) | (72) |
| Core | Digital Identity Verification (requires £100k Capital) | (25) | (25) | - | - |
| Core | Mobile Telephony move to Daisy from EE | (72) | 72 | - | - |
| Core | Streamline IT Procurement | 45 | (44) | (56) | (50) |
| Core | MPLS Replacement | (115) | 0 | 115 | - |
| Core | Parking Enforcement Income | (1,498) | 0 | 0 | 0 |
| SUB-TOTAL | | (2,399) | (63) | (426) | (122) |
| Pre Approved Savings (February 2021) | | (1,100) | (1,227) | 500 | 0 |
| TOTAL Identified MTFS Savings | | (3,499) | (1,290) | 74 | (122) |

SAVINGS AND GROWTH PROPOSALS Incremental Basis

| | | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|-------------------|--------------|--------------|--------------|
| | | £k | £k | £k | £k |
| *negative values (in brackets) are savings | | | | | |
| Service Area | Growth Proposal | | | | |
| GROWTH PROPOSALS FUNDED FROM EXISTING RESOURCES | | Incremental Basis | | | |
| | | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| | | £k | £k | £k | £k |
| *negative values (in brackets) are savings | | | | | |
| Service Area | Growth Proposal | | | | |
| Leisure | Concession fee income reprofiled | 1,311 | (666) | (567) | (620) |
| Public Health | Coronor and Mortuary Fees - additional costs due to Demographic changes | 178 | - | - | - |
| My Place | Reduction in HRA Recharge Income | 700 | - | - | - |
| My Place | ELWA Income Target historically incorrect | 30 | - | - | - |
| Inclusive Growth | Removal of a historic unachievable income target | 394 | - | - | - |
| Community Solutions | Foyer Savings - Proposal from Inclusive Growth, not achievable | 250 | - | - | - |
| Community Solutions | Brocklebank - TA rent no longer received | 583 | - | - | - |
| Community Solutions | Revenues & Benefits. Inherited and historical budget pressures (ELEVATE) | 450 | - | - | - |
| Community Solutions | NRPF -demand and cost pressures | 282 | - | - | - |
| Community Solutions | Court Costs Income - welfare reform and ethical enforcement | 300 | - | - | - |
| Education, Youth & Childcare | Removal of a historic unachievable income target | 197 | - | - | - |
| TOTAL GROWTH | | 4,675 | (666) | (567) | (620) |
| Funded from | | | | | |
| Community Solutions | Adjustment in provision for coessionary fares | (1,000) | 785 | 2,050 | 840 |
| Central Expenses | Release balance of Savings Non Achievement Provision | (307) | - | - | - |
| Central Expenses | Release from Inflation Costs Provision | (634) | - | - | - |
| Central Expenses | Reduction of Provision in Pension Strain Capitalisation as no longer required | (560) | - | - | - |
| Central Expenses | Reduction in Provision for Care Leavers Council Tax now in CT Base | (151) | - | - | - |
| Central Expenses | Removal of IT Reserve not approved for 22-23 onwards | (775) | - | - | - |
| Central Expenses | Reduction in Temporary Accomodation Growth Provision | (833) | - | - | - |
| Central Expenses | Reduction in Provision for BDTP Pension payments as costs decreasing | (359) | - | - | - |
| Central Expenses | Removal of Residual Provison for Leisure fees as budget now with service | (56) | - | - | - |
| TOTAL FUNDING | | (4,675) | 785 | 2,050 | 840 |
| Net Growth | | - | 119 | 1,483 | 220 |

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STATUTORY BUDGET DETERMINATIONS

SETTING THE AMOUNT OF COUNCIL TAX FOR THE LONDON BOROUGH OF BARKING AND DAGENHAM

1. At its meeting on 18 January 2022 the Council approved the Council Tax Base 2022/23 calculation for the whole Council area as 52,079.16 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended (“the Act”)]

2. The following amounts have been calculated by the Council for the year 2022/23 in accordance with Sections 31 to 36 of the Act:-

| | | |
|-----|--------------|--|
| (a) | £971,303,424 | being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act. |
| (b) | £898,952,972 | being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act. |
| (c) | £72,350,452 | being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (i.e. Item R in the formula in Section 31A(4) of the Act). |
| (d) | £1,389.24 | being the amount at 2(c) above (i.e. “Item R”), divided by Item T (shown at 1 above), calculated by the Council, in accordance with Section 31B(1) of the Act as the basic amount of its Council Tax for the year. Refer below for further detail. |

Valuation Bands

| A | B | C | D | E | F | G | H |
|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| £926.16 | £1,080.52 | £1,234.88 | £1,389.24 | £1,697.96 | £2,006.68 | £2,315.40 | £2,778.48 |

being the amounts given by multiplying the amount at 2(d) above by the number which, in the proportion set out in Section 5(2) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band 'D' calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

3. That it be noted that for the year 2022/23 the Greater London Authority has indicated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:-

Precepting Authority: Greater London Authority

Valuation Bands

| A | B | C | D | E | F | G | H |
|---------|---------|---------|---------|---------|---------|---------|---------|
| £263.73 | £307.68 | £351.64 | £395.59 | £483.50 | £571.41 | £659.32 | £791.18 |

4. That, having calculated the aggregate in each case of the amounts at 2 and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2022/23 for each of the categories of dwellings shown below:-

Valuation Bands

| A | B | C | D | E | F | G | H |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| £1,189.89 | £1,388.20 | £1,586.52 | £1,784.83 | £2,181.46 | £2,578.09 | £2,974.72 | £3,569.66 |

Calculation of the Proposed Council Tax for 2022/23

| | £000 |
|---|-----------------------|
| Revised 2021/22 Budget before Reserves Usage | 173,614 |
| New MTFS Items | 13,012 |
| Approved Savings | (1,100) |
| Approved Growth | 7,319 |
| Transfer to Earmarked Reserves | <u>(10,949)</u> |
| Total Adjustments | 8,281 |
| Base Budget Requirement for 2022/23 | 181,895 |
| Funded By: | |
| Retained Business Rates Income | (80,235) |
| Company Returns | (12,490) |
| Specific Grants | (15,320) |
| Investment Income | (1,500) |
| Collection Fund Deficit | |
| Total Funding | (109,545) |
| Council Tax Requirement | <u>72,350</u> |
| Council Tax Base (Equivalent Band D Properties) | 52,079.16 |
| Council Tax: | |
| London Borough of Barking and Dagenham | 1389.24 |
| Greater London Authority | <u>395.59</u> |
| Overall Council Tax - Band D equivalent | <u>1784.83</u> |

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2022-23 CAPITAL PROGRAMME

| Code | Project | 21/22 | 22/23 | 22/23 | 22/23 |
|---------|---|------------------|------------------|------------------|----------------|
| | | Carry-Forward | Initial Budget | Total Budget | Funding Source |
| | General Fund | | | | |
| | Adults Care & Support | | | | |
| FC00106 | Disabled Facilities Grant | 581,951 | 1,022,368 | 1,604,319 | Grant |
| | Total for Adults Care & Support | 581,951 | 1,022,368 | 1,604,319 | |
| | Core | | | | |
| FC03052 | KTLO | 962,737 | - | 962,737 | Borrowing |
| FC03059 | Customer Services Channel Shift | -79,741 | - | -79,741 | Borrowing |
| FC03068 | ICT End User Computing | 4,000 | 258,008 | 262,008 | Borrowing |
| | Total for Core | 886,996 | 258,008 | 1,145,004 | |
| | CIL (external) | | | | |
| FC05027 | Kingsley Hall | 20,000 | - | 20,000 | CIL/S106 |
| FC05028 | Box Up Crime | 257,908 | - | 257,908 | CIL/S106 |
| FC05029 | East End Women's Museum | 180,175 | - | 180,175 | CIL/S106 |
| FC05030 | Green Community | -3,100 | - | -3,100 | CIL/S106 |
| FC05031 | Becontree Centenary - Create London | 27,169 | - | 27,169 | CIL/S106 |
| FC05062 | Litter in Parks (CIL) | 96,000 | - | 96,000 | CIL/S106 |
| FC05063 | BRL Thames Clipper (CIL) | 300,000 | - | 300,000 | CIL/S106 |
| | Total for CIL | 878,152 | - | 878,152 | |
| | Culture, Heritage & Recreation | | | | |
| FC03032 | Parsloes Park Activation | 2,820,570 | 1,152,812 | 3,973,382 | Grant |
| FC03090 | Lakes | 99,164 | 150,000 | 249,164 | Borrowing |
| FC04017 | Fixed play facilities | 67,503 | - | 67,503 | Borrowing |
| FC04018 | Park Buildings – Response to 2014 Building | - | 34,530 | 34,530 | Borrowing |
| FC04033 | Redressing Valence | 182,202 | - | 182,202 | Borrowing |
| FC04043 | The Abbey: Unlocking Barking's past... | 87,839 | 160,953 | 151,218 | Borrowing |
| | | | | 97,574 | CIL/S106 |
| FC04080 | Children's Play Spcs & Fac (CIL) | 159,188 | 55,000 | 214,188 | CIL/S106 |
| FC04081 | Parks & Open Spcs Strat 17 | -40,000 | 95,031 | 55,031 | Borrowing |
| FC04084 | Central Park Masterplan Implementation | 970,991 | - | 970,991 | Borrowing |
| FC04085 | Play Facility at Valence Park' | 5,000 | - | 5,000 | Borrowing |
| FC05060 | Safer Parks (CIL) | -13,000 | 42,000 | 29,000 | CIL/S106 |
| FC05061 | B&D Local Football Facility (CIL) | - | 156,604 | 156,604 | CIL/S106 |
| FC05089 | De-contamination adjacent to ECB | 835,206 | 1,000,000 | 1,835,206 | Revenue |
| | Total for Culture, Heritage & Recreation | 5,174,662 | 2,846,930 | 8,021,592 | |
| | Enforcement | | | | |
| FC02982 | Consolidation & Expansion of CPZ | -30,000 | 2,235,166 | 2,205,166 | Self-Finance |
| FC04015 | Enforcement Equipment | 163,388 | - | 163,388 | Borrowing |
| | Total for Enforcement | 133,388 | 2,235,166 | 2,368,554 | |
| | Transport for London schemes | | | | |
| FC02898 | Local Transport Plans | 23,171 | - | 23,171 | Grant |
| FC04094 | Becontree Heath Low Emission | 294,819 | - | 294,819 | Grant |
| FC05056 | Valence Avenue 'Healthy Streets' Corridor | -10,833 | - | -10,833 | Grant |
| FC05057 | Eastbury Manor House Access | -26,933 | - | -26,933 | Grant |
| FC05058 | Minor Works (Various Locations) | -5,000 | - | -5,000 | Grant |
| FC05079 | Cycle Future Route 10 | 20,854 | - | 20,854 | Grant |
| FC05080 | Low Traffic Neighbourhood | 424,046 | - | 424,046 | Grant |

| | | | | | |
|---------|---|-------------------|-------------------|-------------------|--------------|
| FC05083 | Bus Priority | 172,509 | - | 172,509 | Grant |
| | Total for TfL | 892,632 | - | 892,632 | |
| | My Place | | | | |
| FC02811 | Ward Capital Spend | 460,774 | 340,000 | 800,774 | Borrowing |
| FC03064 | Street Lighting Prog 2015-2019 | -221,275 | - | -221,275 | Borrowing |
| FC03065 | HIP 2016-17 Footways & Carriageways | -234,411 | 3,485,000 | 3,250,589 | Borrowing |
| FC04064 | Bridges and Structures | 669,860 | 300,000 | 969,860 | Borrowing |
| FC03011 | Struct Rep's & Maintce-Bridges | 25,565 | - | 25,565 | Borrowing |
| FC05018 | Stock Condition Survey | 168,842 | 1,000,000 | 1,168,842 | Borrowing |
| FC05055 | Road Safety Improvements Programme | 43,130 | - | 43,130 | Borrowing |
| FC04063 | Flood Risk and Drainage Grant | 101,592 | - | 101,592 | Revenue |
| FC04029 | Engineering Works (Road Safety) | -41,852 | - | -41,852 | Borrowing |
| FC04019 | Replacement of Winter Maintenance | -2,622 | - | -2,622 | Borrowing |
| FC05048 | Procuring in cab tech for waste vehicles.... | 90,000 | 65,000 | 155,000 | Borrowing |
| FC05077 | Community Hubs and Dispersed Working | 268,351 | - | 268,351 | Borrowing |
| | Total for My Place | 1,327,954 | 5,190,000 | 6,517,954 | |
| | Public Realm | | | | |
| FC04012 | Bins Rationalisation | 12,180 | - | 12,180 | Borrowing |
| FC04070 | Vehicle Fleet Replacement | -41,825 | 857,621 | 815,796 | Self-Finance |
| FC03083 | Chadwell Heath Cemetery Extension | 148,978 | - | 148,978 | Borrowing |
| FC04028 | Hand Arm Vibration | -7,787 | - | -7,787 | Borrowing |
| FC04016 | On-vehicle Bin Weighing System for..... | 15,900 | - | 15,900 | Borrowing |
| | Total for Public Realm | 127,446 | 857,621 | 985,067 | |
| | Education Youth & Childcare | | | | |
| FC04059 | Chadwell Heath | - | 100,000 | 100,000 | Grant |
| FC05033 | SCA PRIORITY WORKS 20/22 | 3 | - | 3 | Grant |
| FC05034 | Schools Expansion Programme 20/22 | - | 446,472 | 446,472 | Grant |
| FC05069 | SCA 20-21 | -700,000 | 927,572 | 227,572 | Grant |
| FC05098 | SCA 21-22 | 4,975,469 | - | 4,975,469 | Grant |
| FC05099 | SEND 21-22 | 850,000 | 1,159,813 | 2,009,813 | Grant |
| | Primary | - | - | - | Grant |
| FC03053 | Gascoigne Primary 5forms to 4 forms | 60,317 | - | 60,317 | Grant |
| FC04058 | Marks Gate Infants & Juniors 2018-20 | - | 1,045,865 | 1,045,865 | Grant |
| FC05078 | Greatfields Primary | 400,000 | 10,088,531 | 10,488,531 | Grant |
| | Secondary | - | - | - | Grant |
| FC03020 | Dagenham Park | 57,207 | - | 57,207 | Grant |
| FC03022 | New Gascoigne (Greatfields) Secondary School | 2,126,336 | 7,120,133 | 9,246,469 | Grant |
| | Funds to be allocated | 12,117,930 | - | 12,117,930 | Grant |
| | Total for Education Youth & Childcare | 19,887,262 | 20,888,386 | 40,775,648 | |
| | Other | | | | |
| FC03099 | Abbey Green & Barking Town Centre Conservation Area Townscape HLF Project | 847,473 | 200,000 | 1,047,473 | Borrowing |
| FC04051 | Street Property Acquisition 2017-19 | 50,000 | - | 50,000 | Borrowing |
| FC05038 | 82A AND 82B OVAL ROAD SOUTH | 325,000 | - | 325,000 | Borrowing |
| | TBD | 117,000 | - | 117,000 | Revenue |
| | TBD | 95,000 | - | 95,000 | Revenue |
| | Total for Other | 1,434,473 | 200,000 | 1,634,473 | |
| | Transformation | | | 1,989,722 | |
| | General Fund Total | 31,324,916 | 33,498,479 | 66,813,117 | |

| HRA | | | | | |
|-----------------------------|--|-------------------|-------------------|-------------------|-----------|
| Stock Investment (My Place) | | | | | |
| FC00100 | Aids and Adaptations | 900,000 | 1,000,000 | 1,900,000 | HRA/MRR |
| FC02933 | Voids | - | 1,500,000 | 1,500,000 | HRA/MRR |
| FC03039 | Estate Roads & Environ 18/19 | 3,210 | - | 3,210 | HRA/MRR |
| FC03045 | External Fabric – Blocks | 39,005 | - | 39,005 | HRA/MRR |
| FC04002 | Lift Replacement Programme | - | 2,000,000 | 2,000,000 | HRA/MRR |
| FC04003 | Domestic Heating Replacement | - | 1,000,000 | 1,000,000 | HRA/MRR |
| FC04004 | Box-Bathroom Refurbs (Apprenticeships) | 102,000 | - | 102,000 | HRA/MRR |
| FC04006 | Minor Works & Replacements | - | 750,000 | 750,000 | HRA/MRR |
| FC05002 | Externals 1 - Houses & Blocks | 1,953,078 | 7,000,000 | 8,953,078 | HRA/MRR |
| FC05003 | Externals 2 - Houses & Blocks | -291,000 | 3,000,000 | 2,709,000 | HRA/MRR |
| FC05004 | Door Entry Systems | 403,048 | 250,000 | 653,048 | HRA/MRR |
| FC05005 | Compliance | 557,944 | 500,000 | 1,057,944 | HRA/MRR |
| FC05006 | Fire Safety Improvement Works | 550,000 | 500,000 | 1,050,000 | HRA/MRR |
| FC05007 | Fire Doors | 1,500,499 | 500,000 | 2,000,499 | HRA/MRR |
| FC05008 | De-Gassing of Blocks | 20,000 | - | 20,000 | HRA/MRR |
| FC05009 | Lateral Mains | 350,000 | 2,000,000 | 2,350,000 | HRA/MRR |
| FC05013 | Estate Roads Resurfacing | 29,000 | 1,000,000 | 1,029,000 | HRA/MRR |
| FC05014 | Energy Efficiency inc Green Street | 2,900,000 | 5,000,000 | 7,900,000 | HRA/MRR |
| FC05015 | Other Works | -337,000 | 1,000,000 | 663,000 | HRA/MRR |
| FC05000 | DH Internal | 1,506,819 | 1,500,000 | 3,006,819 | HRA/MRR |
| FC05068 | Adaptations and Extensions | 130,000 | - | 130,000 | HRA/MRR |
| | Total for Stock Investment (My Place) | 10,316,603 | 28,500,000 | 38,816,603 | |
| FC02820 | Estate Renewal | -3,275,215 | | -3,275,215 | HRA/MRR |
| | Total for Estate Renewal | -3,275,215 | - | -3,275,215 | |
| | New Build Schemes | | | | |
| FC02931 | Leys New Build Dev (HRA) | 10,097 | - | 10,097 | HRA/MRR |
| FC03071 | Mellish and Sugden | 2,085,133 | - | 2,085,133 | HRA/MRR |
| FC02988 | Bungalows (Stansgate, Mrgt Bon) | -10,097 | - | -10,097 | HRA/MRR |
| FC03009 | Leys Estate Ph 2 | 16,750 | - | 16,750 | HRA/MRR |
| | Total for HRA New Builds | 2,101,883 | - | 2,101,883 | |
| | | | | | |
| | Total for HRA | 9,143,271 | 28,500,000 | 37,643,271 | |
| | | | | | |
| | Investment & Acquisitions | | | | |
| | Residential Developments | | | | |
| FC04067 | 12 Thames Road | -2,078,880 | 34,767,357 | 32,688,477 | Borrowing |
| FC04065 | 200 Becontree | -378,779 | 378,779 | - | Borrowing |
| FC03089 | Becontree Heath New Build | -786,542 | 786,542 | - | Borrowing |
| FC03072 | Sacred Heart | -94,416 | 94,416 | - | Borrowing |
| FC04069 | Crown House | -1,692,098 | 4,389,194 | 2,697,096 | Borrowing |
| FC04062 | GEP2 C1 | -17,071,836 | 17,504,399 | 432,563 | Borrowing |
| FC04062. | GEP2 E | -11,993,639 | 32,367,799 | 20,374,160 | Borrowing |
| FC04062.. | GEP2 F | -12,140,480 | 55,395,856 | 43,255,376 | Borrowing |
| FC05026 | Gascoigne East Phase 3 | 5,069,926 | 13,010,672 | 18,080,597 | Borrowing |
| FC04099 | Gascoigne West P1 Development (Phase 1) | -3,614,948 | 9,957,762 | 6,342,814 | Borrowing |
| FC05025 | Gascoigne West Phase 2 | -270,068 | 73,708,904 | 73,438,836 | Borrowing |
| FC03086 | A House for Artists | -379,355 | 379,355 | - | Borrowing |
| FC04068 | Oxlow Road | -2,561,970 | 10,146,866 | 7,584,896 | Borrowing |
| FC05035 | Padnall Lake | 14,421,305 | -9,801,805 | 4,619,500 | Borrowing |

| | | | | | |
|---------|---|---------------------|--------------------|--------------------|------------------|
| FC04066 | Roxwell Road | 5,225,308 | 4,267,127 | 9,492,435 | Borrowing |
| FC03080 | Royal British Legion | 3,404,694 | -3,404,694 | - | Borrowing |
| FC03084 | Sebastian Court - Redevelop | 1,305,344 | -1,305,344 | - | Borrowing |
| FC05103 | Town Quay Wharf | -264,128 | 9,728,719 | 9,464,591 | Borrowing |
| FC05065 | Chequers Lane | -746,006 | 1,309,308 | 563,302 | Borrowing |
| FC05066 | Beam Park | -44,030,460 | 65,154,644 | 21,124,184 | Borrowing |
| FC05073 | Gascoigne East 3B | -991,255 | 20,494,026 | 19,502,771 | Borrowing |
| FC04103 | Barking Restore PLC | -575 | 575 | - | Borrowing |
| FC05093 | Padnall Lake Phase 2 | -3,973,298 | 15,232,949 | 11,259,651 | Borrowing |
| FC05094 | Padnall Lake Phase 3 | -705,362 | 1,041,293 | 335,931 | Borrowing |
| FC05100 | Barking Riverside Health | -53,478 | 3,871,879 | 3,818,401 | Borrowing |
| FC05020 | Woodward Road | 2,360,488 | 7,732,727 | 10,093,215 | Borrowing |
| FC05071 | Brocklebank Lodge | 1,909,020 | 1,201,043 | 3,110,063 | Borrowing |
| FC05076 | Gascoigne East Phase 2 (E1) | -4,885,205 | 26,505,916 | 21,620,711 | Borrowing |
| FC05041 | Transport House | -880,391 | 24,925,041 | 24,044,650 | Borrowing |
| FC05090 | Gascoigne East 3A - Block I | -13,983,736 | 42,616,583 | 28,632,847 | Borrowing |
| TBC | Beam Park Phase 4 / 7 - Scheme | -17,710,617 | 17,865,440 | 154,823 | Borrowing |
| TBC | Jervis Court - Scheme | -2,763,335 | 15,820,095 | 13,056,760 | Borrowing |
| FC05082 | Trocoll House | 345,921 | 649,199 | 995,120 | Borrowing |
| | Total for Residential | -110,008,852 | 496,792,622 | 386,783,769 | Borrowing |
| | Temporary Accommodation | | | | Borrowing |
| FC04077 | Weighbridge | 511,586 | -511,586 | - | Borrowing |
| FC04078 | Wivenhoe Containers | -78,222 | 78,222 | - | Borrowing |
| FC05021 | Grays Court | -186,996 | 186,996 | - | Borrowing |
| FC04101 | Margaret Bondfield | 4,455,000 | - | 4,455,000 | Borrowing |
| | Total for Temporary Accommodation | 4,701,368 | -246,368 | 4,455,000 | Borrowing |
| | Commercial Investments | | | | Borrowing |
| FC04091 | Welbeck Wharf | -362,235 | 364,735 | 2,500 | Borrowing |
| FC05024 | Film Studios | -3,738,659 | 3,738,659 | - | Borrowing |
| FC05023 | 3 Gallions Close | -455 | 455 | - | Borrowing |
| FC05049 | Innovative Sites Programme | 129,181 | -129,181 | - | Borrowing |
| FC04086 | Travelodge Isle of Dogs | 253,000 | -253,000 | - | Borrowing |
| FC05074 | Barking Business Centre | -48,692 | 48,692 | - | Borrowing |
| FC05070 | 23 Thames Road | -128,386 | 128,386 | - | Borrowing |
| FC05042 | 26 Thames Rd | -1,309,852 | 1,407,245 | 97,393 | Borrowing |
| FC05067 | Dagenham Heathway- Shopping Centre | -31,202 | 31,202 | - | Borrowing |
| FC04103 | Barking Restore PLC | -575 | 575 | - | Borrowing |
| FC05072 | Industria | 18,706,731 | 8,122,980 | 26,829,711 | Borrowing |
| | Total for Commercial | 13,468,856 | 13,460,748 | 26,929,604 | |
| | | | | | |
| | Total for Investment Strategy | -91,838,628 | 510,007,002 | 418,168,373 | |
| | | | | | |
| | Capital and Investment Programme Total | -51,370,441 | 572,005,481 | 522,624,762 | |

