

Notice of Meeting

CABINET

Tuesday, 18 October 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 Cameron Geddes, Cllr Syed Ghani, Cllr Kashif Haroon, Cllr Jane Jones, Cllr Elizabeth Kangethe and Cllr Maureen Worby

Invited: Cllr John Dulwich (non-voting)

Date of publication: 10 October 2022

Fiona Taylor
Acting Chief Executive

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Please note that this meeting will be webcast via the Council's website. Members of the public wishing to attend the meeting in person can sit in the public gallery on the second floor of the Town Hall, which is not covered by the webcast cameras. To view the webcast online, 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.

3. Minutes - To confirm as correct the minutes of the meeting held on 20 September 2022 (Pages 3 - 9)

4. Revenue Budget Monitoring 2022/23 (Period 5, August 2022) and Q1 Capital Programme Update (Pages 11 - 52)

5. Procurement of Contract for Removal and Storage Services (Pages 53 - 58)

6. Land at London Road / North Street, Barking - Extension of Development Loan (Pages 59 - 72)

Appendices 1 and 2 to the report are exempt from publication as they contain commercially confidential information (exempt under paragraph 3, Part 1, Schedule 12A of the Local Government Act 1972 (as amended)).

7. Gascoigne Estate (East) Phase 3B Redevelopment Project (Pages 73 - 104)

Appendix 4 to the report is exempt from publication as it contains legal privileged information (exempt under paragraph 5, Part 1, Schedule 12A of the Local Government Act 1972 (as amended)).

8. Any other public items which the Chair decides are urgent

9. 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/observe Council meetings such as the Cabinet, except where business is confidential or certain other sensitive information is to be discussed. Items 6 and 7 above include appendices which are exempt from publication, as described. ***There are no other such items at the time of preparing this agenda.***

10. 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, 20 September 2022
(7:00 - 8:16 pm)

Present: Cllr Darren Rodwell (Chair), Cllr Saima Ashraf (Deputy Chair), Cllr Sade Bright, Cllr Cameron Geddes, Cllr Syed Ghani, Cllr Kashif Haroon, Cllr Jane Jones, Cllr Elizabeth Kangethe and Cllr Maureen Worby

Also Present: Cllr John Dulwich

Apologies: Cllr Dominic Twomey

28. Minute's Silence in Memory of Her Majesty Queen Elizabeth II

At the commencement of the meeting, the Chair asked everyone present to stand for a minute's silence as a mark of respect to Her Majesty Queen Elizabeth II.

29. Declaration of Members' Interests

There were no declarations of interest.

30. Minutes (12 July 2022)

The minutes of the meeting held on 12 July 2022 were confirmed as correct.

31. Revenue Budget Monitoring 2022/23 (Period 4, July 2022)

The Cabinet Member for Adult Social Care and Health Integration introduced a report on behalf of the Cabinet Member for Finance, Growth and Core Services relating to the Council's revenue budget monitoring position for the 2022/23 financial year as at 31 July 2022 (period 4).

The Council's General Fund revenue budget for 2022/23 was £183.06m, which represented a net increase of £9.4m on the budget for 2021/22. Despite that increase, the forecast outturn position at the end of July showed a projected net overspend of £16.287m. The Cabinet Member explained that there were several key factors behind the projected overspend, such as significant demand and cost increases for both Children's and Adults Social Care services partly attributable to new legislative requirements, the cost-of-living crisis, a review of cost apportionment of approximately £3m between the Housing Revenue Account (HRA) and the General Fund, reduced dividends from the Council-owned companies due to cost pressures and additional provision for the 2022/23 Local Government pay award which had previously been estimated at 2% but which was now likely to be significantly higher. It was also noted that the Council had launched a new financial management system on 1 April 2022 and, as a consequence, the detailed monthly budget monitoring undertaken by individual budget holders was not possible during the period covered by the report.

The Strategic Director, Finance and Investment, commented that officers would continue to look into mitigating measures to address the current overspend and he

expected the position to improve in the months ahead, particularly once potential risks and opportunities became more apparent. It was also acknowledged that while the entire Local Government sector was facing considerable pressures due to a lack of Government funding, Barking and Dagenham was in a much stronger position than most to respond due to the actions it had taken in recent years.

Cabinet **resolved** to:

- (i) Note the projected revenue outturn forecast for the 2022/23 financial year as set out in section 2 and Appendix A of the report;
- (ii) Note the update on savings proposals, as set out in section 3 of the report; and
- (iii) Approve the restatement of the HRA budget as set out in section 4 and Appendix B of the report.