Overview of Funding Model 2021/22 vs 2022/23

| A | B | C | D | E | F | G | H |
|--|------------------------|------------------------|---------------------------|----------------------------------|------------------------|---------------|--------------------------|
| | 2020/21 Pupil Units | 2021/22 Local Rates | 2021/22 Totals Funding | 2022/23 NFF Rates with ACA | 2022/23 Pupil Units | 2022/23 Rates | 2022/23 Total Funding |
| Primary (Years R-6) | 24,796 | 3,820 | 94,721,904 | 3,642 | 24,494 | 3,840 | 94,056,864 |
| Key Stage 3 (Years 7-9) | 9,375 | 5,025 | 47,110,640 | 5,135 | 9,507 | 5,100 | 48,490,058 |
| Key Stage 4 (Years 10-11) | 5,625 | 5,654 | 31,803,749 | 5,788 | 5,892 | 5,754 | 33,900,786 |
| Primary: | | | | | | | |
| FSM | 5,272 | 520 | 2,741,210 | 532 | 6,190 | 532 | 3,293,793 |
| FSM6 | 6,246 | 650 | 4,060,044 | 668 | 6,762 | 668 | 4,516,843 |
| IDACI Band F | 4,586 | 243 | 1,114,504 | 249 | 4,471 | 249 | 1,113,591 |
| IDACI Band E | 9,101 | 294 | 2,675,569 | 306 | 8,974 | 306 | 2,743,052 |
| IDACI Band D | 3,785 | 463 | 1,752,661 | 476 | 3,745 | 476 | 1,781,001 |
| IDACI Band C | 2,825 | 503 | 1,421,178 | 521 | 2,751 | 521 | 1,432,566 |
| IDACI Band B | 383 | 537 | 205,438 | 555 | 388 | 555 | 215,441 |
| IDACI Band A | 5 | 701 | 3,512 | 725 | 7 | 725 | 5,072 |
| | | | - | | | | - |
| Secondary: | | | | | | | |
| FSM | 3,425 | 520 | 1,780,863 | 532 | 4,135 | 532 | 2,200,296 |
| FSM6 | 5,394 | 949 | 5,118,683 | 979 | 5,368 | 979 | 5,256,981 |
| IDACI Band F | 2,809 | 350 | 983,105 | 362 | 2,856 | 362 | 1,034,612 |
| IDACI Band E | 5,232 | 469 | 2,453,979 | 481 | 5,445 | 481 | 2,619,828 |
| IDACI Band D | 2,341 | 655 | 1,533,284 | 674 | 2,397 | 674 | 1,614,871 |
| IDACI Band C | 1,682 | 712 | 1,197,407 | 736 | 1,702 | 736 | 1,252,338 |
| IDACI Band B | 307 | 768 | 236,144 | 793 | 309 | 793 | 245,096 |
| IDACI Band A | 4 | 977 | 3,890 | 1,008 | 6 | 1,008 | 6,046 |
| | | | - | | | | - |
| LAC March 19 | | | - | | | | - |
| EAL 3 Primary | 7,160 | 621 | 4,446,298 | 640 | 6,724 | 640 | 4,301,383 |
| EAL 3 Secondary | 791 | 1,678 | 1,326,627 | 1,732 | 807 | 1,732 | 1,398,128 |
| Mobility-P | 297 | 1,117 | 332,256 | 1,047 | 574 | 1,047 | 601,349 |
| Mobility-S | 16 | 1,596 | 25,572 | 1,506 | 98 | 1,506 | 147,154 |
| | | | - | | | | - |
| Primary low prior attainment | 7,187 | 1,237 | 8,889,997 | 1,279 | 6,929 | 1,279 | 8,864,905 |
| Secondary low prior attainment | 3,384 | 1,876 | 6,348,297 | 1,936 | 3,543 | 1,936 | 6,859,609 |
| Lump sum | | 133,096 | 7,453,376 | 137,331 | | | 7,690,536 |
| Split Sites | | 160k&200k | 1,360,000 | | | £160&£200k | 1,400,000 |
| Rates | | | 4,736,789 | | | | 4,319,432 |
| PFI funding | | | 3,261,647 | | | | 3,365,042 |
| | | | - | | | | - |
| Minimum Funding Guarantee | | | 1,931,257 | | | | 2,584,109 |
| Total Cost of Formula | | | 241,029,880 | | | | 247,310,782 |
| Growth Funding | | | 2,596,081 | | | | 1,870,457 |
| Falling Rolls / Support from DSG Reserves | | | 656,000 | | | | (215,857) |
| Total Cost - Formula and Growth Funding | | | 244,281,961 | | | | 248,965,382 |
| Total budget available | | | 244,281,961 | | | | 248,965,382 |
| Minimum Funding Guarantee | | | 2.0% | | | | 2.0% |
| Capping & Scaling | | | No | | | | No |

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| FORECAST RESERVE BALANCES | Opening Balance 2021-22 (1 Apr 2021) | Transfer to Reserves | Drawdown From Reserves | Forecast Closing Balance 2021-22 (31 Mar 2022) |
|------------------------------|---|-------------------------|---------------------------|---|
| General Fund Balances | (17,030,171) | | | (£17,030,171) |

Earmarked Reserve Balances

| | | | | |
|--|---------------------|---------------------|-------------------|---------------------|
| Butler Court | (89,323) | | | (£89,323) |
| Skills and Learning Reserve Balance | (2,048,329) | | £1,033,000 | (£1,015,329) |
| Total Departmental Reserve | (2,137,652) | 0 | 1,033,000 | (1,104,652) |
| Capital Investment Reserve | (3,779,051) | | | (£3,779,051) |
| Total Capital Investment Reserve | (3,779,051) | 0 | 0 | (3,779,051) |
| Entities | (1,780,995) | | | (£1,780,995) |
| Total Entities Reserve | (1,780,995) | 0 | 0 | (1,780,995) |
| PFI Reserve | (6,345,965) | | | (£6,345,965) |
| Jo Richardson and Eastbury PFI | (7,698,827) | | | (£7,698,827) |
| Total PFI Reserves | (14,044,792) | 0 | 0 | (14,044,792) |
| Other Miscellaneous | (4,945,847) | | | (£4,945,847) |
| Grants - Department for Education | (38,700) | | | (£38,700) |
| Parking Reserve | (927,081) | (£3,000,000) | £927,081 | (£3,000,000) |
| Trewern Outdoor Centre Reserve | (483,047) | | | (£483,047) |
| YOS - Health and Justice (From CCG) | (115,766) | | | (£115,766) |
| Leaving Care Service (NEET Funding - re CMF Grant) | (140,074) | | | (£140,074) |
| Total Other Miscellaneous Reserves | (6,650,515) | (3,000,000) | 927,081 | (8,723,434) |
| Service Grant Carry Forwards | (5,041,898) | | £1,090,903 | (£3,950,995) |
| ELHP | 0 | | | £0 |
| Investment Reserve | (16,497,682) | (£122,052) | | (£16,619,734) |
| Public Health Reserve | (2,454,795) | | £328,740 | (£2,126,055) |
| Corporate Restructuring - Redundancies Reserve | (735,000) | | | (£735,000) |
| Insurance Fund - Liability Reserve | (3,362,518) | | | (£3,362,518) |
| Budget Support Reserve | (11,433,163) | (£9,062,000) | £10,634,000 | (£9,861,163) |
| VAT Market Repayment | (223,406) | | | (£223,406) |
| Legal Trading Reserve (LBBD Share) | (318,040) | | | (£318,040) |
| Collection Fund Equalisation Reserve | (12,309,879) | | | (£12,309,879) |
| Elections Reserve | (371,755) | | | (£371,755) |
| Film Studio Developer Contribution Reserve | (1,000,000) | | | (£1,000,000) |
| Social Housing Decarbonisation Fund (BEIS) | (100,797) | | | (£100,797) |
| BD Giving Endowment Fund | (300,288) | | | (£300,288) |
| LEP Housing Rental Reserves | (2,641,598) | | | (£2,641,598) |
| Education, Youth & Childcare Reserve | (4,825,965) | | | (£4,825,965) |
| IT Reserve | (1,212,000) | | | (£1,212,000) |
| Net Earmarked Reserves Balance | (91,221,789) | (12,184,052) | 14,013,724 | (89,392,117) |

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New Homes Bonus Calculator

Barking and Dagenham

[Return to homepage](#)

Current housing stock (Oct 21): 77,168
 Net change in stock (Oct 21)^{1,2}: 521
 Affordable housing supply (20/21)³: 590
 Stock of empty homes (Oct 21): 222

APPENDIX J

Year of Delivery

Year of Payment

| Cumulative Payments | 2011 / 12 | 2012 / 13 | 2013 / 14 | 2014 / 15 | 2015 / 16 | 2016 / 17 | 2017 / 18 | 2018 / 19 | 2019 / 20 | 2020 / 21 | 2021 / 22 | 2022 / 23 |
|-------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|-----------|-----------|------------|
| Payments for Year 1 | £719,290 | £719,290 | £719,290 | £719,290 | £719,290 | £719,290 | | | | | | |
| Payments for Year 2 | | £749,594 | £749,594 | £749,594 | £749,594 | £749,594 | | | | | | |
| Payments for Year 3 | | | £996,051 | £996,051 | £996,051 | £996,051 | £996,051 | | | | | |
| Payments for Year 4 | | | | £596,541 | £596,541 | £596,541 | £596,541 | | | | | |
| Payments for Year 5 | | | | | £703,055 | £703,055 | £703,055 | £703,055 | | | | |
| Payments for Year 6 | | | | | | £2,172,770 | £2,172,770 | £2,172,770 | £2,172,770 | | | |
| Payments for Year 7 | | | | | | | £396,708 | £396,708 | £396,708 | £396,708 | | |
| Payments for Year 8 | | | | | | | | £437,256 | £437,256 | £437,256 | £437,256 | |
| Payments for Year 9 | | | | | | | | | £498,946 | £498,946 | £498,946 | £498,946 |
| Payments for Year 10 | | | | | | | | | | £520,059 | | |
| Payments for Year 11 | | | | | | | | | | | £606,588 | |
| Payments for Year 12 | | | | | | | | | | | | £573,664 |
| 2022/23: Total Payments | | | | | | | | | | | | £1,072,610 |

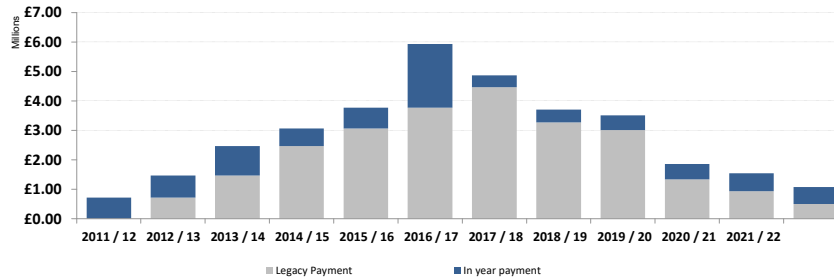
Total Payments (2022/23)

Year 9 **£498,946**

Year 12 **£573,664**

Total Payment: £1,072,610

Total New Homes Bonus Payments



Notes:
 1. Net additional dwellings are calculated by subtracting effective stock (total stock less long-term empty homes, and demolitions) as recorded on the CTB in one year from the previous year: See 'Calculating the New Homes Bonus' in the first page of this spreadsheet.
 2. Data taken from the Council Tax Base form: <https://www.gov.uk/government/statistics/council-taxbase-2021-in-england>
 3. Data taken from Live Table 1008C - <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

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CABINET

21 February 2022

| | |
|--|--|
| Title: Housing Revenue Account: Estimates and Review of Rents and Other Charges 2022/23 | |
| Report of the Cabinet Member for Community Leadership & Engagement and Cabinet Member for Finance, Performance & Core Services | |
| Open Report | For Decision |
| Wards Affected: All | Key Decision: Yes |
| Report Authors: Katherine Heffernan, Head of Service Finance | Contact Details: katherine.heffernan@lbbd.gov.uk |
| Accountable Director: Philip Gregory, Finance Director | |
| <p>Summary</p> <p>The Council as a stock-owning local authority has an obligation to maintain a Housing Revenue Account (HRA). This is the income and expenditure relating to the management of the Council's housing stock and the Council is obliged to set a balanced budget. It is also a requirement to review housing rents and other charges annually and to give tenants prior notification of changes for the new financial year.</p> <p>This is the third year in which the Council is able to increase rents since the Government imposed the 1% rent reduction policy on all providers of social housing from April 2016 for four years. It is proposed that rents increase by CPI + 1% from April 2022 which is 4.1%. This means an average increase of £3.97 per week, increasing the average HRA rent from £97.00 per week to £100.97 per week.</p> <p>This report also considers the available HRA resources within the context of the wider 30-year Business Plan and proposes the budgets for 2022/23 for both revenue and capital expenditure.</p> | |
| <p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <p>(i) Agree that rents for all general needs secure, affordable and sheltered housing accommodation be increased by the Consumer Price Index (CPI) (September 2021) of 3.1% + 1% = 4.1%, from the current average of £97.00 per week to £100.97 per week;</p> <p>(ii) Agree the following service charges for tenants:</p> | |

| Service | Weekly Charge 2022/23 | Increase / reduction |
|----------------------------|------------------------------|-----------------------------|
| Grounds Maintenance | £2.93 | £0 |
| Caretaking | £7.65 | £0 |
| Cleaning | £3.68 | £0 |
| Estate Lighting | £3.94 | £0 |
| Concierge | £10.06 | £0 |
| CCTV (SAMS) | £6.17 | £0 |
| Safer Neighbourhood Charge | £0.52 | £0 |
| TV aerials | £0.62 | £0 |

- (iii) Agree that charges for heating and hot water increase by 7.1% in anticipation of fuel cost increases, as follows:

| Property size | Weekly Charge 2021/22 | Weekly Charge 2022/23 |
|----------------------|------------------------------|------------------------------|
| Bedsit | £13.41 | £14.36 |
| 1 bedroom | £14.23 | £15.24 |
| 2 bedroom | £17.07 | £18.28 |
| 3 bedroom | £17.39 | £18.62 |
| 4 bedroom | £17.84 | £19.11 |

- (iv) Note that water and sewage charges will be increased by the provider by an average change of 10.2% for water and 3.1% for sewage, making a combined change of 8.9%;
- (v) Agree that the above charges take effect from 1 April 2022;
- (vi) Agree the proposed HRA budget for 2022-23 as set out in paragraphs 2.13 to 2.18 of the report, and
- (vii) Agree the Investment in Existing Stock programme and the HRA Capital Programme for 2022/23, as set out in sections 3 to 6 of the report.

Reason(s)

The Council as a stock-owning local authority has an obligation to maintain a Housing Revenue Account (HRA) and to set a balanced budget for the management and maintenance of its housing stock.

1. Introduction and background

Legislative context

- 1.1 The Local Government and Housing Act 1989 requires the Council to manage its housing stock, and to balance its accounts for the housing stock as a ring-fenced account. This means that the Housing Revenue Account (HRA) does not receive any subsidy from the Government, or from Council Tax, and nor is it allowed to subsidise the General Fund. The legislation sets out those items that can be charged to the HRA.

- 1.2 The Localism Act 2011 introduced a new method of managing the HRA called self-financing whereby in return for taking on a share of the national housing debt, local authorities could retain any rental surpluses, and manage their HRAs over a 30-year period. It is good practice therefore to maintain a 30-year Business Plan which projects the income that will be received alongside the expenditure required to manage and maintain the properties.

Policy context

- 1.3 There have been a number of changes in the external environment over the last five years which have had an impact on the HRA Business Plan. The most significant of these was the one per cent rent reduction policy which was imposed through the Welfare Reform and Work Act 2016. This forced all providers of social housing to reduce rents by one per cent for four years from April 2016. This replaced the previous national rent policy of an increase of CPI plus one per cent for ten years, which had itself only come into force in April 2015. The cumulative impact of the rent reduction policy was a loss of approximately £34m of anticipated income over these four years. The compound impact of the rent reduction policy on the 30-year Business Plan is much larger, with a significant effect on the level of resources available within the HRA compared to income assumptions made before the policy came into force.
- 1.4 More recently, in October 2018 the Housing Revenue Account debt cap was removed. This had set a limit on the amount that local authorities could borrow within their HRAs regardless of the capacity to borrow. The removal of the debt cap gives local authorities more flexibility to use prudential borrowing as part of how they finance their HRA Business Plans, though increased borrowing will increase the revenue cost of interest payments. Authorities will also need to have assurance that any eventual debt repayments are sufficiently provided for.
- 1.5 The Building Safety Bill is currently progressing through Parliament, and is expected to become law later in 2022, with full implementation the following year. Among other things, the Bill will establish a new Building Safety Regulator, which will oversee building owners of high-rise buildings carrying out their building safety responsibilities. The Council has been assessing the implications of the Building Safety Bill since the first draft of the Bill was published. The financial implications of new requirements relating to Housing Revenue Account Spend will be assessed once more detail is known.
- 1.6 A Social Housing Regulation Bill is now expected to be published in the coming months. This is expected to bring forward measures that were initially set out in the November 2020 white paper entitled '*Charter for Social Housing Residents*'. This white paper focused on reforming the Regulator of Social Housing (RSH), empowering the regulator to be more proactive in ensuring landlords adhere to consumer standards. This includes creating a new arm to proactively regulate on consumer standards including housing quality, repairs, and resident engagement. The white paper proposes inspections of housing providers (including local authorities) and a review of the Decent Homes Standard. Implications for the Housing Revenue Account will be considered as details emerge, and reported in future Cabinet reports as appropriate.

2. Rents and Service Charges

Rents

- 2.1 Rent increases for social housing are determined by government regulation. In October 2017 the government announced a new five-year rent policy from 1 April 2020 which would allow rents to be increased by CPI plus one percentage point. CPI is defined as the rate published by the Office for National Statistics in September of the preceding year. This rent policy was confirmed by the Regulator in October 2019 and the new confirmed Rent Standard was published. A link to the new Rent Standard is contained at the end of this report.
- 2.2 An increase of CPI + 1% from April 2022 would represent the following average increases:
- Average rent in 21/22: £97.00 per week
 - Average rent in 22/23: £100.97 per week
- 2.3 Overall this would be an average increase of £3.97 per week or £2,068.04 per year. The average increase by bed size is shown in the table below:

| No of Bedrooms | 21/22 Avg. Rent | 22/23 Avg. Rent p.w with CPI +1% | Rent increase p.w. |
|----------------|-----------------|----------------------------------|--------------------|
| 0 | £73.78 | £76.80 | £3.02 |
| 1 | £81.54 | £84.89 | £3.34 |
| 2 | £97.51 | £101.50 | £4.00 |
| 3 | £106.83 | £111.21 | £4.38 |
| 4 | £115.63 | £120.37 | £4.74 |
| 5 | £116.78 | £121.57 | £4.79 |
| 6 | £142.26 | £148.09 | £5.83 |

- 2.4 Rental income represents the most significant source of income for the HRA. As well as rent policy, the amount of income generated from rents is clearly also affected by the number of homes held in the HRA. When the initial self-financing settlement was made, the Council had 18,894 homes. However, shortly after the self-financing settlement was made, the Government increased the discount on Right to Buy properties, which caused the numbers of sales to significantly increase. In the year before the change, 97 homes were sold under the RTB in 2012/13 and then after the change, this rose to 226 sales in 2013/14, and sales have continued at a higher rate since although the impact of Covid has led to a slowdown in the last two years. The estimated number of sales is now 150 to 180 a year.
- 2.5 A number of HRA properties are also in the process of being decommissioned ahead of demolition as part of estate renewal schemes. There are around 140 HRA properties in estate renewal schemes where the tenants have been rehoused and which are currently being used as temporary accommodation. These properties provide an income to Community Solutions as a management fee for managing the temporary accommodation for homeless households. This is a temporary arrangement as the buildings are all due for ultimate demolition. In addition around 550 units of general stock have been demolished or removed from being available for rent.

- 2.6 The impact of the rent uplift is forecast to be a net increase in rent of £1.372m once stock adjustments are taken into account.

Service charges

- 2.7 Tenant service charges are specific charges for services that some tenants receive and others do not. The list of charges which are identified separately are set out below. Landlords may not charge more than the actual cost of the service, plus a reasonable management fee. Not all tenants pay service charges. Around 10,000 do not pay service charges at all, due to the type of property that they occupy. The current and proposed charges are set out below:

| Service | Proposed charges for 22/23 | Increase/reduction |
|----------------------------|----------------------------|--------------------|
| Grounds Maintenance | £2.93 | £0 |
| Caretaking | £7.65 | £0 |
| Cleaning | £3.68 | £0 |
| Estate Lighting | £3.94 | £0 |
| Concierge | £10.06 | £0 |
| CCTV (SAMS) | £6.17 | £0 |
| Safer Neighbourhood Charge | £0.52 | £0 |
| TV aerials | £0.62 | £0 |

- 2.8 The Council has a programme in place which has been reviewing the effectiveness of our services to tenants including caretaking and estate management in order to improve standards. Following the conclusion of the programme and successful implementation of improvements we will carry out a full review of the costs of delivering these services and whether the full cost is being recovered through service charges. Since under recovery of charges means a financial loss to the HRA which has to be cross subsidised by other tenants who do not receive services it is our intention to move towards full cost recovery. However, this will not be done until after the conclusion of the programme. Service charges for Caretaking, Cleaning, Grounds Maintenance and Concierge Services will therefore be maintained at current levels in 2022-23. It should be noted that the reduction in stock will also reduce the total service charge income raised from tenants.
- 2.9 The Safer Neighbourhoods charge recovers the cost of additional support from the Metropolitan Police to certain HRA estates and neighbourhoods. The cost of the service is now £533k for nine staff and is recovered from tenants and leaseholders in those areas.
- 2.10 The TV aerials contract is currently being re-procured and so the charge is being maintained at the same level. Charges for heating/hot water will be increased by 7.1% in anticipation of expected increases in cost while water and sewage charges will be increased in line with the charges by the provider.
- 2.11 These charge increases are offset by cost increases and so there is no net financial benefit to the HRA.

Heating and Hot water charge

| Property size | Weekly Charge 2021/22 | Weekly Charge 2022/23 |
|---------------|--------------------------|--------------------------|
| Bedsit | £13.41 | £14.36 |
| 1 bedroom | £14.23 | £15.24 |
| 2 bedroom | £17.07 | £18.28 |
| 3 bedroom | £17.39 | £18.62 |
| 4 bedroom | £17.84 | £19.11 |

- 2.12 The small increases to the charges outlined above are matched by increases in costs of delivery and have no net benefit to the HRA.

Housing Revenue Account Budgets

- 2.13 The Management and Maintenance of the Council's housing stock is split between a number of service delivery agents. My Place provide landlord services, while functions such as the Housing Register and tenancy support are managed by Community Solutions. My Place also manage and supervise the Repairs and Maintenance service (including void repairs), which is delivered by BDMS.
- 2.14 During the period of four-year rent reduction, the Council reduced the budget for repairs and maintenance and did not provide any pay inflation for operatives. At a time of high cost rising for construction and related services this was not sustainable and resulted in significant overspends. The budget was therefore significantly increased in 2021-22 and it is proposed that there should be a further increase of around 2% (£287k) to cover further cost increases including operatives' pay. The HRA Repairs and Maintenance budget is a My Place commissioning budget, with My Place responsible for ensuring value for money from the repairs contract and continuing to improve the repairs service. This is an area of particular focus for My Place in 2022/23.
- 2.15 The increase in the Repairs and Maintenance budget has been offset by a close review of budgets within supervision and management. Last year this led to the identification of some areas where budgets could be reduced by £1.432m. This year it is proposed that cost increases should be partly offset by efficiencies and a reduced recharge from the General Fund resulting in a below inflation increase of £114k.
- 2.16 It is proposed to create an HRA contribution towards the assessment and administration of Disabled Adaptations for HRA tenants. In addition, there have been cost increases for insurance, business rates and council tax on empty properties.
- 2.17 The impact of Covid-19 has increased current arrears and there is the risk of ongoing economic effects, and therefore the risk of bad debt. In addition, the "cost of living crisis" may make it more difficult for some tenants to manage their finances. It is likely that the full bad debt provision will be needed in 2022/23 to manage this risk, though the Council's income team will continue to recover as much of the arrears as possible.

2.18 The processes for charging leaseholders for major repairs have been strengthened and an income line for this has been built into the budget. This is offset by a transfer to reserves/capital programme so has no net impact on the overall position. The proposed HRA Budgets for 2022/23 are set out below. There is a net increase in the revenue surplus of £0.7m.

| HOUSING REVENUE ACCOUNT BUDGET | CABINET | | PROPOSED | % Change |
|---|-----------------------|---------------------|-----------------------|-------------|
| | 2021/22 BUDGET | CHANGE | 2022/23 BUDGET | |
| Income | | | | |
| Dwelling Rents | (£86,882,000) | (£1,372,553) | (£88,254,553) | 2% |
| Non Dwelling Rents | (£770,000) | £0 | (£770,000) | 0% |
| Charges for Services & Facilities | (£20,580,700) | (£1,467,298) | (£22,047,998) | 7% |
| Interest & Investment Income | (£50,000) | (£248,672) | (£298,672) | 497% |
| Total Income | (£108,282,700) | (£3,088,523) | (£111,371,223) | 3% |
| Expenditure | | | | |
| Repairs & Maintenance | 18,564,000 | £287,284 | £18,851,284 | 2% |
| Supervision & Management | 44,514,256 | £113,512 | £44,627,768 | 0.3% |
| Rents, Rates, Taxes & Other | 422,500 | £527,178 | £949,678 | 125% |
| Interest Charges | 10,742,000 | £201,624 | £10,943,624 | 2% |
| Provision for Bad Debt | 3,309,000 | £0 | £3,309,000 | 0% |
| Leaseholder Provision for Major Works | £0 | £1,280,574 | £1,280,574 | 100% |
| Corporate & Democratic Core | 685,000 | £0 | £685,000 | 0% |
| Total Expenditure | 78,236,756 | 2,410,172 | 80,646,928 | 3% |
| NET REVENUE SURPLUS | (£30,045,944) | (£678,351) | (£30,724,295) | 2.3% |
| Used to Fund Capital Programme - as follows | | | | |
| Depreciation | 16,878,986 | £209,042 | £17,088,028 | 1% |
| Revenue Contribution to Capital Outlay (RCCO) | 13,166,958 | £469,309 | £13,636,267 | 4% |
| | 30,045,944 | 678,351 | 30,724,295 | 2.3% |

3. HRA Capital Programme

3.1 The HRA capital programme is largely funded from the rent income paid by tenants. The Council is required to set aside money every year for 'Major Repairs' and may make additional revenue contributions above this. In addition, the Council may use some kinds of capital receipts and following the lifting of the Indebtedness Determination (the 'borrowing cap') may borrow in order to invest in its housing.

3.2 The main focus of HRA capital spend is on investment in the housing stock and estates, including achieving and maintaining the Decent Homes Standard and also communal and estate environmental works. In addition, there are Estate Renewal and New Build/Acquisition programmes. More information about these three programmes is given in the sections below.

4. Investment in Existing Stock

- 4.1 The main focus of HRA capital spend is on investment on the housing stock and estates. It is proposed that a three year programme should be approved for 22/23 to 24/25 rather than just a one year approval. In term this would allow longer term contracts to be let to the Council's delivery agents and improve scheduling and reduce the risk of slippage and delays. A £60m investment programme is recommended as set out below. This includes all the major elements that our data tells us is required (with peaks and troughs smoothed out) and a contingency for in-year or new projects to emerge.

| Stock Investment - Programme Headings | Projects Elements | 3-year funding (2022-2025) |
|--|---|-----------------------------------|
| Internal works | Replacement kitchens, bathrooms & heating systems | £6.5m |
| External works | Replacement roofs, windows and external repairs (includes leaseholder consultation) | £22m |
| Communal / compliance works | Fire safety works, asbestos removals, lifts, communal boilers, communal area redecoration etc (includes leaseholder consultation) | £17.5m |
| Landlord works | Capital voids, disabled adaptations (led of Adult Social Care), in-year contingency | £10.5m |
| Estate Environmental works | Estate road resurfacing and footpaths | £3m |

- 4.2 The delivery of the 2021/22 stock investment programme has been impacted by Covid-19 and is currently forecast at £24m spend from a budget of £35m. Some of these works may be rolled into the three-year programme but there may also be some slippage.
- 4.3 In addition, HRA contributions will be expected to the Energy Improvement programmes and also to the upgrade of the Careline system for the Sheltered HRA blocks and other properties occupied by vulnerable tenants. A £5m budget for Energy Improvement is initially requested but this will be subject to further refinement. The Careline upgrade will depend on the number of properties but will be in the region of £0.5m.
- 4.4 Where works are carried out that benefit leasehold properties the Council may recover the relevant proportion of cost from the leaseholders. This will be used to offset the overall cost of the programme.

5. Estate Regeneration and New Build

- 5.1 The Council has a long-standing estate renewal programme. The HRA Estate Regeneration budget funds mainly the costs of tenants and leaseholders' home loss

and disturbance payments for those tenants and leaseholders who have to move as a result of the demolition of their homes. In addition, it funds the buyback of homes from leaseholders where these homes are going to be demolished. It has also funded the actual costs of demolition in some locations.

- 5.2 The current phase of the Estate Regeneration Programme – including the later phases of Gascoigne and schemes such as Roxwell Road and Oxlow Lane – requires a significant number of tenants to be rehoused and leaseholders to be bought back to enable the demolition of the existing estates and construction of new homes. Work is also currently underway to assess estates which could form part of a future estate renewal programme. Any such schemes will be required to demonstrate through rigorous options appraisal that investment in them will be of financial benefit to the HRA.
- 5.3 The budget in 2021-22 is £5.9m but accelerated spend has increased this to £8.8m. A further £8.8m is requested for 2022-23.
- 5.4 The main approach to new build for the Council is through General Fund borrowing, with the homes built by Be First and ultimately managed by Reside. The intention is to invest most future RtB receipts in this programme. However, there is an intention to fund a small new build programme through the HRA, primarily for specialist housing to support vulnerable residents. In November 2020 Cabinet approved new HRA specialist housing for the Brocklebank site, and these homes are expected to start on site in late 2021/22. Provision has been made for these new homes in the HRA.

6. 2022/23 Capital Programme

- 6.1 The Housing Capital Programme will be funded through a combination of capital receipts, Revenue Contributions to Capital Outlay (RCCO), the Leasehold Reserve and borrowing. Not all of these funding sources can be used for all these expenditure items, and the funding will be appropriately profiled to the projects.
- 6.2 The proposed Capital Programme for 2022/23 is summarised below:

| Draft Capital Programme | £000 |
|-------------------------------------|---------------|
| Investment in Stock Programme: | |
| Estimated Slippage from 21/22 | 10,000 |
| New Programme Year One (estimated) | 20,000 |
| Energy Improvements | 5,000 |
| Careline Upgrade | 500 |
| Total Investment in Stock Programme | 35,500 |
| Estate Renewal | 8,800 |
| New Build | 2,200 |
| | |
| TOTAL PROGRAMME | 46,500 |

| | |
|---------------------------------|---------|
| Funded by: | |
| Revenue Surplus | -30,724 |
| Leaseholder Contributions (est) | -1,000 |
| Borrowing | -14,776 |
| | |
| Interest Cost @ 3% | -443.3 |

6.3 The cost of borrowing is estimated to be in the region of £0.443m a year based on an interest rate of 3%. Approximately half of this will be incurred in the first year.

7. Consultation

7.1 Consultation on the proposals in this report has taken place with the Leader, the Cabinet Member for Community Leadership & Engagement, and the Cabinet Member for Finance, Performance & Core Services.

8. Financial Implications

Implications completed by Katherine Heffernan, Head of Service Finance

8.1 The Council is required to maintain a specific ringfenced Housing Revenue Account for the management of its social housing properties. All expenditure on Social Housing must be fully funded from rental income with no call on general Council funds. The Council is also required to have business planning processes in place to ensure that the HRA remains sustainable over the longer term (thirty years.)

8.2 In the period immediately following the introduction of Self Financing in 2012, HRA finances were relatively buoyant especially when considered over the thirty years of the business plan. However, the four-year rent reduction and the “revitalization” of Right to Buy have both reduced the income achievable from the HRA. In addition, this Council has made decisions about estate renewal that have reduced the dwelling stock this year as some properties that no longer meet local needs have been or will shortly be demolished to allow new build and regeneration.

8.3 The requirement to reduce rents has now ended and this report proposes that Council rents should increase by the maximum amount permitted which is 4.1%. This would bring in £3.4m additional income to the HRA if stock levels remained the same. Once demolitions and right to buy are taken into account there is a net increase of £1.37m. The expenditure budgets have been reviewed and increases have been kept as low as possible resulting in a net increase in HRA surpluses of £0.678m. This will be used to fund the capital programme.

8.4 In previous years despite the constraints in rental income the use of the built-up reserve of capital receipts enabled the Council to continue to invest in its Social Housing. This historic reserve is now mostly used up. The Council is able to make use of borrowing to fund capital expenditure and will do so for some elements of this year’s programme. The Housing Capital Programme will be funded through a combination of capital receipts, Revenue Contributions to Capital Outlay (RCCO), the Leasehold Reserve and borrowing. Not all of these funding sources can be used for all the expenditure items, and the funding will be appropriately profiled to the projects.

9. Legal Issues

Implications completed by Dr Paul Feild, Senior Governance Solicitor

- 9.1 As set out in the report the Local Government and Housing Act 1989 created a separate ringfenced financial regime for housing (the Housing Revenue Account - HRA) which required that the Council's General Fund should not be used to subsidise public housing. Funds should not be transferred from the General Fund to the HRA or vice versa, this is what is meant by "ringfencing". The implication being that the housing revenue fund should be self-financing and subsequent legislation is that it should be managed so as to be sustainable for 30 years.
- 9.2 The basis for setting rent is Section 24 of the Housing Act 1985 which provides that a local housing authority may make such reasonable charges as they determine for the tenancy or occupation of their houses.
- 9.3 Section 76 Local Government and Housing Act 1989 places a duty on local housing authorities to: (i) to produce and make available for public inspection, an annual budget for their HRA, which avoids a deficit; (ii) to review and if necessary, revise that budget from time to time and (iii) to take all reasonably practical steps to avoid an end of year deficit.

10. Other Implications

- 10.1 **Equality implications** – the report proposes that rents are increased in line with government regulations. HRA rents remain low compared to market rents even following the proposed increase, and in general are around 35% of the borough's market rents. Rents for HRA properties can be fully covered by housing benefit/Universal Credit if needed. The rental increase is considered to be proportionate because rent is the main source of HRA income, and funds the services to council tenants as well as maintenance/investment in council stock.
- 10.2 **Risk Management** – There are a number of risks associated with the delivery of the capital programme and especially the estate renewal projects. The recommendations in this report are designed to help ensure delivery of these projects.
- 10.3 **Safeguarding Adults and Children** – None directly arising from this report. Specific estate renewal proposals and rehousing programmes will need to take into account safeguarding considerations.
- 10.4 **Property / Asset Issues** – None directly arising from this report – specific estate renewal proposals will need to take into account relevant asset issues.

Public Background Papers Used in the Preparation of the Report:

Rent Standard from April 2020 (Annexe 2 of linked document):

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/847359/Decision_Statement_Consultation_on_the_Rent_Standard_FINAL.pdf

List of appendices: None

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CABINET

21 February 2022

| | |
|--|---|
| Title: Redevelopment of 53-135 Roxwell Road and 2-4 Stebbing Way, Thames View - Review of Costs | |
| Report of the Cabinet Member for Finance, Performance and Core Services and the Cabinet Member for Regeneration and Economic Development | |
| Open Report | For Decision |
| Wards Affected: Thames | Key Decision: Yes |
| Report Author: Mark Crane, Head of Affordable Housing Delivery, Be First | Contact Details: Tel: 020 8227 2350 E-mail: mark.crane@befirst.london |
| Accountable Director: Ed Skeates, Development Director, Be First | |
| Accountable Strategic Leadership Claire Symonds, Interim Chief Executive and Managing Director | |
| <p>Summary</p> <p>By Minute 50 (17 September 2019), the Cabinet approved proposals for the redevelopment of 53-135 Roxwell Road and 2-4 Stebbing Way on the Thames View Estate to provide 87 new homes with a total development budget of £21.125m.</p> <p>This project was one of a number of schemes included in Be First's Business Plan for 2021-2026, approved by Minute 94 (16 March 2021), which were due to progress into contract in this financial year.</p> <p>Since the Business Plan was agreed however, there have been some significant changes in the external market which are impacting on the Council's ability to deliver schemes to the budgets set out in the Business Plan. This has included significant inflation in the construction market. These cost increases have been driven by the impact on the cost of materials and labour of Covid, Brexit, and the introduction of more stringent building regulations, particularly in relation to fire safety and sustainability.</p> <p>Consequently, there are a number of projects within the Be First Business Plan that are due to start on site within the next three to six months, that have experienced significant cost increases since the previously reported figures.</p> <p>This report focuses on the Roxwell Road project, which is targeted for contract award in March 2022, and negotiations with the contractor on the contract price have been completed. Separate Cabinet reports will be presented for the other projects in due course once the negotiations with contractors have concluded and the contract price confirmed.</p> <p>At the September 2019 meeting, the Cabinet gave delegated authority to the Managing Director, in consultation with relevant Members and officers and on the advice of the</p> | |

Investment Panel, to progress these projects. However, due to the significant additional costs as shown below, it is appropriate for the Cabinet to reconsider its commitment to this project.

Based on the latest cost information, the total development costs for Roxwell Road are £32.4m. If Roxwell Road is to progress in the timescales envisaged, additional provision in the Capital Programme of £11.275m is required. As with all Be First development projects a full development and financial appraisal, including financial metrics, are presented to the Investment Panel (IP) and only those projects assessed as meeting the Council's criteria will progress.

As a result of the cost increase, officers have reviewed the funding requirements in order to achieve the Council's financial performance metrics.

Following negotiations, the GLA has agreed to allocate £3.75m (£150k per London Affordable Rent home) towards the project, subject to construction works commencing by the end of March 2022. Right to Buy receipts of £8.45m and approximately £1.5m of unallocated s.106 funding, available from the first two phases of the Fresh Wharf development (Planning reference 14/1196/OUT) towards the delivery of affordable housing in the borough, have also been earmarked to support the project.

The Be First Business Plan 2022 – 2027 will be presented to the March meeting of Cabinet and will include revised total development cost projections for all current and new pipeline schemes. However, subject to confirmation of the GLA grant and s.106 funding, Roxwell Road may need to progress through the gateway process before Cabinet considers this revised Be First Business Plan in order to retain the agreed contract price, which is fixed until the end of March, and secure the GLA grant funding, which is conditional on works commencing by the end of March.

The purpose of the report is to update Cabinet and request the appropriate delegations to officers to proceed with Roxwell Road based on the revised cost estimate set out in this report. The project will still be subject to the full development and financial appraisal process and will require IP approval in the normal way.

Recommendation(s)

The Cabinet is recommended to:

- (i) Re-affirm its commitment to the project at 53-135 Roxwell Road and 2-4 Stebbing Way, Thames View, on the terms set out in the report;
- (ii) Agree the use of an additional £5.95m Right to Buy receipts and the allocation of circa £1.5m of S106 funding, available from the first two phases of the Fresh Wharf development towards the delivery of affordable housing in the borough, to support the viability of the project;
- (iii) Agree to the inclusion of a total of £32.4m in the Capital Programme to enable the project to proceed on schedule; and
- (iv) Delegate authority to the Chief Executive, in consultation with relevant Cabinet Members and Directors and on the advice of the Investment Panel, to negotiate

terms, agree final arrangements and enter into all necessary contract documents and ancillary agreements to fully implement and effect the delivery of the projects.

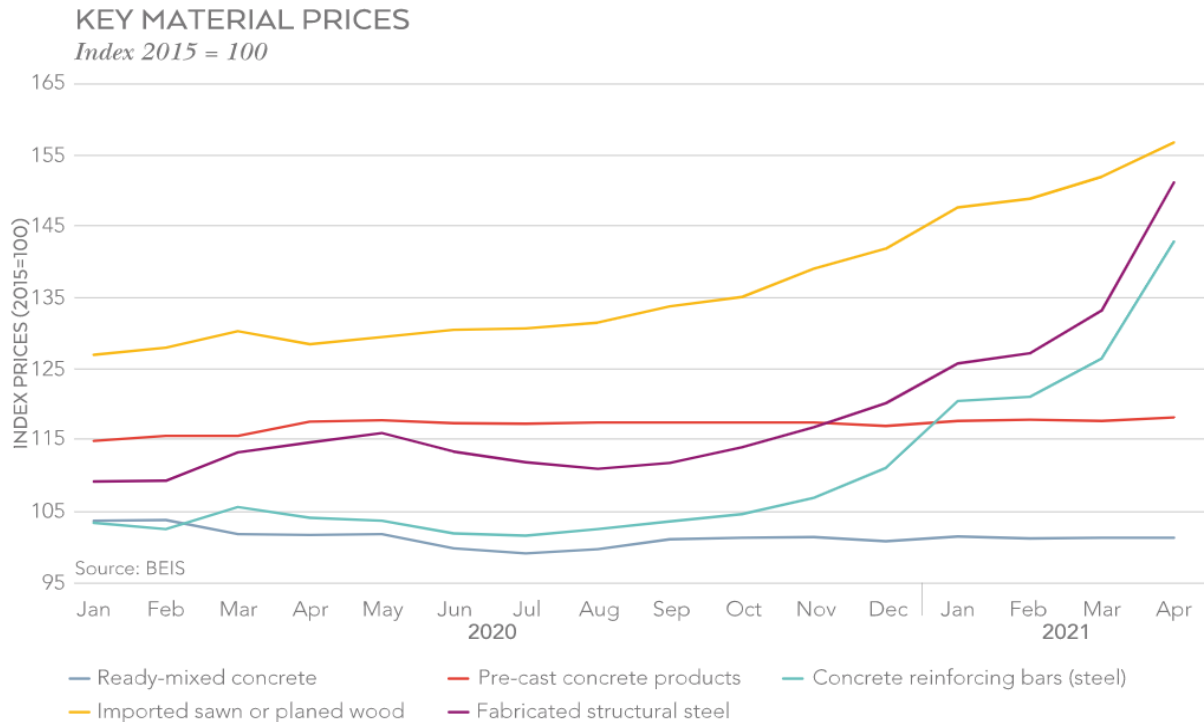
Reason(s)

The recommendations are aligned with the four priority areas identified within the Inclusive Growth section of the Council's Corporate Plan 2020 to 2022:

- **Homes:** for local people and other working Londoners
- **Jobs:** a thriving and inclusive local economy
- **Places:** aspirational and resilient places
- **Environment:** becoming the green capital of the capital.

1. Introduction and Background

- 1.1 In March 2021, the Cabinet agreed the Be First Business Plan. The plan contained a list of schemes which Be First was aiming to progress in this financial year. There was a net cost (total development cost less grant funding) estimate for each scheme in the plan. The Cabinet agreed to delegate the decision on investing in these schemes to the Managing Director, advised by Investment Panel, once detailed feasibility and financial modelling had been carried out.
- 1.2 Subsequent to the approval of the business plan, the development and construction sector has experienced significant cost pressures and changes. Whilst high material price inflation is not expected to continue indefinitely, prices have increased significantly in recent months. This is resulting in a current estimated £97m increase in costs across the housing delivery programme.
- 1.3 The impact of Brexit and Covid-19, which has constrained the supply of materials and labour, together with increasing demand for materials and labour due to growing global construction markets in recent months, has resulted in sharp increases in material and labour costs. Given the current level of volatility in the construction sector the future outlook is uncertain in the short term.
- 1.4 A wide range of materials have been affected, including steel, timber, plasterboard, bricks, concrete/cement and sand. Steel costs are up around 15% this calendar year, sawn timber up by approximately 10%, and concrete 15%, as the impact of Covid is realised, together with a recent upturn in demand as the economy has started to recover, and product availability becomes limited. This is illustrated in the following graph:



Source: Gardiner & Theobald Q3 2021 Tender Price Indicator report

- 1.5 In addition to rising materials costs, labour costs have also risen sharply due to significant wage growth in response to the large number of vacancies in the construction sector. The rapid recovery has resulted in contractors rapidly trying to recruit additional labour to meet demand, with UK construction vacancies rising to a 20-year high based on official ONS data in the year to April 2021.
- 1.6 As a result of the above market trends, the last 12 months has seen a general cost increase of 5-8%, with benchmark market data suggesting build cost rates in excess of £3,000/m² not being uncommon in the current market.
- 1.7 In addition to this, changes to design specifications in response to building and fire regulations and evolving client requirements has added approximately 8% to the construction costs over 2019/20 and 2020/2021.
- 1.8 As a result, in common with the wider development sector, price increases have been experienced on a number of projects that we have been seeking to award contracts on over the last six months. These pressures have been mitigated on a number of projects through a mixture of negotiation with contractors, modifying specifications to reduce costs, and other efficiencies through the detailed design phase to reduce cost and improve value, while ensuring the asset meets the requirements of the council's Employer's Requirements and health and safety legislation.
- 1.9 The impact of these pressures on the wider delivery of the Council's investment and acquisition strategy are also being considered, alongside other changes in the housing market which are impacting scheme viability. A paper setting out the council's response to these challenges will be brought to a future meeting of the Cabinet as part of an update on the Investment Strategy.

2 **Proposal and Issues**

- 2.1 53-135 Roxwell Road and 2-4 Stebbing Way has been earmarked for redevelopment in the Council's Estate Renewal Programme 2015-2021, Be First's Business Plan, and the Investment and Acquisition Strategy 2017, all of which have been approved by Cabinet. A site plan is provided in Appendix 1.
- 2.2 The existing buildings (comprising 42 properties) are in extremely poor condition, the redevelopment of which provides a significant regeneration opportunity within the Thames View Estate. The development proposals deliver a range of benefits including:
- doubling the number of affordable homes on the site,
 - providing higher quality more sustainable homes,
 - offering a more diverse mix of homes, including family houses,
 - providing good quality and safer public realm, both within the site itself, and to adjacent areas including Newlands Public Park.
- 2.3 Engagement with the residents of the existing homes was undertaken in 2019, the majority of whom were supportive of the site being redeveloped. The results were reported to Cabinet in September 2019, and approval granted to redevelop the site, delegating authority to the Director of Inclusive Growth to determine the final arrangements and agree the appointments to implement the proposals to provide 82 affordable homes at a total development cost of £21.125m.
- 2.4 Planning permission has since been secured to deliver 87 affordable homes (an uplift of 5 homes) and vacant possession has been achieved. Massing and layout plans are provided in Appendix 1. Residents have been moved from the homes to suitable alternative properties and the site is ready for demolition and redevelopment.
- 2.5 A contractor procurement exercise has been undertaken through the Be First Development Framework, with a preferred contractor having been selected and Contract Price agreed to carry out the demolition and construction works, subject to Investment Panel approval.
- 2.6 The tender offer has been reviewed by Investment Panel. Due to the scale of cost increase above the cost figures previously reported to Cabinet, it was agreed at Investment Panel that a further update is provided to Cabinet prior to the final decision to appoint the works.
- 2.7 Whilst the contractor's price represents value for money in the context of current market conditions, which have seen significant increases in construction costs over the last 24 months, it results in a significant increase in the total development costs of the project compared with the original business case that was reported to Cabinet in September 2019.
- 2.8 Furthermore, the number of homes being provided has increased by 5 units, which has also increased the total development costs of the project.

- 2.9 As a result of the additional homes, and changes to market conditions, the total development costs for Roxwell Road have increased by c.£11.275m from £21.125m to £32.4m.
- 2.10 This has affected the financial performance metrics of the project, which have been reviewed, to ensure that the Council continues to act as a prudent borrower in the context of challenging market conditions.
- 2.11 The level of financial return is significantly lower than figures reported in the September 2019 Cabinet report, with a reduction in the IRR from 7.6% to 4.82%.
- 2.12 Furthermore, in order to be able to achieve a positive Net Present Value and positive cumulative cashflow every year, an increase in the level of GLA grant of £350k is required (from £3.4m to £3.75m), together with £5.95m of additional Right to Buy receipts (from £2.5m to £8.45m), and £1.5m of s.106 funding.
- 2.13 Discussions are ongoing with the GLA in relation to grant funding, who have confirmed that they are prepared to offer £150k per London Affordable Rent (LAR) home for Roxwell Road, providing the construction works commence by the end of March 2022. Given the importance of this funding to the overall viability of the project, the works contract will not be signed until the grant funding is secured, and a detailed appraisal has been assessed by Investment Panel.
- 2.14 Approximately £1.5m of s.106 funding is available from the first two phases of the Fresh Wharf development (Planning Reference 14/1196/OUT) towards the delivery of affordable housing in the borough. This funding is currently unallocated, and has been earmarked for Roxwell Road, subject Cabinet approval.

3. Options Appraisal

- 3.1 A number of options have been considered for the Roxwell Road project:
- 3.2 **Option 1 - Do not build**
- 3.2.1 The Council has decanted all of the 41 properties, and the site is vacant. The existing buildings are in extremely poor condition, with environmental and safety issues. A vacant site presents a risk of squatting, with the Council being liable for any health and safety issues arising from this. There would also be a risk of anti-social behaviour that would affect neighbouring residents.
- 3.2.2 In order to mitigate those risks the buildings would need to be demolished, at an estimated cost of £300k. The site would also need to be kept secure and managed, at an estimated cost of £7k per week.
- 3.2.3 The majority of the expenditure to date of £1.8m to secure planning permission and procure the contractor would be abortive if the site was not redeveloped.
- 3.3 **Option 2 - Delay 6 - 9 months and re-tender the works**
- 3.3.1 Delaying for this time period would enable the site to be re-tendered in order to try to secure a more competitive price, at a time when the construction market has become less volatile and uncertain.

3.3.2 However, based on advice from the cost consultants, whilst market uncertainty is likely to reduce in the short to medium term, there is no guarantee that costs will reduce, particularly given recent increases in cost inflation.

3.4 **Option 3 - Dispose of the site to be redeveloped by a third party**

3.4.1 The site could be sold to a third-party developer to deliver the scheme. In order to secure the scheme benefits, the disposal would need to be under a development agreement (as opposed to a land sale), with conditions placed on the purchaser to deliver the scheme in accordance with the planning permission and agreed timescales.

3.4.2 Given that this is a 100% affordable housing scheme, the land value is likely to be negative, estimated at -£3m to -£4m, based on the contract price, and rental value assumptions. Consequently, the Council is unlikely to achieve a surplus cashflow by disposing of the site to deliver the proposed scheme.

3.4.3 Alternatively, the site could be disposed of to deliver a planning policy compliant scheme (including 50% private market housing), which could generate a land receipt. However, there is no guarantee a suitable developer could be found to acquire the site. Furthermore, the likely loss of affordable housing would be detrimental to delivering the council's housing strategy and regeneration aims, which were the justification for the site being earmarked for redevelopment and residents being moved to alternative housing elsewhere.

3.4.4 The redevelopment of the site would also be delayed as the council would need to market the site, identify a suitable buyer and then complete the legal process to sell the land.

3.5 **Option 4 - Enter into a build contract to deliver 87 affordable homes**

3.5.1 This option proposes to enter into a JCT (Joint Contracts Tribunal) contract, based on a contract price of £25.57m, once the GLA grant has been secured, to deliver 87 affordable homes with a target completion date of September 2024.

3.5.2 Based on the agreed contract price, this results in a total development cost of £32.4m for the project, an increase of £11.275m above the previously reported cost of £21.125m.

3.5.3 In order to be able to achieve a positive NPV and cumulative cashflow surplus from year 1, RtB receipts of £8.45m (£136k per Affordable Rent (AR) unit) and GLA grant of £3.75m (£150k per London Affordable Rent (LAR) unit) is required. Given the need for GLA grant to ensure the project meets the Council's financial performance metrics, it is proposed that the contract is not awarded until the GLA grant has been secured. In addition, it is proposed that £1.5m of unallocated s.106 funding from the Fresh Wharf development towards the delivery of affordable housing in the borough is allocated to Roxwell Road.

3.5.4 Based on this level of grant, the net cost of the project is £17.02m, which is £3m below the net cost figure of £20m reported in the Be First Business Plan presented to Cabinet in March 2021.