32. Cost-of-Living Crisis Response - Update and Welfare Reserve Proposals

Further to Minute 14 (12 July 2022), the Cabinet Member for Community Leadership and Engagement presented a report on the latest activity and initiatives to support the local community during the cost-of-living crisis, which included plans to allocate £3.065m towards a range of projects from the £4.5m Welfare Fund established by the Council.

The Cabinet Member pointed out that as Barking and Dagenham was rated as the most deprived area in London and the 21st most deprived nationally, the cost-of-living issues affecting the whole of the UK would undoubtedly be even more apparent for Borough residents. She spoke of her pride at the swift and comprehensive response by the Council, the local voluntary and community sector (VCSE) and other partners to meet the challenges and referred to the preliminary results from a survey of local residents which showed that 82% of respondents were worried about paying monthly bills and 68% had already cut back on food and groceries.

The Cabinet Member drew attention to the range of existing services and support on offer to the local community via, for example, the Citizens Advice Bureau, BD CAN and the Homes and Money Hub, and gave an update on the development of the local Cost-of-Living Alliance which would be based on the following principles:

- Joining up the support already in place across the Borough, whether through Council-commissioned services, VCSE and Faith communities and other statutory agencies;
- Embed learning and responding together in a coordinated way;
- Committing to working together for the long-term to address this challenge and make a difference for residents; and
- Focussing on the best possible outcomes for and with residents.

With regard to the allocation of funding from the Council's Welfare Fund, the proposals included the creation of six new Locality Lead posts to establish networks of help and support, address unmet need and identify hidden / unknown demand; measures to tackle food insecurity and poverty; school uniform and

clothing exchange partnerships; and the permanent establishment of the No / Low Interest Loans Scheme to offer consolidation and very low interest loans for residents in debt and with very poor credit ratings. Resources would also be provided to support a Communications and Engagement Plan and, to that end, it was noted that a booklet would be sent to every household in the Borough during October setting out the types of support available and other useful information.

Cabinet colleagues spoke in full support of the proposals detailed in the report and offered up a number of other practical suggestions that residents could apply within their homes to help save money. Furthermore, the Cabinet called on the Government to do far more to support not only the most vulnerable in society but all those impacted by the cost-of-living crisis.

Cabinet **resolved** to:

- (i) Approve the allocation of funding totalling £3.065m from the Welfare Fund to the priority initiatives and areas of support, as set out in sections 4 and 5 and Appendix 2 of the report;
- (ii) Delegate authority to the Strategic Director, Community Solutions, in consultation with the Cabinet Member for Community Leadership and Engagement and the Strategic Director, Finance and Investment, to approve the allocation of the remaining £935,000 unallocated funding towards appropriate projects,
- (iii) Note the existing services and support available to residents, as set out in Appendix 1 to the report; and
- (iv) Note that a further report will be presented on the development and launch of the Cost-of-Living Alliance in due course.

33. Review of School Places and Capital Investment - Update

Further to Minute 24 (13 July 2021), the Cabinet Member for Educational Attainment and School Improvement presented the latest update report on school places provision and capital investment in educational provision.

The report set out the most up-to-date information on the projected demand for school places for September 2022 and beyond, as well as capital expenditure proposals to enhance and improve the Borough's schools and the number of places available. The proposals included the creation of additional Special Educational Needs and Disabilities (SEND) provision to counter the exponential growth in demand in Barking and Dagenham, either in specialised settings for high-needs pupils or within the mainstream school environment via Additional Resource Provisions.

Cabinet colleagues welcomed the ongoing data analysis work undertaken by officers within the Education service to maintain the balance between demand and provision for school places and the close links that had been established with the Borough's schools and Be First officers to ensure that new regeneration projects reflected the need for new school provision.

Cabinet **resolved** to:

- (i) Note the actions being taken by officers to identify additional school places across the Borough to meet further demand pressures and the ongoing discussions relating to future provision in the Council's Local Plan;
- (ii) Approve the proposed changes and allocations of funding as set out in paragraphs 6.2 and 6.3 of the report, to support the provision of new places and improvements;
- (iii) Delegate authority to the Strategic Director, Children and Adults, acting on advice from the Procurement Board, to approve the final procurement strategies for Additional Resource Provisions referred to in section 6 of the report;
- (iv) Delegate authority to the Strategic Director, Children and Adults, in consultation with the Cabinet Member for Educational Attainment and School Improvement and the Chief Legal Officer, to conduct the procurements and award the respective project contracts; and
- (v) Note that in accordance with the School Admissions Code 2021, a six-week public consultation was undertaken on the Council's intention to continue with its existing school admission arrangements for 2023/24 and no adverse comments were received.