3.5.5 This is the recommended option for the following reasons:

- Delivers the Client Brief, specifically delivering good quality affordable homes and public realm, on an estate with an identified regeneration need.
- Delivers a financial return to the Council, based on the price that has been agreed with the contractor and the level of grant funding that has been sought from the GLA.

3.6 The final approval of contract terms and implementation of the contract is proposed to be delegated to the Chief Executive, in consultation with relevant Cabinet Members and Strategic Directors and on the advice of the Investment Panel.

4. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

- 4.1 53-135 Roxwell Road and 2-4 Stebbing Way (Thames View Estate) forms part of the 44 schemes agreed by Cabinet as part of the IAS. This report follows on from a Gateway 2 report, which was taken to Investment Panel in 2018, where a £2.75m pre-development budget was agreed and total scheme costs of £21.125m. The report is asking for an increased budget of £11.3m to a total of £32.4m, an increase of nearly 50%, for a total of 87 affordable homes, with 62 AR units and 25 LAR.
- 4.2 The additional build costs significantly reduce the scheme's return, but this is mitigated by an increase in GLA grant, use of s106 and by using more Right to Buy (RtB) receipts. The financial appraisal uses £150k per unit for LAR and this has been confirmed by the GLA. This contribution is insufficient to make the LAR viable but there is the need to also use £1.5m of s.106 funding to make up the shortfall. With this funding the scheme is viable, although the surpluses are fairly small and there are a few years with negative cashflows, due to lifecycle costs.
- 4.3 RtB receipts of 40% have been used to make this scheme viable. Using higher RtB receipts will impact future schemes and this approach and the implications of this needs to be agreed, especially by Be First. The increased build costs does also increase the amount in cash terms of RtB that is required and, again, this will impact future schemes as the proceeds from the sale of Council homes has not kept up with this increase in build costs.
- 4.4 Lifecycle costs have been reprofiled to reflect revised lifecycle assumptions but also when they will be required. This has resulted in more years of surplus cashflows but also a few years where there are large negative cashflows. Negative cashflows need to be covered by surpluses in other schemes and currently the schemes going into Reside and the Registered Provider (RP) have similar cashflows. Negative cashflows do not allow for a deterioration in cashflows and therefore they do not allow the scheme to have a safety margin.
- 4.5 The original completion date was Q2 2021, which has been delayed significantly with the revised completion date now in 2024. This delay has resulted in a much more expensive development being built and less viable scheme being proposed,

although the increase in GLA grant, the ability to use more RtB and the reduced costs of borrowing has helped allow a viable scheme to be ultimately proposed.

- 4.6 To improve viability it may be necessary to reduce the interest rate charged to Reside to 2.75% (from 3%) for AR and 2.50% (from 2.75%) for LAR to ensure that there are surplus cashflows for the scheme when it is transferred to Reside. This reduces the Council's interest margin and makes the scheme more risky, with little safety margin, and it will not be possible to reduce the interest rate further. However, based on the current cashflow modelling, then most of this would come back to the Council from the AR schemes as surplus income and could be used for the LAR units to subsidize the negative cashflows from schemes that have already been agreed.
- 4.7 The report includes a number of options, with the preferred option being entering into a build contract with the preferred contractor. This approach is supported by the financial appraisals, after the interest rate is reduced, but must be conditional on receiving confirmation from the GLA that the £150k per unit will be made available and that s106 money will be available for the LAR tenure. Without this level of grant, the scheme is not viable and will not be able to be transferred into the RP. If the property is still built and cannot then be transferred to the RP then it will have to be held within the HRA.
- 4.8 The table below shows the cashflows for each change, including the additional GLA and s106, increased RtB and then if on lending interest charges were reduced. As the table outlines, using the original assumptions, but including the increased costs, the scheme is not viable. With additional grant, RtB receipts and lifecycle costs reprofiling the tenures will include negative cashflows. With the grant and then a reduction in the interest margin, the scheme is viable and can be transferred into Reside and the RP but overall, the income to the Council will be reduced due to the lower interest rate being charged to Reside.

Cashflows to 2050 showing the changes to the cashflow after GLA and RtB increases and after the decrease in interest rate

| Year | Original Cashflows | | | | Updated with GLA, s106 and 40% RtB | | | Updated with reduced AR and LAR Interest Margin | | |
|------|--------------------|----------|----------|----------|------------------------------------|----------|----------|---|----------|--------|
| | £21.87m | £15.23m | £6.64m | | £17.12m | £13.24m | £3.87m | £17.12m | £13.24m | £3.87m |
| | Total | AR | LAR | Total | AR | LAR | Total | AR | LAR | |
| 2024 | 38,504 | 49,015 | -10,511 | 235,842 | 66,496 | 169,346 | 81,153 | 191,706 | 272,859 | |
| 2025 | 66,924 | 69,807 | -2,883 | 264,765 | 73,877 | 190,888 | 88,534 | 213,249 | 301,783 | |
| 2026 | -115,810 | -46,796 | -69,014 | 113,809 | 18,307 | 95,502 | 32,964 | 117,863 | 150,827 | |
| 2027 | -91,760 | -28,703 | -63,058 | 139,270 | 24,303 | 114,967 | 38,961 | 137,328 | 176,289 | |
| 2028 | -66,942 | -10,029 | -56,913 | 165,543 | 30,494 | 135,049 | 45,151 | 157,410 | 202,561 | |
| 2029 | -51,595 | 1,551 | -53,146 | 181,754 | 34,253 | 147,501 | 48,910 | 169,862 | 218,772 | |
| 2030 | -35,935 | 13,368 | -49,303 | 145,141 | 18,757 | 126,384 | 33,414 | 148,745 | 182,159 | |
| 2031 | -269,804 | -152,627 | -117,177 | 160,941 | 22,282 | 138,659 | 36,939 | 161,020 | 197,959 | |
| 2032 | -258,513 | -143,898 | -114,616 | 177,056 | 25,876 | 151,180 | 40,534 | 173,541 | 214,075 | |
| 2033 | -246,996 | -134,993 | -112,003 | -295,998 | -140,190 | -155,808 | -125,532 | -133,447 | -258,979 | |
| 2034 | -235,248 | -125,910 | -109,337 | 210,262 | 33,285 | 176,977 | 47,943 | 199,338 | 247,281 | |
| 2035 | -223,265 | -116,645 | -106,619 | 176,975 | 18,935 | 158,040 | 33,593 | 180,401 | 213,994 | |
| 2036 | -211,040 | -107,194 | -103,846 | 244,814 | 40,992 | 203,822 | 55,650 | 226,183 | 281,833 | |
| 2037 | -198,574 | -97,556 | -101,018 | 262,609 | 44,963 | 217,646 | 59,620 | 240,007 | 299,627 | |
| 2038 | -185,857 | -87,724 | -98,133 | -826,635 | -316,196 | -510,439 | -301,538 | -488,078 | -789,616 | |
| 2039 | -172,887 | -77,696 | -95,190 | 299,270 | 53,142 | 246,128 | 67,799 | 268,488 | 336,287 | |

| | | | | | | | | | | | |
|------|----------|---------|---------|--|------------|----------|----------|--|----------|----------|------------|
| 2040 | -159,658 | -67,468 | -92,190 | | 318,154 | 57,355 | 260,799 | | 72,012 | 283,160 | 355,172 |
| 2041 | -146,161 | -57,034 | -89,128 | | 337,412 | 61,652 | 275,760 | | 76,309 | 298,121 | 374,430 |
| 2042 | -132,398 | -46,392 | -86,006 | | 357,061 | 66,035 | 291,026 | | 80,692 | 313,387 | 394,079 |
| 2043 | -118,354 | -35,535 | -82,820 | | -1,481,959 | -590,453 | -891,506 | | -575,795 | -869,145 | -1,444,940 |
| 2044 | -104,033 | -24,461 | -79,572 | | 397,540 | 75,065 | 322,475 | | 89,723 | 344,836 | 434,559 |
| 2045 | -89,427 | -13,169 | -76,258 | | 418,389 | 79,718 | 338,671 | | 94,375 | 361,032 | 455,407 |
| 2046 | -74,528 | -1,650 | -72,879 | | 439,655 | 84,462 | 355,193 | | 99,119 | 377,554 | 476,673 |
| 2047 | -59,331 | 10,099 | -69,430 | | 397,437 | 66,262 | 331,175 | | 80,920 | 353,535 | 434,455 |
| 2048 | -43,829 | 22,085 | -65,914 | | 483,467 | 94,236 | 389,231 | | 108,894 | 411,592 | 520,486 |
| 2049 | -28,018 | 34,310 | -62,327 | | 506,036 | 99,271 | 406,765 | | 113,929 | 429,126 | 543,055 |
| 2050 | -11,888 | 46,780 | -58,668 | | 235,842 | 66,496 | 169,346 | | 81,153 | 191,706 | 272,859 |

5. Commissioning Implications

Implications completed by: Darren Mackin, Head of Commissioning and Place, Inclusive Growth

- 5.1 The paper has set out some of the current cost pressures in the construction sector which are impacting on the delivery of the council's new homes development pipeline. Many of these pressures are being contained within the parameters of the budgets agreed in the current Be First Business Plan.
- 5.2 If Cabinet agree this proposal it should be possible, pending Investment Panel approval, to get this project into contract this financial year. This would mean delivery will begin by April on a 100% affordable housing scheme. It will also mean that the current vacant building will be demolished, reducing the risks of Anti-Social Behaviour in the area.

6. Legal Implications

Implications completed by: Paul Feild, Senior Governance Lawyer, Legal

- 6.1 This development has been considered by the Cabinet in November 2019 and was agreed. Since that time much work has been carried out including the decantment of the occupiers at the time. This is an important milestone and achievement. Since the report the UK as indeed the world as a whole have experienced a catastrophic upheaval both socially and economically that could not be predicted at the time of the Cabinet report. There was for a time significant changes in the way of working which now effective vaccinations are widespread may mean 2022 will more resemble the orthodox regeneration understanding and practice. Furthermore, the effect of the upheaval and Brexit has inevitably created uncertainty about cost of logistics, labour, tradespeople, materials and professional support. For these principle reasons this report rightly updates the Cabinet of the changes which will impact on the cost of delivery of the development. Nevertheless, the legal position has not materially changed, and the objectives agreed in 2019 still can be achieved albeit for extra cost, which is inevitable as explained in this report.
- 6.2 The contract to the contractor was awarded off one of the Be First Frameworks, presumably after competition. Once a contract has been awarded it cannot be varied unless it complies with the provisions of the Public Contract Regulations 2015 (PCR) Regulation 72 (1) (c) permits such variations where, the modification could not have been foreseen, it does not alter the overall nature of the contract and the price has not increased by more than 50%. Currently those requirements are

met, however if the price increases by more than 50% any variation will be in breach of the PCR and the contract will have to be retendered. There is no provision in either of the Be First Frameworks for a direct award. The fact that the price has been more or less fixed should ensure the contract remains compliant.

7. Commercial Implications

Implications completed by Hilary Morris, Commercial Director

- 7.1 This paper requests approval to progress with the Roxwell Road development and enter into a contract to build out the scheme at an increased development cost of £11.27m. This represents a 48% increase in the original development cost.
- 7.2 The paper outlines some of the pressures being placed on development schemes by circumstances which are largely outside of the Council or Be First's control. Increases in fire regulations are forecasted to contribute to contribute (on average) 8% to new development scheme costs and this increase is unlikely to reduce in the near future. To respond to these changing conditions all new development schemes being proposed by Be First must include these new assumptions, accepting that this will reduce the viability on marginal schemes and potentially make it more difficult to proceed with the scale of development desired.
- 7.3 The paper recommends continuing with the development and entering into contract at the increased contract sum on the basis that the independent cost consultants' advice is that some of the other increases which are market led, such as the 5-8% increase to construction material costs/material unavailability as well as labour shortages are not anticipated to reduce in the immediate future.
- 7.4 This element of the cost increase does have the potential to reduce in time if the market stabilises and labour shortages ease, but this cannot be predicted with any degree of certainty. It is just as likely that the costs could stay the same, or increase depending on how robustly the development market continues to perform coming out of the pandemic. As this is still uncertain, it is sensible to weigh up whether the known costs to hold the already vacant site (c £7k per/week), as well as the environment and community costs such as potential antisocial behaviour, are worth incurring on the uncertain basis that a reduced cost could be obtained in the future.
- 7.5 Providing the additional GLA grant can be confirmed, and a revised viability assessment confirms the scheme will still deliver a return, the recommendation to proceed with the scheme is sensible given the stage it is at, and the costs already incurred.

8. Risk Management

Cost increases

- 8.1 In order to mitigate the risk of cost increases a 99% fixed price has been agreed with the contractor.
- 8.2 In addition 5% contingency on the works costs has been allowed for in the project budgets to accommodate residual cost risks.

GLA Grant

- 8.3 The Roxwell Road has been included within the GLA's Building Council Homes for Londoner's programme, and the GLA has advised that they have allocated £3.75m (£150k per LAR unit) to the Roxwell Road project.
- 8.4 Given the amount of grant required to achieve the financial performance metrics, the construction works will not be appointed until the grant is formally secured.

Programme delays

- 8.5 Delays to the confirmation of the GLA grant will delay the commencement of the works. High level discussions are ongoing to try to expedite the final decision.
- 8.6 Once works have commenced, there is an ongoing risk of Covid and Brexit related supply chain issues affecting the programme. The construction programme will be monitored closely with the contractor as works progress, and opportunities explored with them to adjust the sequencing of works in order to maintain programme without affecting the contract price.

Public Background Papers Used in the Preparation of the Report: None

List of Appendices:

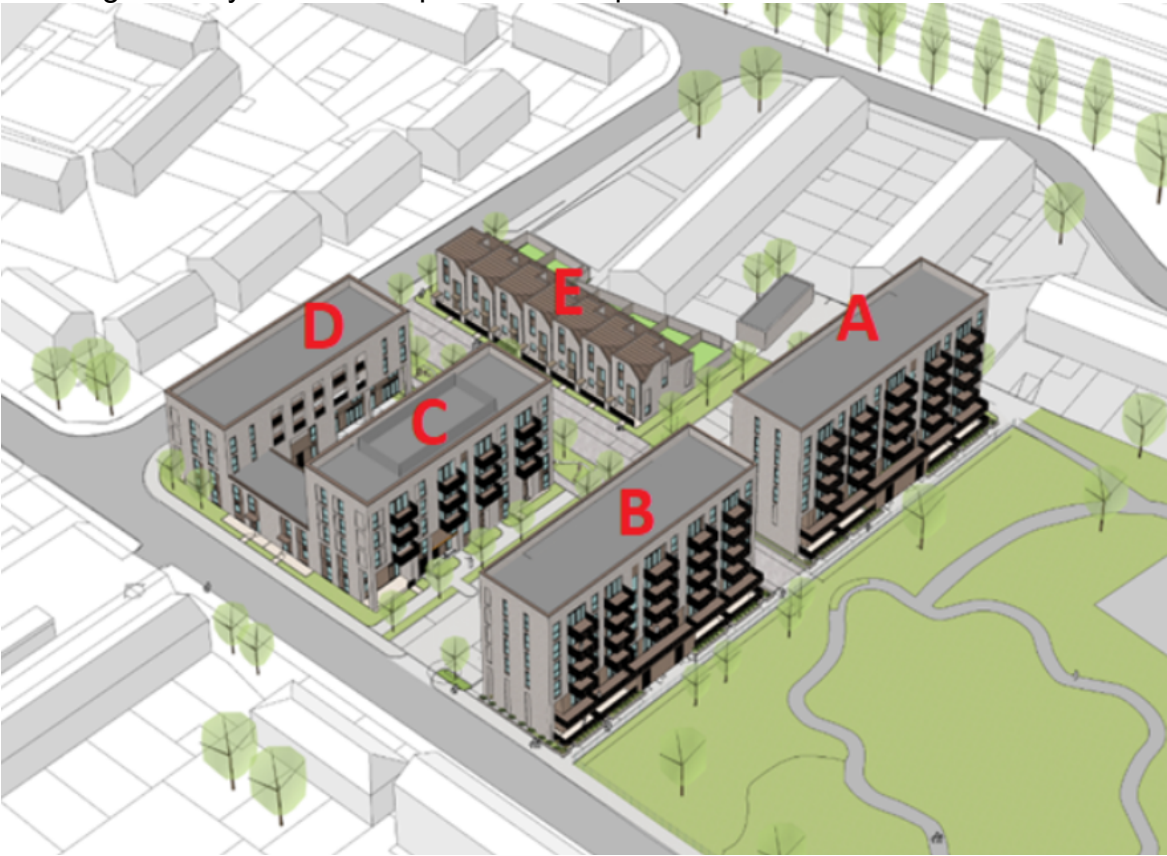
- Appendix 1 - Site Plan and Massing and Layout Plans Roxwell Road

Roxwell Road Site Plan and Massing & Layout Plan

Existing site plan



Massing and Layout Plan Proposed Development



View along route to Newlands Park from Stebbing Way (between blocks C,D & E)



View along northern boundary facing Newlands Park (Blocks A and B)



View from Roxwell Road along north-south route (between Blocks B and C)



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CABINET

21 February 2022

| | |
|--|---|
| Title: Shareholder Governance Review | |
| Report of the Cabinet Member for Finance, Performance and Core Services | |
| Open Report | For Decision |
| Wards Affected: None | Key Decision: Yes |
| Report Author: Idit Chrysostomou, Corporate Investment and Contract Manager | Contact Details: E-mail: idit.chrysostomou@lbbd.gov.uk |
| Accountable Director: Hilary Morris, Commercial Director | |
| Accountable Strategic Director: Claire Symonds, Acting Chief Executive | |
| <p>Summary</p> <p>Following the successful delivery of the Ambition 2020 Strategy, the Council's portfolio of wholly owned companies has been in operation for approximately four years. The rationale for setting up the companies was to enable them to operate independently of the Council, to generate income from external trade whilst maintaining a social dividend ethos.</p> <p>In the past year the Council's Commercial team, in collaboration with the Inclusive Growth Commissioning team, Finance and Legal services has undertaken a review of the Shareholder end-to-end governance arrangements. The purpose of this review was to provide assurance that the governance arrangements remain fit for purpose, as well as provide an opportunity to consider whether any governance good practice recommendations highlighted in recent public interest reports should be considered for implementation here.</p> <p>The conclusion of the review was that there were no significant concerns regarding governance and arrangements are broadly in line with good practice however, there were some recommendations for improvements reflecting the maturing relationship between Shareholder Panel and the Companies.</p> | |
| <p>Recommendation(s)</p> <p>Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Endorse the proposal that the Chief Executive, in consultation with the Shareholder Panel, be authorised to agree any non-strategic reserved matters requiring the approval of the Council as Shareholder; (ii) Note that all strategic reserved matters shall continue to be the responsibility of the Cabinet on behalf of the Council; and | |

- (iii) Recommend the Assembly to approve the proposed amendment to the Officer Scheme of Delegation (Part 3, Chapter 1 of the Council's Constitution) as shown in paragraph 6.1(q) and (r) in Appendix 1 to the report, in order to implement (i) above.

Reason(s)

Supporting the Council in achieving one of its four priorities - Well Run Organisation

1. Introduction and Background

- 1.1 The Council has ownership/control of 16 corporate vehicles (called 'companies' in this report although they include Limited Liability Partnerships) as at January 2022. The structure of each company and the control exercised through them varies depending on how the Company has been set up and the function it fulfils. The total list of Council owned/controlled corporate vehicles are:
- Be First (Regeneration) LTD (10635656)
 - Be First Developments (Muller) Limited (12432222)
 - Barking and Dagenham Reside Ltd (7706999)
 - TPFL Regeneration Limited (7706993)
 - Barking and Dagenham Reside Regeneration Ltd (09512728)
 - Barking and Dagenham Reside Abbey Roding LLP (OC 399130)
 - B& D Reside Regeneration LLP (OC 400585)
 - B& D Reside Weavers LLP (OC416198)
 - Barking and Dagenham Homes Ltd (12090374)
 - Barking and Dagenham Trading Partnership Ltd (10892844)
 - BD Together Ltd (11124384)
 - BD Corporate Cleaning Ltd (11124452)
 - BD management Services LTD (11268239)
 - BD Service Delivery LTD (11268271)
 - Londoneast-uk Limited (09177951)
 - B& D Energy Limited (10088491)
- 1.2 However, these companies are structured into four 'portfolios' for internal governance purposes. These are: Be First, Reside, Barking and Dagenham Trading Partnership and B&D Energy Ltd.
- 1.3 The strategic objectives of each portfolio are set out within annual rolling Business Plans, which require Cabinet approval, with monitoring of the in-year performance against business plan targets being undertaken by the Shareholder Panel. This proactive governance framework enables constructive challenge on strategic performance matters, as well as ongoing dialogue on the companies' direction of travel, to ensure they remain committed to, and supporting delivery of the Council's aspirations.
- 1.4 The Shareholder Governance Framework was audited in March 2019, with a follow-up report in April 2021. Both audits assessed the controls as reasonable within the areas; expectations of Council owned companies, governance structure, risk management, oversight and decision making.

- 1.5 However, over the last four years the governance framework has undergone a period of maturation with companies' quarterly performance reports undergoing a key officer review process prior to a quarterly Shareholder Panel challenge session. The maturation of the governance function is most evidenced by the increased frequency of shareholder performance monitoring that was implemented in response to increased levels of risk and complexity within trading environments during the first lockdown.
- 1.6 The key to the current governance framework is that the controls are focused on strategic matters of delivery and associated risks, at both company and portfolio level, with operational and commissioning issues being addressed within established officer frameworks.
- 1.7 However, it is good practice to review governance arrangements on a periodic basis, to ensure they remain fit for purpose. The publication of a number of public interest reports that reviewed the adequacy of other Local Authority governance arrangements also provided an opportunity to consider whether any further improvements could be made.

Project activities

- 1.8 The approach to the project was to enable a proactive dialogue between LBBD stakeholders and the companies – acknowledging that the companies are separate legal entities with independent boards that manage business of the companies. In line with its Terms of Reference, the role of the Shareholder Panel is to monitor the companies' performance against business plan targets on a quarterly basis and their revised business plans annually. It considers these and other reserved matters which require Shareholder approval (or LLP Member approval in the case of LLPs) and makes recommendations to Cabinet accordingly.
- 1.9 Each of the companies' performance is directly overseen by an independent company board. The board's role is to provide assurance over the company's ability to deliver shareholder objectives. A key component of the governance framework is to ensure the right balance between Council oversight as the shareholder over matters of strategic importance, versus enabling the companies and their boards to operate and make decisions independently of the Council over non-strategic day-to-day administration of business operations.
- 1.10 The review of governance and reporting documents and of Companies' boards was intended to assure that the Companies and Shareholder Panel are delivering on their commitments; governance provisions are aligned to the Council's single performance framework, that business plans and company performance reporting clearly demonstrate that Shareholder Terms of Reference and Shareholder Agreement controls are being met.
- 1.11 The scope of the project was to assess internal governance and reporting documents and processes. In light of external events in local government the scope of documents to be reviewed was expanded to recent public interest reports - to consider LBBD's own arrangements against the issues that were brought to light as well as against best practice. One of the key objectives of the review was to ensure

that any suggested changes are considered holistically across the portfolio of companies.

1.12 The project was delivered by an officer-led steering group consisting of commercial services, key commissioners, finance and legal services and involved ongoing engagement with key internal stakeholders, the companies' boards and formal Council governance bodies. All parties were invited to provide their views as to how governance controls and processes were working for them and to make suggestions for improvement.

1.13 Project activities were made up of two main components;

- a. a companies' boards effectiveness review - to assess the boards' performance as a unit.
- b. an "as is" review – to review governance arrangements reporting processes.

1.14 **Companies' boards effectiveness review**

1.14.1 In order to ensure appropriate governance of the companies and regular oversight of performance against objectives, the Cabinet created a Shareholder Panel to monitor the companies' performance quarterly (or more regularly if required), performance reports and challenge sessions and provides oversight to the Business Plans prior to recommending these for approval to Cabinet. Each of the companies has a managing director or chief executive, tasked with delivering the performance required, to achieve the objectives as set out within the approved Business Plans.

1.14.2 The Companies performance is directly overseen by a Company Board which is made up of a number of Executive and Non-Executive Directors. Their role is to provide assurance over the integrity of the information, the ability of the Company to deliver the shareholder objectives as well as provide assurance that the controls and systems of risk management are robust and defensible, and that performance is delivered.

1.14.3 Best practice governance for commercial companies recommends boards self-evaluate their effectiveness on a regular basis. Listed companies and many regulated entities in the UK are required to do so annually and the UK was one of the first countries to introduce the requirement for external board evaluations for Financial Times Stock Exchange (FTSE) 350 companies.

1.14.4 Our corporate vehicles are private limited companies and limited liability partnerships not Publicly Listed and certainly not in the FTSE 350 and are therefore not legally required to undertake external board evaluations. However, a Board Effectiveness review was commissioned by the Council for Be First, Reside, Barking and Dagenham Trading Partnership and B&D Energy in accordance with that recommended good practice. This part of the project was delivered by an external Commercial Law Barrister who assessed the boards performance using a combination of questionnaires, interviews and observations of board meetings. This approach ensured consistency in the way the review was undertaken, as well as buy-in for recommendations made, as these were more likely to be accepted as independent and objective. All of the Council wholly owned companies participated in this process and each Company Board received its own independent report with

recommendations to consider and implement. It is anticipated that each Company will report progress against any recommendations within their next annual business plan.

1.14.5 In summary, the board evaluations did not highlight any significant concerns regarding the effectiveness of any of the Council's Company boards. Although the recommendations differed for each Company, they included:

- formalising an annual board agenda cycle;
- formalising annual reviews of risk management procedures and internal controls; and
- annually considering all aspects of board and senior executive appointments.

1.14.6 Formalising an approach to succession planning for Board appointments, to ensure the Boards retained appropriate skills and experience as well as a plan to stagger the retirement (where appropriate) of existing directors and recruitment of new appointees, was also a common theme across the four portfolios which reflects the maturity and evolving nature of the businesses.

1.15 "As is review"

1.15.1 This exercise was undertaken by reviewing internal governance documents (such as Shareholder Panel Terms of Reference, Shareholder Agreements (Member Agreements in the case of LLPs) and performance reports) as well as recent public interest reports, following external events in relation to other councils owned companies and associated governance arrangements. These included Croydon's Grant Thornton and PwC reports, Nottingham's Robin Hood Energy Agreement, Review of Governance Arrangements for Bristol City Council and a Review of Brick-by-Brick Croydon Limited.

1.15.2 Discussions with other Councils and Officers who work in similar environments revealed that LBBB's governance arrangements are considered mature and demonstrate good practice enabling effective end-to-end governance controls and processes. For example, one of the key differences noted with our portfolio was in the make-up of companies' boards which were not always managed by independent Non-Executive Directors which often created conflicted priorities in the decision-making process.

1.15.3 Another example from one of the public interest reports was in relation to the process for approving investment decisions into companies, which in some was a fast-track process and with instances where it was also secured retrospectively. This approach to borrowing and investments exposed that Council to significant financial risk. The governance framework within LBBB requires that investment decisions are considered and approved in advance and on the basis of a detailed report, considering reserves and borrowing levels at Group level (i.e. to include the companies). These are monitored by the Investment Panel, including performance against company loans, and are reported to the Cabinet and Assembly during the year as part of company business plans, Treasury Management reports and other budget monitoring arrangements.

1.15.4 Delivery of the project has provided an opportunity to consider and reflect on challenges and complexities external events have created for the companies, for

example changes to fire regulations as a result of Grenfell, Brexit and COVID-19. We recognise that no amount of changes will legislate for every eventuality but these changes are designed to create a clear process of authority to act quickly in the decision-making process, in relation to items which do not alter the companies' underlying strategies and/or business plans.

1.15.5 Project recommendations for improvement were formally endorsed by Corporate Strategy Group and Shareholder Panel in October 2021. These suggested improvements are a positive testament to the maturing relationship between Shareholder Panel and the Companies and will provide for a simplified process. Implementation of these will provide the right balance between allowing the Council, as the Shareholder, the ability to exercise strategic oversight of the companies' objectives, whilst balancing the day-to-day administration matters to be reserved for the Shareholder Panel to make recommendations to the Chief Executive.

2. Proposal and Issues

- 2.1 The Council Constitution states that the role of Cabinet in relation to the Council-owned companies is to consider their business plans as well as other strategic matters and strategies. It is currently silent in relation to oversight of other reserved matters, which are key to enable an effective running of the companies but ultimately do not alter their underlying strategies. This results in certain items being submitted for Cabinet approval which are seen as a disproportionate measure for the relatively minor tasks at hand.
- 2.2 In acknowledgement of Shareholder Panel and the Companies' Boards being better established while ensuring continued transparency and compliance with Council protocols, it is recommended that similarly to Investment Panel, the Shareholder Panel should have the ability to make recommendations to the Council's Chief Executive (in line with existing delegated powers parameters) rather than for all reserved matters to require Cabinet approval. This approach would, for example, enable approval of minor changes to business plans, changes of companies' auditors, changes to Shareholder Agreements and extension of Companies Chairs/NEDs appointments to be approved by the Chief Executive in consultation with the Shareholder Panel. All strategic matters will continue to be submitted for Cabinet approval.
- 2.3 Enabling the Chief Executive, in consultation with Shareholder Panel to approve certain reserved matters will provide for a simplified process for approving non-strategic company matters and support good functioning of the companies' boards, enabling them to effectively manage their business while not reducing the balance of Shareholder control.
- 2.4 Approval of this change requires amendment to the Officer Scheme of Delegation (Part 3, Chapter 1 of the Council's Constitution) in respect of the Chief Executive's responsibilities and the proposed wording is highlighted in Appendix 1 at paragraph 6.1(q) and (r).

3. Consultation

- 3.1 The proposals in this report were considered and endorsed by the Shareholder Panel on 4 October 2021 and the Corporate Strategy Group at its meeting on 21 October 2021.

4. Financial Implications

Implications completed by: Thomas Mulloy, Chief Accountant

- 4.1 The proposed arrangement enhances the overall governance from an operational perspective. This will assist the operations with no impact on financials.
- 4.2 Another outcome of the project is a streamlined and consistent financial data format across the companies, which will ensure the Council can maintain a strong oversight of the individual subsidiaries' financial performance throughout the year. Additionally, it will help enhance forecast outturn position as well as the overall financial governance.

5. Legal Implications

Implications completed by: Ian Chisnell, Locum Major Projects Lawyer

- 5.1 The Council has various powers to set up Companies, Limited Liability Partnerships and other commercial vehicles. The main one is s1 of the Localism Act 2011.
- 5.2 If the Council intends to use the vehicle for a commercial purpose, s2 of the Localism Act 2011 requires it to be a company as defined in s1(1) of the Companies Act 2006. Those companies referred to in this report are companies limited by shares.
- 5.3 There are other statutory provisions relating to the setting up and governance of companies in other legislation such as Part V of the Local Government and Housing Act 1989 and the Local Authorities (Companies) Order 1995, which define controlled and influenced companies and their regulation. Most of the Council's companies are wholly-owned and would be described as being 'controlled'.
- 5.4 A Company is run by its Board of Directors under its Articles. The Directors have various statutory duties and their responsibility is to the Company, not the owner. Accordingly, the Council has a shareholder agreement in place with its Companies to deal with governance matters that restricts certain of its powers (such as to borrow money) and requires it to report to it on a regular basis on certain matters identified in this report.
- 5.5 The position is similar with the LLPs except that such governance matters would be included in the partnership deed that underpins the LLP.
- 5.6 The Council funds the Companies via loans or equity (shares) and in so doing must have regard to the principles of Public Subsidy, the UK post-Brexit replacement for State Aid.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix 1** – Proposed revisions to Officer Scheme of Delegation (Part 3, Chapter 1, Council Constitution)

Extract from Part 3, Chapter 1 – Officer Scheme of Delegation

6. The Interim Chief Executive and Managing Director (Head of Paid Service)

- 6.1 With the exception of those matters reserved to Member-level meetings or other specific provisions within this Constitution, the Interim Chief Executive and Managing Director shall:
- (a) exercise overall responsibility for all corporate, policy, employment commercial and operational matters;
 - (b) be the Council's principal adviser on all matters of policy;
 - (c) in exceptional circumstances, such as a civil emergency, during a void in political leadership or to maintain the efficient and effective governance of the Council, take any decision on behalf of the Council (after consultation with the Leader where appropriate / feasible);
 - (d) exercise overall responsibility for promoting the community leadership role of the Council with Government Departments and other agencies, and other national, regional and local authorities;
 - (e) exercise overall responsibility for all employment matters for all staff (except those reserved to member-level meetings) including disciplinary, grievances, job evaluation, selection for redundancy where there is no appeal against dismissal, appeals in respect of gradings, appeals in respect of harassment and bullying, refusal of retaining employees beyond retirement age, injury allowances, discretionary early retirements, efficiency retirements, discretionary death grants (in cases where employees are not married), early payment of preserved benefits, and all matters relating to restructuring/ reorganisation except those reserved to the JNC Salaries and Conditions Panel;
 - (f) determine the settlement of employment matters in the best legal and financial interests of the Authority, having taken appropriate advice from the Chief Financial Officer, the Strategic Director, Law and Governance and the Director of Workforce Change;
 - (g) nominate Chief Officers, as appropriate, to hear appeals against first and second written warnings on the grounds of misconduct, sickness absence and capability, and grievance appeals; and first stage appeals against final written warnings.
 - (h) be responsible for securing implementation of the Council's decisions within the agreed Policy Framework to ensure the overall effectiveness of the Council's services;
 - (i) investigate disciplinary matters, with the involvement of an independent person, against the Monitoring Officer and Chief Financial Officer;

- (j) be responsible for determining Civil Contingency services, with operational responsibility for the provision of these services being delegated to the Strategic Director, Law and Governance as deputy to the Chief Executive in relation to this matter;
- (k) appoint a Proper Officer for the purpose of any statutory function which is not covered by this Scheme;
- (l) be responsible for setting the strategic management arrangements for the Council and for the allocation of roles to Directors other than those which are statutorily prescribed;
- (m) be responsible for the Council's strategic response to the recovery from the COVID-19 pandemic.
- (n) constitute an Investment Panel to advise on the implementation of the Council's Investment and Acquisition Strategy by appraising individual investment decisions and development schemes and, where appropriate, have authority to approve recommendations from the Panel, except those which are the Cabinet's responsibility;
- (o) negotiate terms and agree investment proposals and land and property acquisitions for projects within the Investment and Acquisition Strategy and the Be First Business Plan, in consultation with the Strategic Director, Law and Governance, the Chief Financial Officer and the relevant Cabinet Members, on the advice of the Investment Panel;
- (p) exercise delegated authority, advised by the Investment Panel, to:
 - (1) agree, in consultation with the Chief Financial Officer, the appropriate source(s) of funding for each individual approved development proposal;
 - (2) approve, in consultation with the Chief Financial Officer, the draw-down of development funding from the development facility subject to:
 - (i) a positive recommendation to proceed with each individual development proposal by the Investment Panel; and
 - (ii) that the funding for the facility, any drawn downs and borrowing costs are provided for in the Council's Medium Term Financial Strategy and the Chief Financial Officer is satisfied that the funding is in line with statutory guidance on local authority investments and is state aid compliant.
 - (3) agree, in consultation with the Strategic Director, Law and Governance:
 - (i) the terms and form of such legal agreements (as are necessary) to give effect to the development facility and to enter into such agreements on behalf of the Council;
 - (ii) the terms and form of legal agreements to give effect to the draw-downs as referred to above, including instruments

providing security to the Council, and to enter into such agreements or security documents on behalf of the Council.

- (4) approve the allocation of additional funding approved by the Cabinet for Be First, subject to the Chief Financial Officer being satisfied that it is financially prudent to do so;
- (5) approve, in consultation with the Strategic Director, Law and Governance and the Chief Financial Officer, the entering into (by Be First or the Council) of any agreement or commitments required to enable the delivery of the Council's capital programme as commissioned subject to:
 - (i) compliance with relevant procurement and state aid law;
 - (ii) being satisfied as to the appropriate terms and financial implications;
 - (iii) being satisfied that the terms of such agreements or commitments would not cause the Council to be in breach of its Constitution.
- (6) approve, in consultation with the Strategic Director, Law and Governance and the Chief Financial Officer, the entering into (by Be First or the Council) of any agreement or commitments required to enable the delivery of any approved schemes within the Council's Investment and Acquisition programme subject to:
 - (i) the endorsement of the Council's Investment Panel;
 - (ii) compliance with relevant procurement and state aid law;
 - (iii) being satisfied as to the appropriate terms and financial implications;
 - (iv) being satisfied that the terms of such agreements or commitments would not cause the Council to be in breach of its Constitution.
- (q) **constitute a Shareholder Panel to be responsible for the regular monitoring of the performance of Council-owned companies and other corporate vehicles against their annual business plan targets, monitoring of strategic objectives and their delivery and associated risks and consideration of all reserved matters in accordance with relevant company Shareholder and other Agreements;**
- (r) **exercise delegated authority, in consultation with the Shareholder Panel, in respect of any non-strategic reserved matters requiring the approval of the Council as Shareholder or partner (Note: all strategic reserved matters shall continue to be the responsibility of the Cabinet).**

6.2 The Interim Chief Executive and Managing Director is the Council's Senior Information Risk Officer (SIRO).

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CABINET**21 February 2022**

| | |
|--|---|
| Title: Treasury Management Strategy Statement 2022/23 | |
| Report of the Cabinet Member for Finance, Performance and Core Services | |
| Open Report | For Decision |
| Wards Affected: None | Key Decision: Yes |
| Report Author: David Dickinson, Investment Fund Manager | Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk |
| Accountable Director: Philip Gregory, Finance Director | |
| Accountable Strategic Director: Claire Symonds, Acting Chief Executive | |
| Summary | |
| <p>This report deals with the Treasury Management Annual Strategy Statement (TMSS), Treasury and Prudential Indicators, Annual Investment Strategy (AIS) and borrowing limits, in compliance with Section 15(1)(a) of the Local Government Act 2003.</p> <p>The production and approval each year of a TMSS and AIS are requirements of the Council under Section 15(1) of the Local Government Act 2003. It is also a requirement of the Act to set an authorised borrowing limit for the forthcoming financial year.</p> <p>The Local Government Act 2003 also requires the Council to have regard to the Prudential Code, and to set prudential indicators which consider the Council's capital investment plans for the next three years.</p> <p>Revisions to the Prudential Code were made in 2017. The main change was the inclusion of the Capital Strategy 2022/23. The Capital Strategy is largely driven by the Council's Investment and Acquisition Strategy, which will be revised in April 2022 and will be based on the Be First Business Plan, which is due to come to Cabinet in April 2022. Changes to the Prudential Code and Treasury Management were published in December 2021. There are a number of key changes, including reporting changes, and these will be fully implemented for the 2023/24 TMSS.</p> | |
| Recommendation(s) | |
| <p>The Cabinet is asked to recommend the Assembly to adopt the Treasury Management Strategy Statement for 2022/23 and, in doing so, to:</p> <ul style="list-style-type: none"> (i) Note the current treasury position for 2022/23 in section 4 and prospects for interest rates, as referred to in section 8 of the report; (ii) Approve the Annual Investment Strategy 2022/23 outlining the investments that the Council may use for the prudent management of its investment balances, as set out in Appendix 1 to the report; | |

- (iii) Approve the Council's Borrowing Strategy 2022/23 to 2024/25, as set out in Appendix 2 to the report;
- (iv) Note that the Capital Strategy 2022/23, incorporating the Investment and Acquisitions Strategy, shall be updated and presented for approval in April 2021;
- (v) Approve the Capital Prudential and Treasury Indicators 2021/22 – 2024/25, as set out in Appendix 3 to the report;
- (vi) Approve the Operational Boundary Limit of £1.60bn and the Authorised Borrowing Limit of £1.70bn for 2022/23, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003, as referred to in Appendix 3 to the report;
- (vii) Approve the Minimum Revenue Provision Policy Statement for 2022/23; the Council's policy on repayment of debt, as set out in Appendix 4 to the report;
- (viii) Note that changes made to the Prudential Code and Treasury Management code, published in December 2021, will be fully implemented for the 2023/24 TMSS; and
- (ix) Delegate authority to the Finance Director, in consultation with the Cabinet Member for Finance, Performance and Core Services, to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to consider the increase in short-term cash held from borrowing.

Reason(s)

To enable the Council to accord with the requirements of the Local Government Act 2003.

1. Introduction and Background

- 1.1 The Council is required to operate a balanced budget, with cash raised during the year sufficient to meet the Council's cash expenditure. Treasury management supports the Council by seeking to ensure its cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate security and liquidity while also considering the investment return.
- 1.2 A second function of treasury management is funding the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.
- 1.3 The Council is responsible for its treasury decisions, activity and risk appetite. The successful identification, monitoring and control of risk are integral elements of treasury management, including credit and counterparty risk, liquidity risk, market risk, interest risk, refinancing risk and legal and regulatory risk. The Council is statutorily required to approve the Treasury Management Strategy Statement (TMSS) prior to the new financial year.

2. Treasury Management Reporting Requirements

- 2.1 The Council is required to receive and approve at least three main treasury reports each year. These reports are required to be adequately scrutinised by Cabinet before being recommended to the Council. The three main treasury reports are:
- i. **The TMSS** is the most important report and considers the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators (PIs) and the outlook for interest rates. In addition, the current market conditions are factored into any decision-making process.
 - ii. **A Mid-Year Treasury Management Report** to update Members on the progress of the capital position, amending PIs and investment strategy as necessary.
 - iii. **An Annual Treasury Report** which outlines the actual PIs, treasury indicators and treasury operations compared to the estimates within the strategy.
- 2.2 As the Council is responsible for housing, PIs relating to capital expenditure, financing costs and the Capital Financing Requirement (CFR) are split between the Housing Revenue Account (HRA) and the General Fund (GF). The impact of new capital investment decisions on housing rents will also need to be considered.
- 2.3 This report provides an explanation of the key elements of the Council's TMSS, its Minimum Revenue Provision (MRP) Strategy, the Annual Investment Strategy (AIS) for 2022/23 and the Borrowing Strategy, which are set out in detail in the appendices attached to this report

3. Treasury Management Strategy Statement for 2022/23

- 3.1 The strategy for 2022/23 covers two main areas, including Treasury Management and Capital Strategy Reporting issues. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Communities and Local Government's (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

3.2 Treasury Management Issues

- Current Portfolio Position at 31 December 2021 (section 4);
- Medium Term Capital Finance Budget (section 5);
- Treasury Position at 31 December 2021; forward projections 2024/25 (section 6);
- Economic Update (section 7);
- Interest rate forecast (section 8);
- Investment and Borrowing Rates (section 9);
- The Capital Expenditure Plans 2021 to 2024/25 (section 10);
- Treasury Management Advisors (section 11);
- Minimum Revenue Provision Policy Statement (section 12);
- Appendix 1 – Annual Investment Strategy 2022/23;
- Appendix 2 - Borrowing Strategy 2022/23 to 2025/26;
- Appendix 3 – The Capital Prudential and Treasury Indicators 2022/23 – 2025/26;
- Appendix 4 – Minimum Revenue Provision Policy Statement 2022/23; and
- Appendix 5 – Scheme of Delegation and Section 151 Officer Responsibilities

3.3 Capital Strategy Reporting Requirements

- 3.3.1 The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a Capital Strategy Report (CSR), which will provide a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services; an overview of how the associated risk is managed; and the implications for future financial sustainability.
- 3.3.2 The aim of this CSR is to ensure that Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 3.3.3 The Council already has an IAS, which forms the basis of the CSR. In addition to the IAS, the Capital Strategy includes a Borrowing Strategy (appendix 2) and an MRP Policy (appendix 4), that include additional details on the borrowing and debt repayment. These documents provide details of the Capital Strategy and includes:
- The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The expected income, costs and resulting contribution;
 - The debt related to the activity and the associated interest costs;
 - The payback period (MRP policy);
 - For non-loan type investments, the cost against the current market value;
 - The risks associated with each activity.
- 3.3.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs, investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 3.3.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 3.3.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.
- 3.3.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.
- 3.3.8 On 20 December 2021, updates to the Prudential Code and Treasury Code were published and is effective from the publish date, and includes borrowing for yield, which is now no longer allowed. The implementation of the changes can be within the 20223/24 TMSS and this is the approach that this Council will follow.
- 3.3.9 Overall the impact of the changes will require addition reporting but the impact on the Council will be limited as the Council does not invest for yield, with any commercial purchases part of regeneration within the borough. Advice is being obtained on the income strip deals the Council holds, although the changes are not retrospective.

4. Current Portfolio Position at 31 December 2021

4.1 The Council holds cash balances from its operational activities, which are offset by expenditure to run services. The timing of these cash flows can result in surplus cash which is then invested. Cash balances are also affected by working capital.

4.2 These balances are made up of the following sources of cash:

- Capital grants and Section 106 funds received in advance of expenditure;
- General Fund, HRA and School cash balances;
- Earmarked Reserves, provisions, Capital Receipts and Working Capital;
- Borrowing (Financial Institutions and PWLB)

4.3 Table 1 shows the Council's investments, loans and borrowing at 31 December 2020 and 31 December 2021, including Average Life and Average Rate of Return.

Table 1: Treasury Position at 31 December 2020 and 31 December 2021

| | Principal £000s | Return % | Average Life (yr) | Principal £000s | Return % | Average Life (yr) |
|---|----------------------------|---------------------|------------------------------|----------------------------|---------------------|------------------------------|
| General Fund Fixed Rate Long Term Borrowing | | | | | | |
| PWLB | 512,490 | 2.06 | 25.83 | 635,780 | 1.92 | 29.27 |
| European Invest. Bank | 79,363 | 2.21 | 23.3 | 76,820 | 2.21 | 22.26 |
| DEXIA BANK LOBO | 10,000 | 3.98 | 56.5 | 10,000 | 3.98 | 55.53 |
| L1 RENEWABLES | 6,803 | 3.44 | 25.76 | 6,782 | 3.44 | 24.76 |
| Total GF Debt | 608,656 | 2.13 | 26 | 729,382 | 1.99 | 28.85 |
| General Fund Fixed Rate Short Term Borrowing | | | | | | |
| Local Authority ST | 92,000 | 0.20 | 0.11 | 55,000 | 0.03 | 0.13 |
| Total GF Debt | 700,656 | 1.87 | 22.6 | 784,382 | 1.85 | 26.83 |
| HRA Fixed Rate Borrowing | | | | | | |
| PWLB | 265,912 | 3.50 | 35.1 | 265,912 | 3.50 | 34.05 |
| Market Loans | 30,000 | 4.03 | 44.96 | 30,000 | 4.03 | 43.99 |
| Total HRA Debt | 295,912 | 3.55 | 36.06 | 295,912 | 3.55 | 35.06 |
| Total Borrowing | 996,568 | 2.37 | 26.6 | 1,080,294 | 2.32 | 29.09 |
| MMF / Cash | 76,490 | 0.10 | - | 74,200 | 0.24 | 28.85 |
| Local Authority Deposit | 163,250 | 1.65 | 1.07 | 95,250 | 1.64 | 0.76 |
| Bank Deposit | 15,500 | 1.52 | 0.89 | 55,500 | 0.81 | 0.80 |
| Loans | 132,379 | 4.20 | Various | 167,289 | 3.57 | Various |
| Total Investments | 387,619 | 2.21 | Various | 392,239 | 2.08 | Various |

4.4 The debt is split between HRA and GF borrowing to match the two pool approach the Council has adopted for borrowing. The Council invests all cash in one investment pool, with interest distributed between the HRA, schools and GF. The elevated short-term cash position is due to £100m borrowed towards the end of December 2021, which will reduce as short-term borrowing is repaid.

5. Medium Term Capital Finance Budget

5.1 A key part of the Council's budget strategy is the medium-term capital finance budget shown in Table 2. It is a statutory requirement that the level of borrowing is kept under review and is affordable. Due to the Council's IAS, it is likely that the Council's cash position will significantly reduce over the next few years as a result of utilising the Council's reserves and using cash balances to fund property investments. Table 2 also includes the MRP budget, IAS and HRA interest costs.

5.2 The significant increase in GF Interest Payable is due to the borrowing required to fund the Council's IAS. The medium-term capital financing budget to 2024/25 is shown in table 2. The investment strategy income is a fixed amount currently, but this potentially will change as schemes become operational. MRP excludes the IAS and PFI schemes, with MRP being replaced by debt repayment of loans to Reside or from the lease cashflows. In future reports this will be included as a separate line in the table below. Interest costs are expected to net off as borrowing increases but interest income from the IAS nets it off. The figures below do not include capitalised interest.

Table 2: Medium Term Capital and Treasury Budget

| £'000s | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------------|---------------|---------------|---------------|---------------|
| | Budget | Budget | Budget | Budget |
| MRP | 8,658 | 9,058 | 9,458 | 9,858 |
| Net Interest Budget | 7,090 | 6,890 | 6,690 | 6,490 |
| Investment Income | -6,587 | -6,587 | -6,587 | -6,587 |
| Net GF Cost | 9,161 | 9,361 | 9,561 | 9,761 |
| | | | | |
| HRA Interest Payable | 10,059 | 10,059 | 10,059 | 10,059 |
| Total Cost | 19,220 | 19,420 | 19,620 | 19,820 |

* Additional MRP for operational residential schemes will offset against and increase in investment income

6. Treasury Position Forward Projections to 2024/25

6.1 The Council's treasury forward projections are summarised in table 3. The table shows the estimated external debt against the underlying CFR, highlighting any over or under borrowing. The CFR and gross debt includes a significant increase in borrowing to fund the IAS. To ensure borrowing is only for a capital purpose Gross Debt should, except in the short term, be below the CFR over the period.

Table 3: Treasury Position at 31 December 2019, with Forward Projections

| Gross Debt Movement 2022/23 to 2024/25 | 2022/23 | 2023/24 | 2024/25 |
|---|------------------|------------------|------------------|
| | Estimate | Estimate | Estimate |
| External Debt | £000s | £000s | £000s |
| Debt at 1 April | 1,063,850 | 1,313,850 | 1,613,850 |
| Expected Change in Debt | 250,000 | 300,000 | 200,000 |
| Finance Lease and PFI | 200,365 | 270,365 | 266,906 |
| Gross Debt at 31 March | 1,514,215 | 1,884,215 | 2,080,756 |
| CFR | 1,722,650 | 1,972,571 | 2,087,833 |
| Under / (Over) Borrowing | -138,434 | -91,815 | -10,845 |

7. Economic Update (from Link Asset Management)

7.1.1 United Kingdom

COVID-19 vaccines. These were the game changer during 2021 which raised hopes that the UK would be able to return to normal in the second half of the year. However, the Omicron mutation at the end of November dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a booster vaccination as a booster has been shown to restore a high percentage of immunity to Omicron. There is a race on between how quickly boosters can be given to limit the spread, and how quickly will hospitals fill up and be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With some household saving rate having been high since the first lockdown, there is pent-up demand and purchasing power for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working. The economy faces headwinds although some sectors have learned how to cope well with Covid, with the biggest impact on growth from another lockdown. The big question remains as to whether any further mutations could render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

7.1.2 **US.** Shortages of goods and intermediate goods have fuelled increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling, this may be the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decade's high. Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three

rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022.