34. Proposed Purchase of Maritime House Office Building, Linton Road, Barking

The Cabinet received a report on the opportunity for the Council to purchase Maritime House, a 10-storey office block in the heart of Barking Town Centre, as an income-generating freehold investment with potential medium / longer term regeneration opportunities in light of the Council's other landholdings in the immediate area.

The Cabinet Member for Regeneration and Economic Development advised that Maritime House currently benefited from a good level of occupancy, almost exclusively by public sector organisations, and an independent valuation and the Council / Be First's own due diligence supported the acquisition on the terms proposed in the report, which amounted to a total cost of £22.55m.

Cabinet **resolved** to:

- (i) Approve the purchase of the Maritime House site, Linton Road, Barking, as shown edged red in the plan at Appendix 2 to the report, in accordance with the draft Heads of Terms set out in Appendix 3 to the report;
- (ii) Authorise the Strategic Director, Finance & Investment, in consultation with the Chief Legal Officer, to enter into all necessary legal documents to finalise the transaction in accordance with the draft Heads of Terms.

35. Proposed Purchase of the Edwards Waste Site, Gallions Close, Barking

The Cabinet received a report on the proposed purchase of the Edwards Waste

site, Gallions Close, within the Thames Road regeneration area.

The Cabinet Member for Regeneration and Economic Development explained that the plans for the regeneration of the area, primarily for residential purposes, were currently hindered by the locality of the waste transfer site. Edwards Waste was prepared to relocate its business to the Dagenham Dock area of the Borough should an agreement be reached on the proposed terms of the sale of the Gallions Close site, which would not only improve the local environment in which Riverside School was situated but also support the objectives of the Council's draft Thames Road masterplan and Inclusive Growth strategy.

The total cost of the purchase of the approx. 1-acre site was circa £8.5m and the report also set out the draft terms of the sale, the likely timescales involved and the financial implications for the Council.

Cabinet **resolved** to:

- (i) Approve the purchase of the Edwards Waste site, Gallions Close, Barking, as shown edged red in the plan at Appendix 2a to the report, in accordance with the draft Heads of Terms set out in Appendix 3 to the report; and
- (ii) Authorise the Strategic Director, Finance & Investment, in consultation with the Chief Legal Officer, to enter into all necessary legal documents to finalise the transaction in accordance with the draft Heads of Terms.

36. Draft Chadwell Heath Transformation Area Masterplan Supplementary Planning Document

The Cabinet Member for Regeneration and Economic Development presented an update report on the development of the draft Chadwell Heath Transformation Area Masterplan Supplementary Planning Document (SPD).

By Minute 25 (22 September 2020), the Cabinet had approved the submission of the Borough-wide draft Local Plan 2037 to the Secretary of State for independent examination. The Local Plan outlined how the Borough's ambitious housing and employment targets would be met over the plan period and beyond, aided in part through the delivery of several transformation areas within the Borough including Chadwell Heath. The draft Chadwell Heath Transformation Area Masterplan SPD provided more detailed supplementary guidance to developers, the local community and other interested stakeholders on how the Council envisaged development in the area coming forward over the period of the new Local Plan and beyond.

The Cabinet Member explained that the intention was for the SPD to go out to statutory public consultation prior to it being presented for adoption by the Assembly, alongside the Local Plan, in early 2024.

Cabinet **resolved** to:

- (i) Approve the Draft Chadwell Heath Transformation Area Masterplan Supplementary Planning Document, as set out at Appendix A to the report, for public consultation; and

- (ii) Delegate authority to the Strategic Director, Inclusive Growth, in consultation with the Cabinet Member for Regeneration and Economic Development and the Be First Chief Planning Director, to make any appropriate amendments to the SPD following public consultation, prior to its submission to the Assembly for formal adoption.

37. Debt Management Performance 2022/23 (Quarter 1)

The Cabinet Member for Adult Social Care and Health Integration introduced the performance report covering the first quarter of the 2022/23 financial year in respect of the Council's debt management functions.

The Cabinet Member commented that, following on from the discussions earlier in the meeting, it was clear that the cost-of-living crisis was already starting to impact on the local community, as evidenced by a downturn in collection rates in areas including Council Tax, commercial and residential rents, General Income and Homecare. While the Council had been proactive with the range of support and intervention measures that it had already introduced, it was apparent that the situation needed to be closely monitored to ensure that there was an appropriate balance between supporting the local community through the cost-of-living crisis and ensuring that residents and businesses made every effort to pay monies due to the Council, in order to protect local service provision.