Shortages of labour have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.

7.1.3 **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

November's inflation figures breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022.

ECB tapering. The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

7.1.4 **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns, which depress economic growth. Chinese consumers wary about leaving home and spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will leave the heavy lifting in supporting growth to fiscal stimulus by central government.

7.1.5 **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid. The Bank of Japan continues its **loose monetary policy** but with little prospect of getting inflation above 1% towards its 2% target, indeed inflation was negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

7.1.6 **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While

headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

7.1.7 **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

8. Interest rate forecast

8.1 The overall balance of risks to economic growth in the UK is now to the **downside**.

8.2 Downside risks to current forecasts for UK gilt yields & PWLB rates include:

- **Mutations of the virus** render current vaccines ineffective, resulting in further national lockdowns or severe regional restrictions.
- **Labour/supply shortages** depress economy activity.
- **BoE acts too quickly, or too far**, to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation.
- **A resurgence of the Eurozone sovereign debt crisis.**
- **Weak capitalisation of some European banks**, which could be undermined further depending on the extent of credit losses resulting from the pandemic.
- **German general election.** Germany now has a new three-party coalition.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile and, therein, impact markets.
- Geopolitical risks, e.g. in Ukraine, Russia, Iran, China, and North Korea, but also in Middle Eastern countries, which could lead to increasing safe-haven flows.

8.3 Upside risks to current forecasts for UK gilt yields and PWLB rates include:

- **The BeE** is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- Long term US treasury yields rise strongly, with gilt yields higher than forecast.

9. Investment and borrowing rates

9.1 **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e., equities, or the safe haven of government bonds. The overall longer-run trend is for gilt yields and PWLB rates to rise.

On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows:

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors: -

- How close changes in gilt yields correlate to changes in US treasury yields?
- Will the Fed counter increasing treasury yields if they rise beyond a certain level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a certain level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will high volatility be focused on the short or long-end of the yield curve, or both?

LINKS’s forecast is predicated on an assumption that there is no break-up of the Eurozone or EU within LINK’s forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia / China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

9.2 Borrowing: the interest rate forecast is provided in table 4 below:

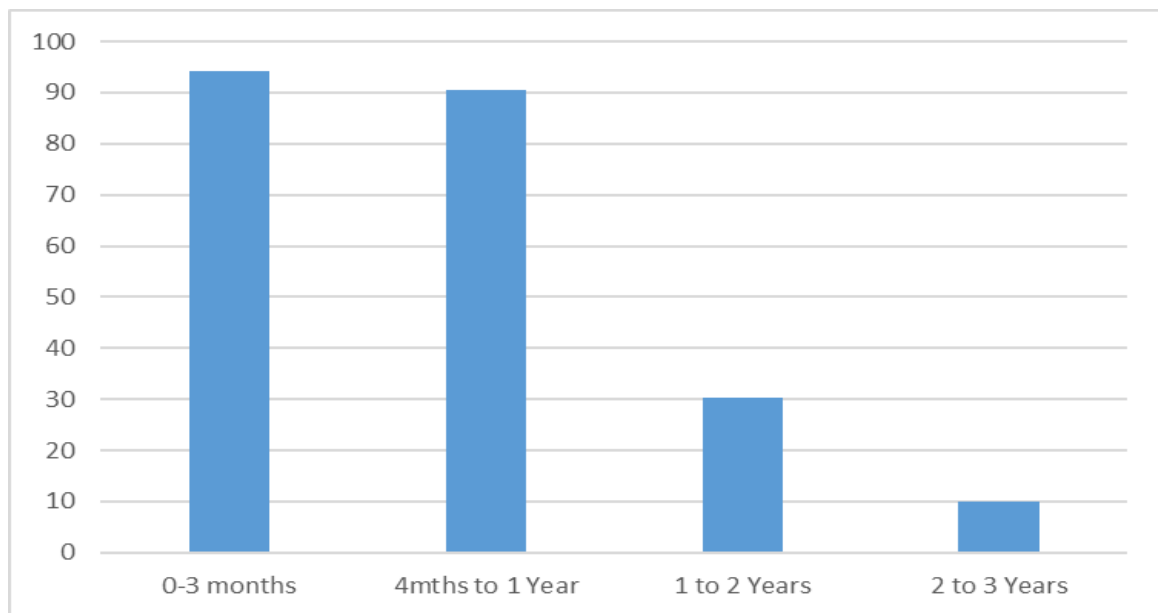
Table 4: Interest Rate Forecast for the BOE Base Rate and PWLB

| Link Group Interest Rate View 20.12.21 | | | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
| BANK RATE | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.25 |
| 3 month ave earnings | 0.20 | 0.30 | 0.50 | 0.50 | 0.60 | 0.70 | 0.80 | 0.90 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 6 month ave earnings | 0.40 | 0.50 | 0.60 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 |
| 12 month ave earnings | 0.70 | 0.70 | 0.70 | 0.70 | 0.80 | 0.90 | 1.00 | 1.10 | 1.10 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 |
| 5 yr PWLB | 1.40 | 1.50 | 1.50 | 1.60 | 1.60 | 1.70 | 1.80 | 1.80 | 1.80 | 1.90 | 1.90 | 1.90 | 2.00 | 2.00 |
| 10 yr PWLB | 1.60 | 1.70 | 1.80 | 1.80 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 | 2.10 | 2.20 | 2.30 |
| 25 yr PWLB | 1.80 | 1.90 | 2.00 | 2.10 | 2.10 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 | 2.40 | 2.40 | 2.50 | 2.50 |
| 50 yr PWLB | 1.50 | 1.70 | 1.80 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 | 2.20 | 2.20 | 2.30 | 2.30 |

9.3 Treasury Investment Returns

Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations. Due to the very low reinvestment rates for the majority of 2021/22, cash was used to fund capital spend, although £100m of long-term borrowing was taken in December 2021, following a drop in the Gilt rate.

Overall, the Council’s cash holding will likely reduce to an average of approximately £130m over the next couple of years, with treasury investments being replaced with loans and long leases to Reside. The maturity profile of the Council’s current treasury investments is provided below:



9.4 Return Target 2020/21 to 2022/23

9.4.1 To achieve the interest target, the following average returns need to be achieved:

| | |
|---------|--|
| 2022/23 | 1.30 on an average cash balance of £130m (£1.7m) |
| 2023/24 | 1.30 on an average cash balance of £130m (£1.7m) |
| 2024/25 | 1.40 on an average cash balance of £130m (£1.8m) |

9.4.2 The return reflects the current investment positions (i.e. most of the return has already been secured) but if opportunities are available to secure competitive rates then further investments will be made.

9.5 HRA Investments

9.5.1 Cash balances held by the HRA will be invested as part of the Council's overall treasury strategy. Cash balances will generally earn the average short-term rate of the Council's investments, which will be calculated at the financial year end.

9.5.2 Where there is agreement by the S151 Officer, individual investments can be ring-fenced for the HRA, with the allocations made within the Council's overall treasury strategy requirements. For further details please refer to the HRA Business Plan.

10. The Capital Expenditure Plans 2022/23 – 2024/25

10.1 The Council's HRA and GF capital expenditure plans, together with Balances and Reserves, are the key drivers of treasury management activity. The estimates for Capital expenditure, and its funding based on current proposed Revenue Budget and Capital Programmes, are reflected in prudential indicators, which are designed to assist Member's overview and confirm capital expenditure plans. The Prudential Indicators are included in Appendix 3.

10.2 Table 5 below shows the proposed CFR to 2024/25. The Prudential Code requires Councils to ensure that capital expenditure remains within sustainable limits and to consider the impact on Council Tax and, for the HRA, housing rent levels.

Table 5: Proposed Capital Expenditure 2021/22 to 2024/25

| Capital Expenditure | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | Estimate | Estimate | Estimate | Estimate |
| | £000s | £000s | £000s | £000s |
| Capital Financing Requirement | | | | |
| Opening CFR - General Fund | 744,379 | 1,022,738 | 1,407,915 | 1,657,837 |
| Net financing need for the year | 337,512 | 405,887 | 265,922 | 132,262 |
| MRP & Financing | -59,153 | -20,710 | -16,000 | -17,000 |
| Total General Fund CFR | 1,022,738 | 1,407,915 | 1,657,837 | 1,773,098 |
| CFR - Housing | 314,734 | 314,734 | 314,734 | 314,734 |
| Net financing need for the year | - | - | - | - |
| Total HRA CFR | 314,734 | 314,734 | 314,734 | 314,734 |
| Total CFR | 1,337,472 | 1,722,649 | 1,972,571 | 2,087,832 |
| Movement in CFR | 278,359 | 385,177 | 249,922 | 115,262 |

- 10.3 A portion of the net financing need has already been borrowed to fund properties held by Reside. The increased financing need reflects IAS borrowing requirement.
- 10.4 Headroom has been included within the Authorised Limit on external borrowing to ensure that any major capital investment projects resulting from the IAS are not restricted by this statutory limit. The limit also covers any short-term borrowing for cash flow purposes and long-term borrowing for capital projects, finance leases, PFI and any unforeseen incidences where expected capital receipts are not forthcoming due to unexpected economic factors.

11. Treasury Management Advisors

- 11.1 The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 11.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review..

12. Minimum Revenue Provision Policy Statement

- 12.1 In accordance with Statutory Instrument 2008 number 414 and new guidance issued by the Government under section 21 (1A) of the Local Government Act 2003 a statement on the Council's policy for its annual Minimum Revenue Provision (MRP) needs to be approved before the start of the financial year.
- 12.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 4.

13. Financial Implications

Implications completed by: Philip Gregory, Finance Director

- 13.1 The financial implications are discussed in detail in this report.

14. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Solicitor

- 14.1 It is a statutory requirement under the Local Government Finance Act 1992 for the Council to set out what the Council has to base its budget calculations upon. Furthermore, it is a legal requirement for the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. However, what is meant by 'balanced' is not defined in law and this has means that the Council must rely upon the professional judgement of its finance team to ensure that the local authority's budget is robust and sustainable.

- 14.2 The Local Government Act 2003 requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Council must 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.
- 14.3 Part 1 of the Local Government Act 2003 (the "Act") requires ELWA as a joint local authority body to each year set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

15. Other Implications

- 15.1 **Risk Management:** This report has risk management issues for the Council, primarily that a counterparty could cease trading or risk that interest rates would rise adversely. The mitigation of these is contained in this report.
- 15.2 **Corporate Policy and Equality Impact** - The TMSS seeks to support the Council's investment aims to unlock regeneration and economic growth opportunities within the borough. There are no equality or diversity implications arising from this report.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix 1 – Annual Investment Strategy 2022/23
- Appendix 2 - Borrowing Strategy 2022/23 to 2025/26
- Appendix 3 – The Capital Prudential and Treasury Indicators 2022/23 to 2025/26
- Appendix 4 – Minimum Revenue Provision Policy Statement 2022/23
- Appendix 5 – Scheme of Delegation and Section 151 Officer Responsibilities

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Annual Investment Strategy 2022/23

1. Investment Policy

1.1 The Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities are security first, liquidity second and then yield/return. CIPFA and the Department for Levelling Up, Housing & Communities (DLUHC) have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Investment and Acquisition Strategy (IAS) - a separate report.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on potential counterparties.

1.2 This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists under the categories of 'specified' and 'non-specified' investments.

- Specified investments have a high level of credit quality and subject to a maturity limit of one year.
- Non-specified investments have a less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration before being authorised for use.

- 1.3 Over the coming years the Council will significantly increase its investments in property as part of its IAS. Financial risks, including the loss of capital, the loss of forecast income and the revenue effect of changing interest rates will be significant. The successful identification, monitoring and control of investment risk are therefore central to the Council's Treasury strategy.
- 1.4 Borrowing risks also forms a key part of the TMSS, where a holistic approach to borrowing is outlined, taking into account opportunities from low interest rates, cash flow needs and a range of borrowing options available. The strategy also outlines the need to avoid more complex forms, especially where derivatives are involved or where there is significant backloading of capital repayment
- 1.5 In accordance with the DLUHC Guidance, the Council will be asked to approve a revised TMSS should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large, unexpected change in interest rates or in the Council's capital programme.

1.6 Accounting Changes

International Financial Reporting Standard (IFRS) 9 requires authorities to hold financial instruments at fair value, with gains and losses charged to revenue as they arise. For certain categories of investments, authorities will need to recognise these gains and losses in their revenue accounts. As a result, the changes in the value of these investments will impact the authority's General Fund. Currently the Council has very limited exposure to these investments.

Similarly, the standard introduces a forward-looking 'expected loss' model for the impairment of financial assets. This approach is likely to result in an increase in the impairment allowance and will require authorities to recognise impairment losses earlier. The DLUHC enacted a statutory over-ride from 1 April 2018 for a five-year period until 31 March 2023 following the introduction of IFRS 9 over the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2023: this will enable councils to initiate an orderly withdrawal of funds if required.

IFRS 16, a new lease accounting standard has been further delayed and is being adopted for 2022/23. This will result in more lease liabilities on the balance sheet (previously classed as operating leases), and in turn an impact on some of the prudential indicators such as CFR, Authorised Limit and Operational Boundary.

- 1.7 This authority has engaged with its external advisors, Link Asset Management (LAS), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

2. Annual Investment Strategy

- 2.1 The key requirements of the Code and investment guidance are to set an annual investment strategy covering the identification and approval of the following:

- i. The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- ii. The principles to be used to determine the maximum duration for investments.
- iii. Specified investments that the Council will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.
- iv. Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall number of various categories that can be held at any time.
- v. An additional consideration is the variable cash position the Council will have because of Council's investment strategy. The investment strategy will mean that the Council will be making significant borrowing and investment decisions, and these may result in period where the Council has a significant allocation to a counterparty or duration.

2.2 The Council's AIS continues to consider credit rating of financial institutions it invests with, but ratings are not the sole determinant of the quality of an institution. The strategy looks to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment takes account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps".

2.3 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties. Investment instruments identified for use in the financial year are listed in this appendix under the 'specified' and 'non-specified' investments categories.

2.4 In addition to the Council's cash investments, which have historically been the main focus of the AIS, this year an additional section on property investments has been included. Although property investments will be agreed individually by Cabinet and the Investment Panel, the way these investments will be reported, how interest and profit will be recorded and how these investments will be held is outlined in section 3 of the AIS.

3. Creditworthiness policy

3.1 This Council uses an adapted version of the creditworthiness approach used by the Council's advisors. This service employs a modelling approach utilising credit rating from the three main credit rating agencies (Fitch, Moody's & Standard and Poor's). This approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. The Council uses the following colour codes to determine the suggested duration for investments:

| | |
|------------|--|
| Yellow | 5 years |
| Dark pink | 5 years for Ultra-Short Dated Bond Funds, credit score of 1.25 |
| Light pink | 5 years for Ultra-Short Dated Bond Funds, credit score of 1.5 |

| | |
|------------|----------------|
| Purple | 2 years |
| Orange/Red | 1 year |
| Green | 100 days |
| No colour | not to be used |

- 3.2 The Council uses a one year limit for red colour ratings, which differs from the model used by LAS, which sets a limit of 6 months. This difference reflects a different risk appetite to the standard limits recommended by LAS.
- 3.3 Typically, the minimum credit ratings criteria the Council use will be a Short-Term rating (Fitch or equivalents) of **F1** and a Long-Term rating of **A-**. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 3.4 The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- 3.5 In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 3.6 Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4. Investment Advisers and Monitoring of Investment Counterparties

- 4.1 The Council uses LAS for treasury advice but is ultimately responsible for all treasury management decisions and will ensure that undue reliance is not placed on the external advisors. The Council recognises that there is value in receiving advice from external treasury advisors to acquire access to specialist skills and resources and will ensure that the terms of their appointment and the methods by which their value will be assessed are documented and regularly reviewed.

The Council receives credit rating information from LAS as and when ratings change, and counterparties are checked promptly. Any counterparty failing to meet the criteria will be removed from the list immediately, and if required new counterparties which meet the criteria will be added to the list.

5. Use of External Cash Manager(s)

- 5.1 The Council does not use an external cash manager (ECM), with all investments and borrowing managed in-house. Were the Council to use an ECM in the future there would be a requirement for the ECM to comply with the AIS. Any agreement between the Council and the ECM will stipulate guidelines, durations and other limits to contain and control risk. An extensive background in cash management will be a prerequisite,

alongside Financial Conduct Authority accreditation. The requirement to tender includes both for lending to a third party to invest and appointing an ECM.

6. Use of additional information other than credit ratings

6.1 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision. This additional market information (e.g. CDSs, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

7. Credit Quality Criteria and Allowable Financial Instruments

7.1 The table on the following page sets out the credit quality criteria for counterparties and allowable financial instruments for Council investments. These are split into Specified and Non-specified investments.

7.2 Specified Investments: Sterling investments of less than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months. These are considered minimal risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Govt. (UK Treasury Bills, Gilts with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles. (AAA Money Market Funds).
5. A body (i.e. bank of building society), of sufficiently high credit quality.

7.3 Non-Specified Investments: Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

| Non Specified Investment Category (maturity greater than one year) | |
|---|---|
| a. | <p>Supranational Bonds</p> <p>(a) Multilateral development bank bonds These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the UK Government The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p> |

| | |
|----|---|
| b. | Gilt edged securities. Government bonds which provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. |
| c. | The Council's own bank if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. The Council's current bankers are Lloyds Banking Group. |
| d. | Any bank or building society that has a minimum long-term credit rating of A or equivalent, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). |
| e. | Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments. |
| f. | Pooled property or bond funds – normally deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. |

Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. These criteria is set out in section 11.3 in the body of the report. In respect of categories e and f, these will only be considered after obtaining external advice and subsequent Member approval.

Specified Investments and Non-Specified Investments Limits and Criteria for 2022/23

| Counterparty / Financial Instrument | Minimum Credit Rating Criteria / Colour Band | Specified Investments | | Non-Specified Investments | |
|---|--|---|--------------------------|---|--------------------------|
| | | Maximum Duration | Counterparty Limit £m | Maximum Duration | Counterparty Limit £m |
| Council's Bank (currently Lloyds Banking Group) – Deposit Account. <i>Cash balances held with Lloyds over £50m will be as a result of delays between taking long term borrowing and maturity of short-term borrowing positions. Limits will be agreed by the S151 officer.</i> | A | T+1 | £100m | N/A | N/A |
| Lloyds Banking Group SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds | A | Up to 1 year | £50m | 1 to 3 years | £50m |
| Other UK Banks & Building Societies SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bond | Yellow Purple Orange/Red Green No Colour | N/A N/A Up to 1 year Up to 3 mths Not for use | £50m per counterparty | 1 to 5 years 1 to 2 years N/A N/A N/A | £30m per counterparty |
| Bond Funds - Corporate Bonds | Short-term F2, Long Term A | Up to 1 year | £20m | 1 to 2 years | £20m |
| Local Authorities: Term Deposits | Not credit rated | Up to 1 year | £40m per authority | 1 to 4 years | £40m per authority |
| UK Government - Treasury Bills, Gilts DMADF | UK Sovereign Rating | Up to 1 year | £50m | 1 to 5 years | £20m |
| Money Market Funds CNAV | AAA | T+1 | £30m per Manager | N/A | N/A |
| Money Market Funds LVNAV | AAA | T+1 | £30m per Manager | N/A | N/A |
| Money Market Funds VNAV | AAA | T+1 | £30m per Manager | N/A | N/A |
| | | | | | |
| Property Funds | N/A | N/A | | N/A | £50m |

7.4 Non-Treasury Investments

Although not classed as treasury management activities and so not covered by the CIPFA Code or the Guidance, the Council may also purchase property for investment and regeneration purposes and may also make loans and investments for service purposes, for example loans to partner organisations or the Council subsidiaries.

Such loans and investments will be subject to the Council's normal approval processes and need not comply with the TMSS. However, it is important to note that there are varying degrees of risks associated with such asset classes and this need comprehensive appreciation. It is not just credit risk that needs to be understood, but liquidity and interest rate / market risk as well, although these can often be intertwined. Any option in which an investor hopes to generate an elevated rate of return will almost always introduce a greater level of risk. By carefully considering and understanding the nature of these risks, an informed decision can be taken.

8. Investing with Local Authorities

All loans made to other Local Authorities are based on the Local Government Act (LGA) 2003 s13, which outlines that the credit risk attached to English, Welsh and Scottish local authorities is an acceptable one. LGA 2003 s13 Security for money borrowed is provided below:

- 1) Except as provided by subsection (3), a local authority may not mortgage or charge any of its property as security for money which it has borrowed or which it otherwise owes.
- 2) Security given in breach of subsection (1) shall be unenforceable.
- 3) All money borrowed by a local authority (whether before or after the coming into force of this section), together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority.
- 4) All securities created by a local authority shall rank equally without any priority.
- 5) The High Court may appoint a receiver on application by a person entitled to principal or interest due in respect of any borrowing by a local authority if the amount due remains unpaid for a period of two months after demand in writing.
- 6) The High Court may appoint a receiver under subsection (5) on such terms, and confer on him such powers, as it thinks fit.
- 7) The High Court may confer on a receiver appointed under subsection (5) any powers which the local authority has in relation to:
 - (a) collecting, receiving or recovering the revenues of the LA,
 - (b) issuing levies or precepts, or
 - (c) setting, collecting or recovering council tax.

- (8) No application under subsection (5) may be made unless the sum due in respect of the borrowing concerned amounts to not less than £10,000.
- (9) The Secretary of State may by order substitute a different sum for the one for the time being specified in subsection (8).

9. Use of Multilateral Development Banks

S15 of the LGA Act 2003 SI 2004 no. 534 amended provides regulations to clarify that investments in multilateral development banks were not to be treated as being capital expenditure. Should the Council invest in such institutions then only such institutions with AA credit rating and government backing would be invested in consultation with the Council’s treasury adviser and the S151 Officer.

10. Use of Brokers

The Council deals with most of its counterparties directly but from time to time the Council will use the services of brokers to act as agents between the Council and its counterparties when lending or borrowing. However, no one broker will be favoured by the Council. The Council will ensure that sufficient quotes are obtained before investment or borrowing decisions are made via brokers.

11. Country limits and Use of Foreign Banks

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- (excluding the United Kingdom) from Fitch. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy. This will ensure that the Council’s investments are not concentrated in too few counterparties or countries.

Given the strength of some foreign banks the Council will invest in strong non UK foreign banks whose sovereign and individual ratings meet its AA- minimum criteria.

Approved countries for investments (Credit Rating at 31 December 2020)

The list below is based on those countries which have sovereign ratings of AA or higher (below is the lowest rating from Fitch, Moody’s and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above.

| AAA | AAA | AA+ | AA | AA- |
|-------------|-------------|---------------|----------------|-------------|
| Australia | Norway | Canada | Abu Dhabi, UAE | Belgium |
| Denmark | Singapore | Finland | France | Hong Kong |
| Germany | Sweden | United States | | Qatar |
| Luxembourg | Switzerland | | | U.K. |
| Netherlands | | | | |

12. Provisions for Credit-related losses

- 12.1 If any of the Council's investments appeared at risk of loss due to default, (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount. Where there is a loss of the principal amount borrowed due to the collapse of the institution, the Council will seek legal and investment advice.
- 12.2 Where the Council holds a non-financial investment, such as property, it will have a physical asset that can be realised to recoup the capital invested. The Council will consider whether the asset retains sufficient value to provide security of investment using the fair value model in IAS 40: Investment Property. Where the fair value of non-financial investments is sufficient to provide security against loss, a fair value assessment will be made stating that a valuation has been made within the past twelve months, and that the underlying assets provide security for capital investment.
- 12.3 Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the AIS will provide detail of the mitigating actions that the Council is taking or proposes to take to protect the capital invested.
- 12.4 Where the Council must impair a non-financial asset held for investment purposes as part of the year end accounts preparation and audit process, an updated AIS should be presented to full council detailing the impact of the impairment on the security of investments and any revenue consequences arising therefrom.
- 12.5 This above approach is reasonable and a prudent approach to investing should help to negate this impact. However, a significant market correction, more complicated investment structures (including via equity rather than debt) and a default on any of the Council's loans would leave the Council exposed to an impairment on assets. The impact of the impairment will have a greater impact as the council increases its investment portfolio and third-party loans.

13. End of year investment report

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

14. Policy on Use of Derivatives

- 14.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 14.2 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be

taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

- 14.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

15. Investment Training

The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by LAS and other relevant providers.

16. Investment of Money Borrowed in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism. Although there are risks involved, securing low rates (rates below forecast) for long term borrowing is a key part of reducing the risk for the Council's IAS.

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Borrowing Strategy 2022/23 to 2024/25

1. Background

- 1.1 Historically the Council has either been debt free or has had a very low-level of debt. This changed significantly in 2012 when, as part of the HRA reform, £265.9m of debt was transferred to the Council's HRA.
- 1.2 In January 2015, £89m was borrowed for the Council's General Fund (GF) from the European Investment Bank (EIB) to fund the regeneration of Abbey Road 2 and Gascoigne East (Weavers). Both schemes are now operational, bringing in sufficient income to cover the management and maintenance, lifecycle, capital, and interest costs, as well as generating income for the Council.
- 1.3 In November 2016, Cabinet approved the establishment of an Investment and Acquisition Strategy (IAS). The purpose of the IAS is to support the Borough's growth opportunities and to ensure that the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets. The IAS is reviewed annually by Cabinet, with the next review to be taken to the March 2022 Cabinet. The IAS has an income target of delivering £6.6m per year from 2020/21. The IAS will be delivered primarily by the Council's development vehicle, Be First, and through its property companies, Reside.
- 1.4 The Council will ensure that all its investments are covered in the IAS and will set out, where relevant, its risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. The Council will set out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.
- 1.5 Capitalisation of Development Interest
 - 1.5.1 The Council's IAS will increase the Council's interest payment costs. Were the Council to borrow a billion pounds at 2.0% (the current target average long-term debt rate) then the interest costs would be £20m per year, although this would decrease as debt is repaid. This will be funded by rental income from the various schemes but will result in a long-term obligation for future generations as some of the loans that will be taken out have maturity dates of up to 50 years.
 - 1.5.2 During the construction stage there is a cost of carry as there is no income from the scheme. Interest incurred during the construction phase will be capitalised against developments that cost over £10m and that take in excess of two years to build. Capitalisation of interest starts from when the development has been agreed at Gateway 2. Where land has been purchased as part of land assembly the capitalisation of interest will be from the later date of either the completion date of the purchase or the date of this accounting policy. Interest will be capitalised quarterly and is based on the weighted average borrowing costs. Cessation of capitalisation will occur when the scheme is operational.
 - 1.5.3 As part of the Treasury outturn report, an outturn figure for the amount of interest that was capitalised for the year, will be provided to Members.

2. The Council's Borrowing Strategy

2.1 The decision to borrow is a treasury management decision and is taken by the Investment Fund Manager (IFM), after agreement by the S151 Officer under delegated powers of the Council's constitution. The key objective of the Council's borrowing strategy is to secure long term funding for capital projects and IAS at borrowing rates that are as low as possible.

2.2 Currently the Council has a holistic approach to borrowing, taking into account cashflow, borrowing costs and investment and loan returns to drive the net cost of borrowing down, while keeping the borrowing transparent and simple. This holistic approach has resulted in very low net borrowing costs, with the 2021/22 net interest budget of £7.1m supporting £784.4m of GF long term borrowing. This equates to a net cost (interest payments less interest income) of 0.91% for an average duration of approximately 26.8 years.

2.3 The Council can borrow funds from the PWLB, from capital markets, from bond issuance and from other local authorities. The Council would look to borrow for several purposes, including:

- (i) *Short term temporary* borrowing for day-to-day cash flow purposes.
- (ii) *Medium term borrowing* to cover construction and development costs.
- (iii) *Long-term borrowing* to finance the capital and IAS programme.

2.4 The IFM will monitor interest rates and will recommend borrowing decisions when rates are low, while taking into account the Council's debt repayment profile and cashflow requirements. The Council's borrowing strategy will give consideration to the following when deciding to take-up new loans:

- Use internal cash balances;
- Short-term borrowing from other Local Authorities;
- Using PWLB, the EIB or financial Institutions;
- Ensure new borrowings are drawn at suitable rates and periods;
- Consider the impact of grant and sales on long term borrowing; and
- Consider the issue of stocks and bonds if appropriate.

2.5 In 2021/22 to 2023/24 a significant amount of borrowing is required, with the main borrowing required to fund the IAS. The borrowing requirements include schemes that have been agreed and are in various stages of development and also pipeline schemes that have not been agreed but are included in the Be First Business Plan. A summary of the borrowing requirement for the IAS to 2024/25 and then the total forecast borrowing forecast for the Council is below:

| IAS (net costs) | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|--------------|----------------|----------------|----------------|
| | £ms | £ms | £ms | £ms |
| Residential | 381.7 | 386.8 | 373.2 | 182.8 |
| Temp. Accommodation | 0.7 | 4.5 | - | - |
| Commercial | 15.8 | 26.9 | - | - |
| Total Net IAS Borrowing Requirement | 398.2 | 418.2 | 373.2 | 182.8 |
| | | | | |
| Total GF Borrowing For IAS | 904.2 | 1,322.4 | 1,695.6 | 1,878.3 |

2.6 An increase from a debt rate of approximately £904.2m by 2021/22 to nearly £1.9bn potentially by £2024/25 is a significant increase in borrowing. With borrowing rates starting to increase and with significant increases in build costs, the pipeline schemes will potentially struggle to meet viability thresholds. This level of borrowing will also have an impact on managing the increase in cash held resulting from the borrowing.

3. Council's Current Debt

3.1 The Council currently (at 31/12/2021) has £1,080.3m of debt at an average rate of 2.32% and average duration of 29.09 years. This is broken down as follows:

| | Principal £000s | Return % | Average Life (yrs.) |
|---|--------------------|-------------|------------------------|
| General Fund Fixed Rate Long Term Borrowing | | | |
| PWLB | 635,780 | 1.92 | 29.27 |
| European Investment Bank | 76,820 | 2.21 | 22.26 |
| DEXIA BANK LOBO | 10,000 | 3.98 | 55.53 |
| L1 RENEWABLES | 6,782 | 3.44 | 24.76 |
| Total General Fund Debt | 729,382 | 1.99 | 28.85 |
| General Fund Fixed Rate Short Term Borrowing | | | |
| Local Authority Short Term | 55,000 | 0.03 | 0.13 |
| Total GF Debt | 784,382 | 1.85 | 26.83 |
| HRA Fixed Rate Borrowing | | | |
| PWLB | 265,912 | 3.50 | 34.05 |
| Market Loans | 30,000 | 4.03 | 43.99 |
| Total HRA Debt | 295,912 | 3.55 | 35.06 |
| Total Council Borrowing | 1,080,294 | 2.32 | 29.09 |

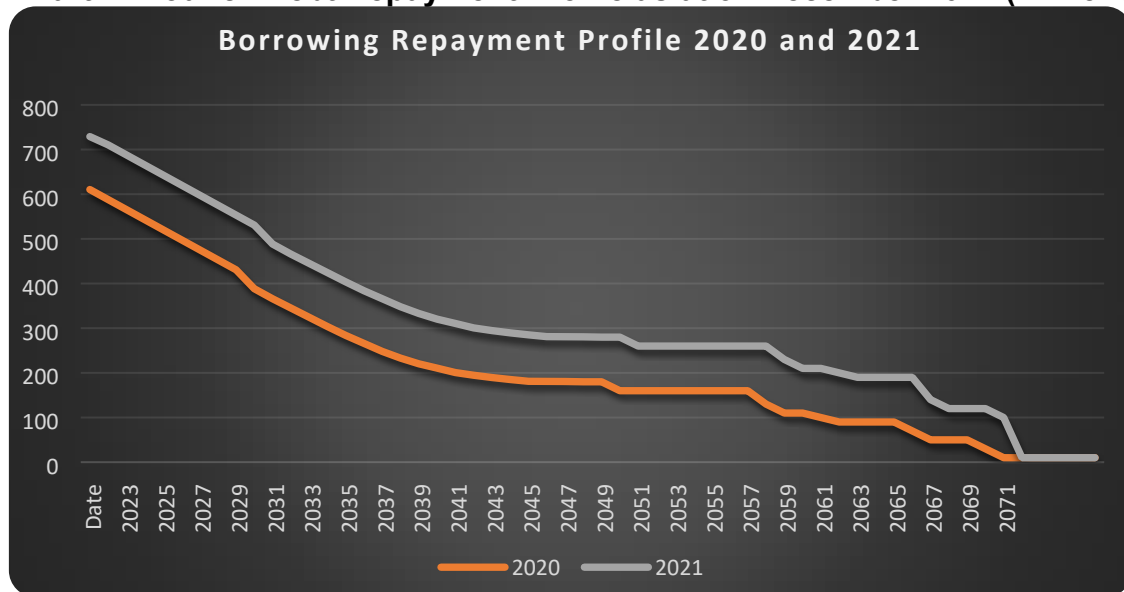
3.2 General Fund Debt

The GF debt can be split into short and long-term borrowing. Short-term borrowing is used to manage the Council's daily cash requirements and allows treasury to make strategic, longer term borrowing decisions while keeping the cost of carry low. Annual long-term borrowing amounts are summarised below. Repayments are from annuity and equal instalment repayments:

| Year | Amount | Reason for Borrowing |
|--------------|--------------|---|
| Pre-2015 | 30.0 | Capital Expenditure |
| 2015 | 89.0 | Abbey Road 2 and Gascoigne East Regen (Weavers) |
| 2016 | 60.0 | Film Studio Land |
| 2017 | 120.0 | Borrowing for Street Purchases and IAS |
| 2018 | 150.0 | IAS |
| 2019 | 140.0 | IAS |
| 2020 | 60.0 | IAS |
| 2021 | 140.0 | IAS |
| Various | - 59.6 | Borrowing Repaid |
| Total | 729.4 | |

Although the borrowing is long-term, a part of the Council's debt is repaid each year through either an annuity repayment or equal instalment repayment. As a result, the Council's debt repayment profile is relatively smooth, as outlined in the chart below. Future borrowing will be mapped against this repayment profile and the forecast cashflows to help refinancing risk but also allow for a steady reduction in the Council's debt exposure. The chart below also shows the increased borrowing taken by the Council in 2021/22 and the impact it has had on the repayment curve, showing there is a steeper repayment

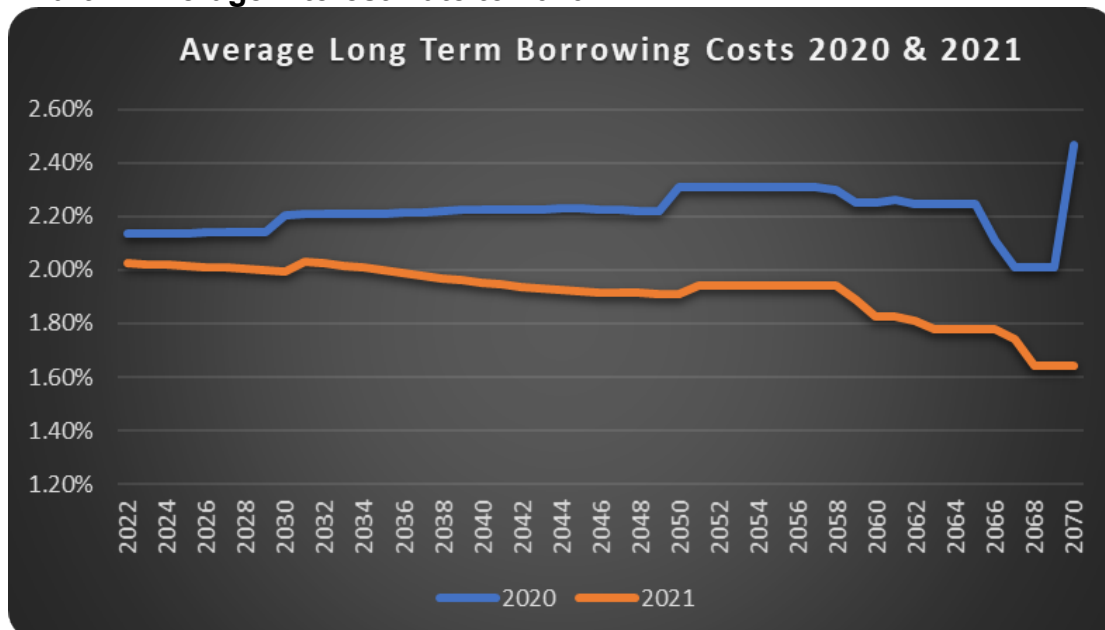
Chart 1: Council Debt Repayment Profile as at 31 December 2021 (millions)



3.3 General Fund Interest Costs

Currently the average long-term interest rate on GF borrowing is 1.99% for £729.4m borrowed. This rate now drops steadily to 1.64% in 2070 but on a reduced balance, as borrowing is repaid. The average rate for the duration is 1.92%. The average interest rate to 2070 is provided in chart 2 below:

Chart 2: Average Interest Rate to 2070



This balance include in the chart excludes short-term borrowing, which reduces the average rate for one year to 1.85% for £784.4m borrowed. The interest rate forecast is for rates to stay low for the next few years and there is a target to reduce the long-term average borrowing to below 1.7% (the previous target was to reduce it to under 2.0%).

3.3 Borrowing from Financial Institutions

The treasury section will generally borrow from the PWLB when rates are low. However, where cheaper or more appropriate borrowing is available from other financial institutions then this is used as an additional source of financing. With the PWLB margin back to 0.8% above Gilts, this provides an excellent source of finance to support the Council regeneration strategy.

Currently the following loans have been borrowed from financial institutions:

- i. European Investment Bank (EIB) Borrowing: In 2014/15 Cabinet agreed to borrow £89m from the European Investment Bank (EIB) as outlined below:
 - £66m from the EIB to finance the Gascoigne Estate (East) Phase 1;
 - £23m from the EIB to finance Abbey Road Phase 2.

The drawdown of the full £89m was completed on 30 January 2015 at a rate of 2.207% and currently the balance owed is £79.4m. The EIB loan does contain financial covenants that restrict to the Council's overall investment strategy. Discussions have been held with the EIB to increase the financial covenants of the EIB loan. These discussions have resulted in a significant increase in the covenant limits, as outlined below but also resulted in the interest rate from the EIB increasing by 1 basis point to 2.217% and a fee of £27,597.86 was payable:

- i. the Total Debt shall not exceed 150% of Operating Revenues;
- ii. Financing Costs shall not exceed 10% of Operating Revenues;
- iii. Liquid Assets should be at least 1.2 times Short-term debt; and
- iv. Debt Service shall not exceed 10% (ten percent) of Operating Revenue.

- ii. Green Investment Bank (GIB) Borrowing (now L1 Renewables)

At its meeting on 2 December 2015 the Council agreed to borrow £7.5m from the GIB to finance the Low Energy Street Light Replacement Programme via the UK GIB Green Loan. On 15 December 2016, a loan of £7.0m was borrowed from the GIB at a rate of 3.44% for a duration of 30 years. The borrowing drawdown period will be over a two-and-a-half-year period and will match the forecast expenditure. The repayment of the loan has been structured to best match the cashflows expected to be generated from the energy savings.

3.4 HRA Self Financing

The Council uses a two loans pool approach for long-term debt. The £265.9m of PWLB is from the HRA reform in 2012, with an additional £30m of borrowing transferred to the HRA in 2016 and 2020 to finance HRA new builds. The HRA previously had a debt cap of £291.60 but this was removed in 2018. A breakdown of the HRA borrowing is provided in table 5 below:

| Loan Type | Loan Amount | Maturity profile | Interest Rate |
|---------------------|--------------------|-------------------------|----------------------|
| | £'000s | Yrs. | % |
| PWLB | 50,000 | 24 | 3.51 |
| PWLB | 50,000 | 34 | 3.52 |
| PWLB | 50,000 | 42 | 3.49 |
| PWLB | 50,000 | 43 | 3.48 |
| PWLB | 65,912 | 44 | 3.48 |
| Barclays | 10,000 | 60 | 3.98 |
| Phoenix Life | 20,000 | 40 | 4.05 |
| Total | 295,912 | | |

4. Repayment of Borrowing

As short term borrowing rates are usually cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, any savings will need to be based on the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhance the balance of the portfolio (amend the maturity profile).

Internal borrowing can also be reduced by generating capital receipts, which will replenish cash balances and in accounting terms be used for financing historic spend rather than for new capital projects.

5. Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

The Capital Prudential and Treasury Indicators 2022/23 – 2024/25

The Local Government Act 2003 requires a Council to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the Council's capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. It is also essential that, within the Council, there is an understanding of the risks involved and there is sufficient risk management undertaken for each investment undertaken.

The Prudential Code was revised in 2017 with the main changes being the inclusion of the Capital Strategy requirements and the removal of some indicators. To demonstrate the Council has met these objectives, the Prudential Code sets out a number of indicators that are monitored each year. These indicators are outlined in this report.

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the Prudential Indicators, which are designed to assist members overview and confirm capital expenditure plans. Capital expenditure is a summary of the Council's capital expenditure plans, both agreed previously and those forming part of this budget cycle. The capital expenditure forecasts are included in the first part of Table 1.

1. The Council's borrowing requirement (CFR)

- 1.1 The Council's Capital Financing Requirement (CFR) is the historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.
- 1.2 The CFR does not increase indefinitely, as the MRP, a statutory annual revenue charge, reduces the borrowing need in line with each asset's life. The CFR also includes other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. Table 1 sets out the CFR until 2024/25 and are cumulative.
- 1.3 The IAS schemes are self-financing and are partly funded by grant and sales, with the rest of the borrowing funded by rental income expected to pay for the borrowing costs and provide an income stream to the Council. MRP for IAS properties is charged after a two-year stabilisation period and then for 50 years based on an annuity repayment schedule for residential properties and 40 years for Temporary Accommodation. The stabilisation period is to allow for schemes to be fully let and/or sold before debt repayment is made.
- 1.4 Members are asked to be aware that in-year movements to the IAS budgets will occur as development costs are confirmed, investment opportunities are identified and, in some cases, schemes are not agreed. Budgets included in

2021/22 and onwards are best estimates and may change as financing and expenditure are confirmed. Members are asked to approve the capital expenditure forecasts and the CFR projections included in table 1.

Table 1: Capital Expenditure Forecast and Council's CFR 2020/21 – 2024/25

| Capital Expenditure | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|-----------------|-----------------|-----------------|----------------|
| | Estimate | Estimate | Estimate | Estimate |
| | £000s | £000s | £000s | £000s |
| General Fund | | | | |
| Adults Care & Support | 1,000 | 1,604 | - | - |
| Community Solutions | 74 | - | - | - |
| Core | 1,231 | 1,145 | - | - |
| CIL | 623 | 878 | - | - |
| Culture, Heritage & Recreation | 3,718 | 8,022 | 250 | 0 |
| Enforcement | 591 | 2,369 | 0 | - |
| Inclusive Growth | 10,236 | 0 | 0 | 0 |
| Transport for London | 554 | 893 | - | - |
| My Place | 7,028 | 6,518 | 5,190 | 0 |
| Public Realm | 1,530 | 732 | - | - |
| Education, Youth and Childcare | 25,297 | 39,687 | 24,263 | 0 |
| Other | 331 | 1,634 | 0 | 0 |
| Transformation | 6,094 | 1,990 | - | - |
| Total General Fund Capital Expenditure | 58,307 | 65,472 | 29,703 | 0 |
| | | | | |
| Investment and Acquisition Strategy* | | | | |
| IAS Post Gateway 2 | 398,209 | 418,168 | 373,174 | 182,798 |
| Total Investment Strategy Expenditure | 398,209 | 418,168 | 373,174 | 182,798 |
| | | | | |
| HRA | | | | |
| Stock Investment (My Place) | 19,738 | 43,892 | 23,000 | 23,000 |
| Estate Renewal (Be First) | 8,400 | 8,800 | 0 | 0 |
| New Build Schemes (Be First) | 843 | 2,088 | 0 | 0 |
| HRA Total | 28,981 | 54,780 | 23,000 | 23,000 |
| | | | | |
| Financed by: | | | | |
| HRA/MRR | -28,981 | -54,780 | -23,000 | -23,000 |
| CIL/S106 | -254 | -1,376 | -100 | 0 |
| Revenue | -665 | -2,149 | 0 | 0 |
| Capital Receipts (Transformation) | -6,094 | -1,990 | | |
| Self-Financing | -1,968 | -2,768 | | |
| Other Grant | -37,087 | -46,157 | -24,263 | 0 |
| IAS Grants (RtB, GLA) and sales | -69,927 | -93,313 | -109,133 | -46,768 |
| Total Financing | -144,976 | -202,533 | -156,496 | -69,768 |
| | | | | |
| Financed by Borrowing | 340,521 | 335,887 | 269,381 | 136,030 |
| | | | | |
| PFI Additions (Travelodge) & Repayments | - 3,009 | 70,000 | - 3,459 | - 3,768 |
| | | | | |
| Net financing need for the year | 337,512 | 405,887 | 265,922 | 132,262 |

* a breakdown of the IAS is included in table 3 below

1.5 A breakdown of the IAS forecast spend, is in table 3 below. These amounts are the gross spend, with grant and sales removed to produce the CFR change in table 1.

Table 3: IAS Gross Expenditure Forecast 2021/22 – 2024/25

| Investment and Acquisitions Strategy | | 21/22 | 22/23 | 23/24 | 24/25 |
|---|--------------------------------------|-----------------|----------------|----------------|----------------|
| Code | Project | Forecast | Budget | Budget | Budget |
| | | £000s | £000s | £000s | £000s |
| | Residential Developments | | | | |
| FC04067 | 12 Thames Road | 11,469 | 32,688 | 25,108 | - |
| FC04065 | 200 Becontree | 3,245 | - | - | - |
| FC03086 | A House for Artists | 3,061 | - | - | - |
| FC05100 | Barking Riverside Health | 53 | 3,818 | 17,343 | 17,316 |
| FC05066 | Beam Park | 44,030 | 21,124 | 38,685 | 32,427 |
| TBC | Beam Park Phase 4 / 7 - | 17,711 | 155 | 34,366 | 8,512 |
| FC03089 | Becontree Heath New Build | 787 | - | - | - |
| FC05071 | Brocklebank Lodge | 927 | 3,110 | 7,892 | 5,938 |
| FC05065 | Chequers Lane | 13,037 | 563 | 235 | - |
| FC04069 | Crown House | 25,757 | 2,697 | - | - |
| FC05090 | Gascoigne East 3A - Block I | 13,984 | 28,633 | 4,751 | 659 |
| FC05073 | Gascoigne East 3B | 2,325 | 19,503 | 54,194 | 59,742 |
| FC05076 | Gascoigne East Phase 2 E1 | 4,885 | 21,621 | 38,480 | - |
| FC05026 | Gascoigne East Phase 3 | 3,430 | 18,081 | 20,068 | 1,739 |
| FC04099 | Gascoigne West P1 | 32,602 | 6,343 | 983 | - |
| FC05025 | Gascoigne West Phase 2 | 39,483 | 73,439 | 32,422 | 13,524 |
| FC04062 | Gascoigne East Phase 2 C1 | 30,719 | 433 | - | - |
| FC04062 | Gascoigne East Phase 2 E | 47,021 | 20,374 | 4,946 | - |
| FC04062 | Gascoigne East Phase 2 F | 49,060 | 43,255 | 9,684 | 1,194 |
| TBC | Jervis Court - Scheme | 2,763 | 13,057 | 8,442 | 4 |
| FC04068 | Oxlow Road | 5,509 | 7,585 | 8,150 | - |
| FC05035 | Padnall Lake | 4,002 | 4,620 | 4,683 | - |
| FC05093 | Padnall Lake Phase 2 | 3,973 | 11,260 | 8,028 | 2,758 |
| FC05094 | Padnall Lake Phase 3 | 705 | 336 | 17,675 | 34,076 |
| FC04066 | Roxwell Road | 3,194 | 9,492 | 14,676 | 3,066 |
| | Sacred Heart / Sebastian Court | 9,036 | - | - | - |
| FC05103 | Town Quay Wharf | 264 | 9,465 | 6,216 | 146 |
| FC05041 | Transport House | 880 | 24,045 | 14,750 | 1,652 |
| FC05082 | Trocoll House | 661 | 995 | 729 | 45 |
| FC05020 | Woodward Road | 7,122 | 10,093 | 671 | - |
| | Total for Residential | 381,687 | 386,784 | 373,174 | 182,798 |
| | Temporary Accommodation | | | | |
| Misc | Weighbridge, Wivenhoe & Grays | 738 | - | - | - |
| FC04101 | Margaret Bondfield | - | 4,455 | - | - |
| | Total for Temporary Accom. | 738 | 4,455 | - | - |
| | Commercial Investments | | | | |
| FC04091 | Welbeck Wharf | 1,246 | 3 | - | - |
| FC05024 | Film Studios | 3,739 | - | - | - |
| | BBC / Dagenham Heathway | 80 | - | - | - |
| | Thames Road | 1,438 | 97 | - | - |
| FC05072 | Industria | 9,279 | 26,830 | - | - |
| | Total for Commercial | 15,783 | 26,930 | - | - |
| | Total for Investment Strategy | 398,209 | 418,168 | 373,174 | 182,798 |

2. Treasury Indicators: Limits to Borrowing Activity

2.1 The Operational Boundary - this is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

2.2 The Authorised Limit for external borrowing: represents a control on the maximum level of borrowing, with a limit set, beyond which external borrowing is prohibited. This limit must be set or revised by the full Council. The limit set includes an additional margin for borrowing to fund the Council's IAS.

It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is also a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The drop in operational boundary is partly due to the potential sale of Muller a year earlier and uncertainty and delays for pipeline scheme. There is the potential for the operational boundary to increase further for 2023/24 onward but the impact on 2022/23 will be limited.