The Cabinet Member also alluded to the proposed amendment to the Council's uncollectable debts write-off arrangements to reflect responsibility changes at Head of Service level and confirmed that the proposal did not vary the authorisation levels previously agreed by Cabinet.

Cabinet **resolved** to:

- (i) Note the performance of the debt management function carried out by the Council's Revenues service, including the pressure on collection rates as a result of the cost-of-living crisis;
- (ii) Note progress of the £150 energy rebate distribution to residents and actions taken to ensure maximum uptake, as described in paragraph 3.5 of the report; and
- (iii) Approve the amendment to the Council's uncollectable debts write-off arrangements to reflect the renaming of the Revenues and Benefits service to the Collections and Welfare service, as set out in paragraph 11.4 of the report.

38. Strategy for the Flexible Use of Capital Receipts 2022/23

The Cabinet received a report on the Council's proposed Flexible Use of Capital Receipts Strategy for 2022/23.

The Cabinet Member for Adult Social Care and Health Integration explained that a delay in the issuing of updated guidance by the Department for Levelling Up, Housing and Communities (DLUHC) had meant that it had not been possible to

present a full strategy as part of the annual Budget Framework report that was approved by the Assembly in March 2022.

The updated guidance recently issued by DLUHC meant that only two projects, the Adult Services Direct Payment Review and the Adult Services Financial Assessment Review, continued to be eligible under the new rules, with several other transformation schemes previously eligible now needing to be funded elsewhere within the General Fund.

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

- (i) Agree the Council's Strategy for the Flexible Use of Capital Receipts 2022/23, as set out at Appendix A to the report; and
- (ii) Note that as a consequence of the new statutory guidance, only two transformation schemes were deemed to meet the revised criteria and that ongoing schemes no longer meeting the criteria shall be funded from alternative sources within the General Fund.

39. Urgent Action - Loan and SCIL Grant to Studio 3 Arts for Major Arts Centre Development Project at the Galleon Centre

The Cabinet Member for Community Leadership and Engagement introduced a report on action taken by the Acting Chief Executive on 22 August 2022 in respect of approving a loan and grant to Studio 3 Arts to overcome a shortfall in funding for the redevelopment of the former Galleon Community Centre due to unforeseen cost increases.

Cabinet **resolved** to note the action taken by the Acting Chief Executive, in accordance with the Urgent Action procedures set out in Part 2, Chapter 16, paragraph 4 and the Special Urgency provision under Part 2, Chapter 17, paragraph 15 of the Council Constitution, in relation to approving a loan of £200,000 and a grant of £156,000, via the Strategic Community Infrastructure Fund levy, to Studio 3 Arts towards the redevelopment of the former Galleon Community Centre, Boundary Road, Barking, into a world class arts centre.

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CABINET

18 October 2022

Title: Revenue Budget Monitoring 2022/23 (Period 5, August 2022) and Q1 Capital Programme Update	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: Katherine Heffernan and Philippa Farrell, Heads of Service Finance David Dickinson, Investment Fund Manager	Contact Details: E-mail: Katherine.heffernan@lbbd.gov.uk Philippa.farrell@lbbd.gov.uk David.Dickinson@lbbd.gov.uk
Accountable Strategic Leadership Director: Philip Gregory, Strategic Director, Finance & Investment	
Summary	
<p>This report sets out the Councils revenue budget monitoring position for 2022/23 as at the end of August 2022, highlighting key risks and opportunities and the forecast position. This is the first budget report of this financial year.</p> <p>The Council's General Fund budget for 2022/23 is £183.060m – a net increase from the previous year's position of £9.4m. The current forecast outturn position including movements to and from reserves and the income position is £200.290m which would be an overspend of £17.590m. This is a significant overspend in the period and is driven by significant cost pressures such as the potential Local Government pay award and the increasing costs of social care. In addition, there is the impact of a changing balance of costs between the HRA and the General Fund.</p> <p>There is potential for risks and opportunities to materialise and for management action to be taken to reduce overspends. Furthermore, the overspend can be managed by use of the budget support reserve. However, the current level of overspend would deplete the reserve, increasing the risk in future years. The position will continue to be closely monitored and risks and opportunities recognised as soon as certain.</p> <p>This report also presents an update on the Capital Programme for 2022/23 and the first quarter monitoring position for the year. The revised programme is £417.05m – of which £315.5m is the Investment and Acquisition Strategy (IAS), £70.5m General Fund and £31.1m Housing. Total spend to the end of Quarter 1 is £40.803m.</p> <p>Finally, the report sets out details of funding allocations, via the GLA, from the Government's UK Shared Prosperity Fund (UKSPF) towards various projects over the next three years.</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 2022/23 financial year as set out in section 2 and Appendix A of the report; (ii) Approve the revised Capital Programme for 2022/23, including carry forwards to 2022/23, as set out in section 4 and Appendices B and D of the report; (iii) Note the capital expenditure at 30 June 2022 (Quarter 1) as set out in Appendix C of the report; and (iv) Endorse the Council's submission for UKSPF funding as set out in section 5 of the report and delegate authority to the Strategic Director, Inclusive Growth, in consultation with relevant Cabinet Members and the Strategic Director, Finance and Investment, to allocate and oversee spending in line with the Council's priorities.
<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 second revenue budget monitoring report to Cabinet for the 2022/23 financial year. There has been a net £9.4m of growth added to the budget for 2022/23 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.
- 1.2 Despite the growth, this year has a high level of financial risk including inflation and the cost-of-living crisis, the 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.
- 1.3 As part of our ongoing improvement programme, a new financial system and budget monitoring process was introduced in April 2022. This has resulted in some changes to the format of the budget monitoring report. This report is 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 2022/23 budget was approved by the Assembly in March 2022 and is £183.060m – a net increase of £9.4m from last year. Growth funding was supplied to most services to meet known demand and cost pressures and a central provision

was made for the expected Local Government pay award. In addition, there were £5.3m of savings included in the budget.

2.2 As **Appendix A** shows, the expenditure forecast is £201.953m or £198.555m after planned transfers to and from reserves. Income forecast is £180.965m resulting in a net overspend of £17.590m. There are still risks and opportunities that could be realised, as well as the possibility that this overspend can be managed down further. This level of overspend can be fully met from the reserves without taking the General Fund below the minimum level of £12m. 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 pandemic. 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. There are now increasing pressures from the impact of inflation including pay inflation and the cost-of-living crisis. In addition, there has been a review of costs recharged to the HRA which has resulted in a reduction of income from the HRA to the General fund.

3. Savings and Commercial Income

3.1 There is a new savings target of £6.219m for 2022/23 including those brought forward from previous years. £3.600m of these savings are either fully achieved or expected to be achieved in year. £2.354m are at high risk of not being achieved at all with the remaining £0.265m being uncertain or only part achieved in year.

4. Capital Programme

4.1 A provisional capital programme for 2022/23 was submitted to Cabinet in June 2022 which, including slippage, was estimated at £667.31m split into £533.6m for the Investment Strategy (IAS), £70.5m for General Fund (GF) and £60m for HRA.

4.2 The Outturn has since been finalised resulting in revisions to slippage and budgets being profiled for Quarter 1 with a capital programme of £417.05m split into £315.5m for the Investment Strategy (IAS), £70.5m for General Fund (GF) and £31.1m for HRA. Further details are given in **Appendix B** and **Appendix D**.

4.3 The Q1 spend totalled £41.27m, including £463k of DSG, with the spend split into IAS - £34.30m, EYC - £1.46m and the HRA - £3.24m, including estate renewal and New Build costs. This is net of £19.3m accrual reversals. Further details are given in **Appendix C**.

5. UK Shared Prosperity Fund Allocation 2022 - 2025

5.1 The UK Shared Prosperity Fund (UKSPF) was launched by the Government in April 2022 as part of its 'levelling up' agenda, providing funding between April 2022 to March 2025 for a national Multiply scheme to improve adult numeracy – delivered by further education and community colleges - and other activities across three themes:

- **Community and Place:** strengthening social fabric and fostering a sense of local pride and belonging, through investment in activities that enhance physical, cultural and social ties, and access to amenities, such as community infrastructure and local green space, heritage and culture projects and community-led projects; and building resilient, healthy and safe neighbourhoods through investment in quality places in which people want to live, work, play and learn, through targeted improvements to the built and natural environment, and support for volunteering.
- **Supporting Local Business:** enabling places to fund interventions that support local businesses to thrive, innovate and grow; with a view to improving pay, employment, productivity and investment in R&D.
- **People and Skills:** reducing the barriers some people face to employment and supporting them to move towards employment and education and/or funding high quality skills training to support employment and productivity growth. This replaces European employment and skills funding previously available.