The Council is asked to approve the following Operational Boundary and Authorised Limit:

Table2: Capital Expenditure Forecast and Council's CFR 2021/22 – 2024/25

| Capital Expenditure | 2021/22 actual | 2022/23 | 2023/24 | 2024/25 |
|--|-------------------|------------------|------------------|------------------|
| | £000s | £000s | £000s | £000s |
| Capital Financing Requirement | | | | |
| Opening CFR as at 1 April | 1,059,113 | 1,337,472 | 1,722,650 | 1,972,571 |
| Change in Year – General Fund | 278,360 | 385,177 | 249,921 | 115,262 |
| Change in Year – Housing | 0 | 0 | 0 | 0 |
| Net movement in CFR | 278,360 | 385,177 | 249,921 | 115,262 |
| Total CFR as at 31 March | 1,337,472 | 1,722,650 | 1,972,571 | 2,087,833 |
| | | | | |
| Net financing need for the year | 337,513 | 405,887 | 265,921 | 132,262 |
| Less: MRP* | -12,247 | -15,000 | -16,000 | -17,000 |
| Less: Capital Receipts | -46,906 | -5,710 | 0 | 0 |
| Movement in CFR | 278,360 | 385,177 | 249,921 | 115,262 |
| | | | | |
| Long & Short-Term Borrowing | 1,063,850 | 1,313,850 | 1,613,850 | 1,813,850 |
| PFI and finance lease liabilities* | 200,365 | 270,365 | 266,906 | 263,138 |
| Total debt 31 March | 1,264,215 | 1,584,215 | 1,880,756 | 2,076,988 |
| | | | | |
| Under / (Over) Borrowing | -73,257 | -138,434 | -91,815 | -10,845 |
| | | | | |
| Operational Boundary | 1,700,000 | 1,600,000 | 1,900,000 | 2,050,000 |
| Authorised Limit | 1,800,000 | 1,700,000 | 2,000,000 | 2,150,000 |

** MRP is estimated, based on when schemes will be operational and start repaying capital

3. Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

3.1 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of General Fund Capital expenditure against the net revenue stream.

| General Fund Cost of Capital | 2021/22 Forecast Outturn | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast |
|--|--------------------------------|---------------------|---------------------|---------------------|
| | £000s | £000s | £000s | £000s |
| Net Cost of Services (estimate) | 161,318 | 176,365 | 176,909 | 179,817 |
| Cost of Capital | | | | |
| <i>MRP*</i> | 8,658 | 9,058 | 9,458 | 9,858 |
| <i>GF Net Interest Budget</i> | 7,090 | 6,890 | 6,690 | 6,490 |
| <i>Investment Income*</i> | -6,587 | -6,587 | -6,587 | -6,587 |
| Net Cost of Capital | 9,161 | 9,361 | 9,561 | 9,761 |
| | | | | |
| Financing Cost to Net Revenue | 5.68% | 5.31% | 5.40% | 5.43% |

* Additional MRP for operational residential schemes will offset against and increase in investment income

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

3.2 HRA ratios: indicator identifies the trend in the cost of General Fund Capital expenditure against the net revenue stream

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-----------------------------|--------------|--------------|--------------|--------------|
| | Estimate | Estimate | Estimate | Estimate |
| | £000s | £000s | £000s | £000s |
| HRA debt £m | 310,628 | 310,628 | 310,628 | 310,628 |
| No. of HRA dwellings | 16,328 | 16,078 | 15,828 | 15,578 |
| Debt per dwelling £ | 19.02 | 19.32 | 19.63 | 19.94 |

4. Treasury indicator and limit for investments greater than 365 days.

The limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. They are based on the availability of funds at yearend. The maximum principal sums invested greater than 364 days is high to allow the treasury section to manage the significant cashflows expected as a result of the Council's IAS. The Council is asked to approve the treasury indicator and limit:

| £'000s | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---------|---------|---------|---------|
| Max. principal sums invested > 364 days | 350,000 | 300,000 | 250,000 | 250,000 |

5. Treasury Indicators: Limits to Borrowing Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure: identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure: is similar to the previous indicator and covers a maximum limit on fixed interest rates; and
- Maturity structure of borrowing: gross limits to reduce the Council's exposure to large fixed rate sums requiring refinancing.

The Council is asked to approve the following treasury indicators and limits:

| Interest rate exposures | 2020/21 | 2021/22 | 2022/23 |
|--|----------------|----------------|----------------|
| | Upper | Upper | Upper |
| Limits on fixed interest rates based on net debt | 100% | 100% | 100% |
| Limits on variable interest rates based on net debt | 70% | 70% | 70% |
| Limits on fixed interest rates: | | | |
| • Debt only | 100% | 100% | 100% |
| • Investments only | 90% | 90% | 90% |
| Limits on variable interest rates | | | |
| • Debt only | 70% | 70% | 70% |
| • Investments only | 80% | 80% | 80% |
| Maturity structure of fixed interest rate borrowing 2020/21 | | | |
| | Lower | Upper | |
| Under 12 months | 0% | 50% | |
| 12 months to 2 years | 0% | 60% | |
| 2 years to 5 years | 0% | 70% | |
| 5 years to 10 years | 0% | 70% | |
| 10 years and above | 0% | 100% | |

| Maturity structure of variable interest rate borrowing 2020/21 | | |
|---|--------------|--------------|
| | Lower | Upper |
| Under 12 months | 0% | 40% |
| 12 months to 2 years | 0% | 40% |
| 2 years to 5 years | 0% | 70% |
| 5 years to 10 years | 0% | 70% |
| 10 years and above | 0% | 80% |

5.3 HRA CFR Forecast

| HRA Debt | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| £'000s | Approved | Estimate | Estimate | Estimate |
| Total | 310,628 | 310,628 | 310,628 | 310,628 |

Minimum Revenue Provision Policy Statement 2022/23

Background

1. Minimum Revenue Provision (MRP) is statutory requirement for a Council to make a charge to its General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities. The Council is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). MRP does not need to be set aside for the Housing Revenue Account (HRA).
2. The scheme of MRP was set out in former regulations 27, 28 and 29 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This system was radically revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The revised regulation 28 replaced a requirement that local authorities calculate the MRP pursuant to detailed calculations with a duty to make prudent MRP.
3. The Council is under a statutory duty "to determine for the current financial year an amount of MRP which it considers to be prudent". Local authorities are asked by the Secretary of State "to prepare an annual statement of their policy on making MRP for submission to their full Council". This forms part of the Treasury Management Strategy (TMSS) approved by full council at least annually.
4. In determining a prudent level of MRP the Council is under a statutory duty to have regard to statutory guidance on MRP issued by the Secretary of State. The Guidance provides four options which can be used by the Council when determining its MRP policy and a prudent amount of MRP. The Council however can depart from the Guidance if it has good reason to do so. This policy is consistent with the Guidance. The options do not change the total MRP the council must pay over the remaining life of the capital expenditure; however, they do vary the timing of the MRP payment.
5. MRP adjustments and policies are subject to annual review by external audit.
6. The S151 Officer has delegated responsibility for implementing the Annual MRP Statement. The S151 Officer also has executive, managerial, operational and financial discretion to determine MRP and any practical interpretation issues.
7. A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility.
8. The S151 Officer may make additional revenue provisions, over and above those set out, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the general fund. The S151 Officer may make a capital provision in place of any revenue MRP provision.
9. This MRP Policy Statement has been revised to consider the Council's recently agreed investment strategy, which requires the use of MRP to be outlined in more detail, as

well as to agree additional MRP options that are available for long-term property investments.

General Fund Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008

10. In relation to capital expenditure for which support forms part of the calculation of revenue grant by the government or any capital expenditure incurred before 1 April 2008, the MRP shall be calculated in accordance with the Local Authorities CFR Regulations 2003 as if it had not been revoked. In arriving at that calculation, the CFR shall be adjusted as described in the guidance.
11. In addition, the calculation method and the rate or the period of amortisation referred to in the guidance may be varied by the S151 Officer in the interest of affordability.
12. The methodology applied to pre-2008 debt remains the same and is an approximate 4% reduction in the borrowing need (CFR) each year.

General Fund Self- Financed Capital Expenditure from 1 April 2008.

13. Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP has previously been made in instalments over the life of the asset, with the calculation method and the rate or the period of amortisation determined by the S151 Officer.
14. From 1 April 2019 MRP for capital expenditure incurred from 1 April 2008 will be calculated using the annuity method. All balances as at 31 March 2019 will be carried at the same value and the same remaining life of the asset but a revised MRP calculation will be completed using the annuity method of MRP for 2019/20 and onwards. Currently the annuity method is used for the Investment and Acquisitions assets and it not proposed to amend this method, which is outlined in section 19 to 23 of this MRP statement.
15. The S151 Officer shall determine how much and which capital expenditure is funded from borrowing and which from other sources. Where expenditure is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply. Nor shall any annual MRP apply where spend is anticipated to be funded from capital receipts or grants due in the future but is in the meantime funded from borrowing, subject to a maximum of three years or the year the receipt or grant is received, if sooner.
16. The asset life method shall be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The S151 Officer shall determine the asset life. When borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and postpone MRP until that year.
17. Where capital expenditure involves repayable loans or grants to third parties no MRP is required where the loan or grant is repayable. By exception, based on a business case and risk assessment, this approach may be amended at the discretion of the S151 Officer.

18. Where capital expenditure involves a variety of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major element itself. An estimate of the life of capital expenditure may also be made by reference to a collection or grouping of expenditure type or types.

Loans to Special Purpose Vehicles

19. As part of its Investment and regeneration programme, the Council will use several Special Purpose Vehicles (SPV) held through Reside to manage its property regeneration schemes. This will require the Council borrowing to provide funding for the SPV and for the SPV to repay the loan based on the cashflow forecast to be generated from the properties.
20. MRP using the annuity method will be charged over a period of 50 years for each scheme. An MRP period of 40 years will be used for modular / prefabricated properties. The MRP will therefore reflect the repayment profile of the SPV to the Council and any borrowing made by the Council will be made to match the cashflow requirements of the SPV.
21. For each IAS scheme a set two-year stabilisation period will be used, although this can be extended, with the agreement of the S151 Officer, to three year in cases where there are significant pressures on a scheme's cashflow. A stabilisation period for each scheme is required to:
- allow sufficient funds to cover any additional costs;
 - allow the property to be fully let; and
 - cover any initial letting and management costs.
22. The MRP annuity method makes provision for an annual charge to the General Fund which takes account of the time value of money (whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years). This re-profiling of MRP therefore conforms to the DCLG "Meaning of Prudent Provision" which provide that *"debt [should be] repaid over a period that is reasonably commensurate with that which the capital expenditure provides benefits"*.
23. Subsequently, where an investment property is operational and has been valued at sufficiently more than its net cost, as at each financial year end, at the discretion of the S151 OFFICER, no MRP will need to be set aside during that year. A key consideration of the S151 Officer will be if the property can be sold in an open market and that sale will potentially take place within a five-year period. Any MRP that has already been set aside for the investment property will be retained as a reserve against the property. For subsequent years, a revaluation of the property will need to be completed. Where the asset is valued at less than its net cost, then MRP, net of any MRP already charged and based on the remaining life of the asset, will need to be set aside.

MRP on Commercial Purchases and Land Assembly

24. As part of the Council's Investment and Acquisition Strategy, commercial property may be purchased as part of land assembly for future regeneration. In these cases, MRP will not be set aside but a review of the progress will be made every three years.
25. Where commercial property is purchased, and it is not for regeneration purposes then MRP will be charged at the rate based on the commercial properties useful asset life.

PFI, leases and lease and lease back (income strips)

26. In the case of finance leases, on balance sheet private finance initiative contracts or other credit arrangements, MRP shall be the sum that writes down the balance sheet liability. These are being written down over the PFI and lease contract terms.

Scheme of Delegation and Section 151 Officer Responsibilities

Treasury management scheme of delegation

(i) Full board/council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Boards/committees/council/responsible body

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit; and
- recommending the appointment of external service providers.

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CABINET**21 February 2022**

| | |
|---|---|
| Title: Pay Policy Statement 2022/23 | |
| Report of the Cabinet Member for Finance, Performance and Core Services | |
| Open Report | For Decision |
| Wards Affected: None | Key Decision: No |
| Report Author: Gail Clark, Director of Workforce Change | Contact Details: Tel: 0208 724 3543 E-mail: gail.clark@lbbd.gov.uk |
| Accountable Strategic Leadership Director: Fiona Taylor, Strategic Director, Law and Governance (and Monitoring Officer) | |
| <p>Summary</p> <p>Under the terms of the Localism Act 2011 the Council must agree, before the start of the new financial year, a pay policy statement relating to the remuneration of its chief officers and the remuneration of its other employees. The Act also sets out the matters which must be covered in the statement.</p> <p>The Council's draft Pay Policy Statement for 2022/23, attached at Appendix A, sets out the expected position at 1st April 2022.</p> <p>The Report also seeks Cabinet's approval to apply the uplift in the London Living Wage with effect from 15th November 2021, which increased the minimum hourly rate of pay from £10.85 to £11.05 per hour.</p> | |
| <p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Agree the implementation of the London Living Wage increase from £10.85 to £11.05 per hour for employees and apprentices operating in service areas covered by Green Book terms and conditions, with effect from 15 November 2021; and (ii) Recommend the Assembly approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2022/23 as set out at Appendix A to the Report, for publication on the Council's website with effect from April 2022. | |
| <p>Reason(s)</p> <p>Under the terms of the Localism Act 2011 the Council must agree a pay policy statement in advance of the start of each financial year</p> | |

1. Introduction and Background

- 1.1 Section 38(1) of The Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior officers (Chief Officers) to be agreed by all councillors at an Assembly meeting before the beginning of each financial year. This policy is timetabled to go to the Assembly on 2nd March 2022.
- 1.2 The Council produced its first Pay Policy Statement for the 2012/13 financial year in accordance with the Localism Act 2011. The definition of Chief Officer covers the Chief Executive, the Chief Operating Officer and other Strategic Leadership Directors, Commissioning Directors and Operational Directors. The matters that must be included in the pay policy statement are as follows:
- The level and elements of remuneration for each Chief Officer.
 - The remuneration of its lowest paid employees (together with its definition of 'lowest paid employee' and the reasons for adopting that definition).
 - The relationship between the remuneration of its Chief Officers and other officers.
 - Other specific aspects of chief officer's remuneration: remuneration on recruitment, increase and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.
 - The Localism Act defines remuneration widely to include not just pay but also charges, fees, allowances, benefits in kind.
 - Enhancements of pension entitlement and termination payments.
- 1.3 The Pay Policy statement:
- Must be approved by the full council (Assembly).
 - Must be approved by the end of March each year.
 - Can be amended in-year.
 - Must be published on the Council's website (and in any other way the Council chooses).
 - Must be complied with when the Council sets the terms and conditions for a chief officer

2. Proposal and Issues

- 2.1 Attached at Appendix A is the draft Pay Policy Statement which reflects the expected position as at 1 April 2022.
- 2.2 It is also proposed to increase the rate of pay for Council employees and 'Green Book' apprentices to ensure that they are paid the London Living Wage as a minimum. The increase, from £10.85 to £11.05 per hour, would be backdated to 15th November 2021.

3. Options Appraisal

- 3.1 The Council is required to publish its pay policy and there is no alternative option to be appraised.
- 3.2 The Council has previously given a commitment to ensure that it pays, as a minimum, the London Living Wage.

4. Consultation

- 4.1 The proposals in this report were considered and endorsed by the Workforce Board at its meeting on 15th December 2021 and 12th January 2022.

5. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

- 5.1 The Council's lowest pay rate for employees currently exceeds the London Living wage rate and therefore there is no financial impact from approving this recommendation. Increasing the rate of pay for apprentices to the London Living Wage introduces an average increase of circa £364 per apprentice with a total cost, based upon the existing apprentice numbers, of circa £9,500 (salary only) to circa £12,000 (including on costs). There is sufficient funding in the pay inflation provision in the MFTS to cover this.

6. Legal Implications

Implications completed by: Paul Field, Senior Employment Lawyer

- 6.1 The Pay Policy sets out clearly and concisely the Authority's approach to Pay. There are no legal implications as the Policy and the approach which it outlines are consistent with employment law and HR best practice.

7. Other Implications

- 7.1 **Contractual Issues** – This makes no changes to employee's contractual position.
- 7.2 **Staffing Issues** - The staffing issues are fully explored within the main body of the report. There is no requirement to consult with the trade unions on this policy.
- 7.3 **Corporate Policy and Equality Impact** – The Council's approach to pay is based on the use of established job evaluation processes to determine the salary for individual roles, eliminating the potential for bias in the process

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix A – Pay Policy Statement 2022/23

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LONDON BOROUGH OF BARKING AND DAGENHAM**PAY POLICY STATEMENT 2022/23****1. Introduction – Requirement for Council Pay Policy Statement**

- 1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement to be agreed by Members before the beginning of each financial year. The Act does not apply to local authority schools. This document meets the requirements of the Act for the London Borough of Barking and Dagenham. This Pay Policy Statement presents the expected position at 1 April 2022.
- 1.2 The provisions of the “Act” require that councils are more open about their own local policies and how their local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks councils to follow three principles when publishing data they hold: responding to public demand, releasing data in open formats available for re-use, and, releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.

2. Organisational Context

- 2.1 The Council continues to recognise that if it is to serve its communities well and deliver the agreed vision and objectives, it needs to attract and retain talented people at all levels of the organisation.
- 2.2 The Council continues to ensure that its Leadership Team is structured in a manner that enables it to deliver the Borough manifesto and Corporate Plan.

3. Pay and Reward Principles

- 3.1 The approach to pay and reward continues to be based on the following principles:
- Pay levels are affordable for the Council, at a time when it is making some very difficult decisions about spending on services to the community alongside dealing with a global pandemic;
 - The Council can demonstrate fairness and equity in what it pays people at different levels and in different parts of the Council; and
 - Pay is set at levels which enable the Council to recruit and retain the quality of staff needed to help achieve its objectives at a time of financial hardship.
- 3.2 Pay levels are determined through “job evaluation”. For staff at PO6 and below, the Council uses the Greater London Provincial Council job evaluation system. For posts at PO7 and above, the HAY job evaluation system is used. Each system assesses the relative “size” of the role against a range of criteria, relating to its complexity, the number of resources managed, and the knowledge required to undertake the role.

3.3 Pay rates are generally set against the national pay spine agreed by the National Joint Council, although there are local pay points at the top of the LBBB pay scale. The Council has committed to pay no less than the “London Living Wage” to its own staff or agency workers working with the Council. The “London Living Wage” hourly rate increase to £11.05 from £10.85 was announced on 15 November 2021. The Council continues to ensure that it pays its employees and apprentices at or above the London Living Wage.

4. Defining “Chief Officers”

4.1 At the start of the 2022/23 financial year, the Council expects to have within its structure the following Chief Officer posts:

- Chief Executive (and Head of Paid Service)
- Managing Director
- Strategic Director, Law and Governance (and Monitoring Officer)
- Strategic Director, Children and Adults
- Strategic Director, Inclusive Growth
- Strategic Director, Community Solutions
- Strategic Director, My Place
- Director, Strategy and Culture
- Finance Director (and Section 151 Officer)
- Director Enforcement & Community Safety
- Commercial Director
- Commissioning Director, Education
- Commissioning Director, Care and Support
- Director of Public Health
- Operational Director Children’s Care and Support
- Operational Director Adults Care and Support
- Director of Community, Participation & Prevention
- Director of Support & Collections
- Director of Homes & Assets
- Director of Public Realm
- Director of Workforce Change

4.2 Interim arrangements are in place following the resignation of the Chief Executive, who left on 15 December 2021. The Managing Director is the Interim Chief Executive (and Head of Paid Service). The Strategic Director, Law and Governance is also the Interim Deputy Chief Executive.

4.3 The number of JNC officers has increased by 4 from the previous year.

5. Accountability for Chief Officers Pay

5.1 The pay arrangements for chief officers are overseen by the JNC appointments, salaries and structures panel, appointed by the Council’s Assembly.

6. Current Pay Policy and Base Pay Rates

6.1 Setting Salary Levels

6.1.1 Chief Officer roles are evaluated using the HAY job evaluation system. There is a commitment to review salary levels about every three years, this has not been undertaken since the changes to the senior management structure was put in place in 2017. In undertaking reviews, account is taken of the market, particularly the market in London, to ensure the Council can compete successfully for the talent it needs to lead and manage in the current challenging environment.

6.1.2 The salary benchmarking information comes from the London Councils' Chief Officers Salary Survey. The latest information held is from 2021. There were 29 responses to this survey among London Boroughs. The median rates of pay for roles in London, based on the information from the survey, were as follows:

| | Median |
|--|----------|
| Head of Paid Service / Chief Executive | £195,072 |
| Tier 1 Managers | £148,989 |
| Tier 2 Managers | £105,813 |

(Note: This benchmark data is based upon basic pay plus additional payments such as performance related pay or bonus payments.)

6.1.3 The Council is contractually obliged to apply nationally agreed pay awards for Chief Officer grades.

6.2 Chief Executive

6.2.1 The salary for the Chief Executive, agreed at appointment in November 2014, was £165,000. This has increased each year only in line with nationally negotiated pay awards to £179,933.

6.3 Chief Officer Pay Range

6.3.1 The Chief Officer pay structure was last reviewed in 2013. The pay levels have increased in line with nationally negotiated pay awards in April each year. The pay range from April 2022 is as follows:

| | |
|-----|----------|
| CO1 | £87,586 |
| CO2 | £99,846 |
| CO3 | £110,356 |
| CO4 | £118,497 |
| CO5 | £130,862 |
| CO6 | £143,683 |
| CO7 | £156,558 |

6.3.2 It is appropriate for there to be some differentiation in pay levels at Chief Officer level because of the differing risk and responsibility being carried at that level.

6.3.3 The table below sets out the salaries of the chief officer posts referred to in paragraph 4.1 above:

| Position | Grade of Post | Salary cost to LBBD |
|---|------------------------|----------------------------|
| Chief Executive (and Head of Paid Service) | Individual spot salary | £179,933 |
| Managing Director | Individual spot salary | £156,558 |
| All other Directors & Operational and Commissioning Directors | CO2 – CO6 | £99,846 - £143,683 |

7. Contingent Pay

7.1 The Council pays its Chief Officers a spot salary. There is no element of performance pay nor are any bonuses paid. No overtime is paid to Chief Officers. There are no lease car arrangements.

7.2 Due to the resignation of the Chief Executive in December 2021, the Managing Director has taken on the role of Interim Chief Executive and receives a temporary honoraria payment of £20,000 per annum paid monthly.

7.3 The Strategic Director, Law and Governance (Monitoring Officer) receives a temporary honoraria payment of £13,000 for undertaking the role of Interim Deputy Chief Executive during this period.

7.4 No other additional payments are made.

8. Pensions

8.1 All Council employees are eligible to join the Local Government Pension Scheme. The Council does not enhance pensionable service for its employees either at the recruitment stage or on leaving the service, except in certain cases of retirement on grounds of permanent ill-health where the strict guidelines specified within the pension regulations are followed.

9. Other Terms and Conditions

9.1 Employment conditions and any subsequent amendments are incorporated into employees' contracts of employment. Chief Officer contracts state:

“Your terms and conditions of employment are as set out in the Joint Negotiating Committee for Chief Officers of Local Authorities handbook, as adopted by the Authority, unless otherwise indicated in this statement.

From time to time, variations in terms and conditions of employment will be negotiated and agreed at national or local level with the union or unions recognised by the Authority as representing that employment group. Where these are adopted by the Authority, they will, within a period of 28 days from the date of

the change, be separately notified to you or otherwise incorporated in the documents to which you have reference.”

- 9.2 The Council’s employment policies and procedures and terms and conditions are reviewed on a regular basis in the light of service delivery needs and any changes in legislation.

10. Election Expenses

- 10.1 The fees paid to Council employees for undertaking election duties vary according to the type of election they participate in and the nature of the duties and responsibilities they undertake. All election fees paid are additional to Council salary and are subject to normal deductions of tax.
- 10.2 Returning Officer duties (and those of the Deputy Returning Officer) are contractual requirements but fees paid to them for national elections / referendums are paid in accordance with the appropriate Statutory Fees and Charges Order.

11. Termination / Severance Payments

- 11.1 Employees who leave the Council, including the Chief Executive and Chief Officers, are not entitled to receive any payments from the Council, except in the case of redundancy or retirement as indicated below.

12. Retirement

- 12.1 Employees who contribute to the Local Government Pension Scheme who elect to retire or who are retired on redundancy or efficiency grounds over age of 55 are entitled to receive immediate payment of their pension benefits in accordance with the Scheme. Early retirement on the grounds of permanent ill health with immediate payment of pension benefits may be considered by the council at any age.
- 12.2 The Council will consider applications for flexible retirement from employees aged 55 or over on their individual merits and in the light of service delivery needs.

13. Redundancy

- 13.1 Employees who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on their actual salary. The standard London Borough of Barking and Dagenham redundancy scheme applies to all officers. The scheme has redundancy multipliers which provide for a maximum of 30 week’s pay for staff whose continuous service date is after 1 January 2007 and a maximum of 45 week’s pay for staff with a continuous service date of prior to 1 January 2007. Both multipliers are based upon length of service.

14. Settlement Agreements

- 14.1 Where an employee leaves the Council’s service in circumstances which are, or would be likely to, give rise to an action seeking redress through the Courts from the Council about the nature of the employee’s departure from the Council’s employment, or where an existing employee has an employment dispute with the

Council which may give rise to litigation, the Council may settle such claims by way of a settlement agreement where it is in the Council's interests to do so. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Legal advice will be sought in all cases.

15. Fairness and Equality - Pay Ratios

- 15.1 It was agreed as of 1 January 2013 that no permanent employee should be paid less than the London Living Wage. This supports the Council's ambition to raise average local household incomes and reflects its commitment to pay fairness. The Council has also agreed that this should apply to all agency staff working on Council assignments. This minimum rate increased to £11.05 per hour (equivalent to an annual salary of £20,165) with effect from November 2021.
- 15.2 Based on this figure, the Council's pay multiple - the ratio between the highest paid employee (the Acting Chief Executive including honoraria payment as detailed in section 7.2) and lowest paid employee - is 1:8:8. This means that the Acting chief executive is paid 8.8 times more than the lowest salary. This is marginally higher than the previous year.
- 15.3 The median annual salary for all employees at 1 April 2021 was £31,557 per annum, with the average salary being £35,675. Both median and average salaries referenced are full time equivalent and are adjusted according to individual contractual arrangements.
- 15.4 The ratio between the Acting Chief Executive's salary level and the median salary figure including the increase in the LLW as detailed in Section 3.3 is currently 1 - 5.59.
- 15.4 Across London the average ratio between the highest and median salaries is 1 to 7, based on a Chief Executive's average of £194,969 (taken from London Councils' 2020 Senior Staff Pay Data).

16. Any Additional Reward Arrangements

- 16.1 No additional reward arrangements are in place.