5.2 For London, the GLA has developed the investment priorities and borough allocations within these themes. Its plan was submitted in August and includes a mix of cross-borough programmes, direct borough allocations and open calls.

5.2 The GLA has only allocated about half of the London allocation directly to boroughs and has set the priority interventions and outputs this is expected to deliver.

5.3 The levels of funding for each intervention are small and heavily prescribed. Therefore, it is proposed to build the capacity of existing projects and programmes rather than establish a lot of small new projects with limited impact.

5.4 Each London Borough was asked to submit proposals by 7 October 2022 and the LBBB submission includes:

- £350k for the Adult College to deliver numeracy courses as part of the national 'Multiply' scheme.
- £1.4m of mostly capital funding to support six interventions under the theme 'communities and place': enabling us to make improvements and generate footfall to Valence House Museum Gardens, Eastbury Manor House and gardens, and Greatfields Park; boost training resources for volunteers; create a small campaign budget for the Youth Mayor; and invest in the planned 'locality' model to support residents with the cost of living.
- £440k of funding to 'strengthen local entrepreneurial ecosystems': allowing us to build the capacity of our existing/planned business support programmes in the priority areas and sectors where we currently have no or limited alternative sources of funding, including food, social care and work to increase local spend among the council and its contractors.
- An indicative allocation of £840k to provide employment support for economically inactive people, although it should be noted that this funding is only available in year 3 (2024-25) and will be distributed via Local London, therefore the actual amount going directly to boroughs is uncertain.

6. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

- 6.1 This report is one of a series of regular updates to Cabinet about the Council's financial position.
- 6.2 The introduction of the Suspension Service enhanced services will generate income to the Council. The reduction of the Low Emission Vehicle: Zero to 50 CO2 emission charge to zero will be minimal with no material impact on the financial position.

7. Legal Implications

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

- 7.1 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.
- 7.2 Nevertheless, the unique situation of the aftermath of Covid 19 combined with the hostilities between the Russian Federation and the Ukraine presents the prospect of the need to purchase supplies and services with heavy competition for the same resources together with logistic challenges which is causing scarcity and inflationary 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 itemise and document the reasoning for procurement choices to facilitate grounds for seeking such additional support funds as the Authority may be able to access.

8. Other Implications

- 8.1 **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.
- 8.2 **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 2 March 2022
<https://modgov.lbbd.gov.uk/Internet/documents/s152346/BF%202022-23%20Report.pdf>

List of appendices:

- **Appendix A:** Revenue Budget Monitoring Pack (Period 5)
- **Appendix B:** Capital Programme
- **Appendix C:** Capital Programme Expenditure (Q1 2022/23)
- **Appendix D:** Capital Carry Forwards

Primary Focus: Top level summary of the financial position of the General Fund.

Secondary Focus: Top level summary of HRA, DSG, Companies

Tertiary Focus: Detailed breakdown of service's financial position

Budget Outturn Report 2021/22	
1. Operational Summary 2. Risks 3. Growth	
4. HRA 5. DSG 6. Companies	
7. <u>Community Solutions</u> 8. <u>Corporate Management</u> 9. <u>Inclusive Growth</u> 10. <u>Law and Governance</u> 11. <u>My Place</u> 12. <u>People and Resilience</u> 13. <u>Strategy</u>	

Review the financial position, including the risks, and opportunities. Identify areas for management action or further review.

Review the financial position, including the risks, and opportunities. Identify areas for management action or further review.

Financial positions of each directorate and department.

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London Borough of Barking and Dagenham Budget Monitor: Period 5

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**Barking &
Dagenham**

Revenue Outturn - There is a c£17.5m overspend forecast as at P5, £15.5m overspent on services and a £2m under recovery of funding

Variance against Budget

Summary:

This is a worse position since last month mainly driven by the worsening position in My Place linked to increasing operational costs in Public Realm

Key Drivers

• People & Resilience:

- The position is c£6m over, C£2m within disabilities driven by the overspend in the SEND travel spend and LAC with disabilities. Children's is c£4m overspent as a result as a result of Corporate Parenting, with a pressure of £3.9m, a £900k increase from last year. This is solely down to Fostering, where the full year effect of the uplift given to carers is now being felt. The remaining pressure is on staffing where there has been special dispensation given to increase spend on temporary resource to address the Ofsted recommendation on senior manager review of caseloads within CIN this directly relates to case load levels. The Ofsted letter is available online to review and the CPG paper approving the spend can also be provided.

• Corp Management:

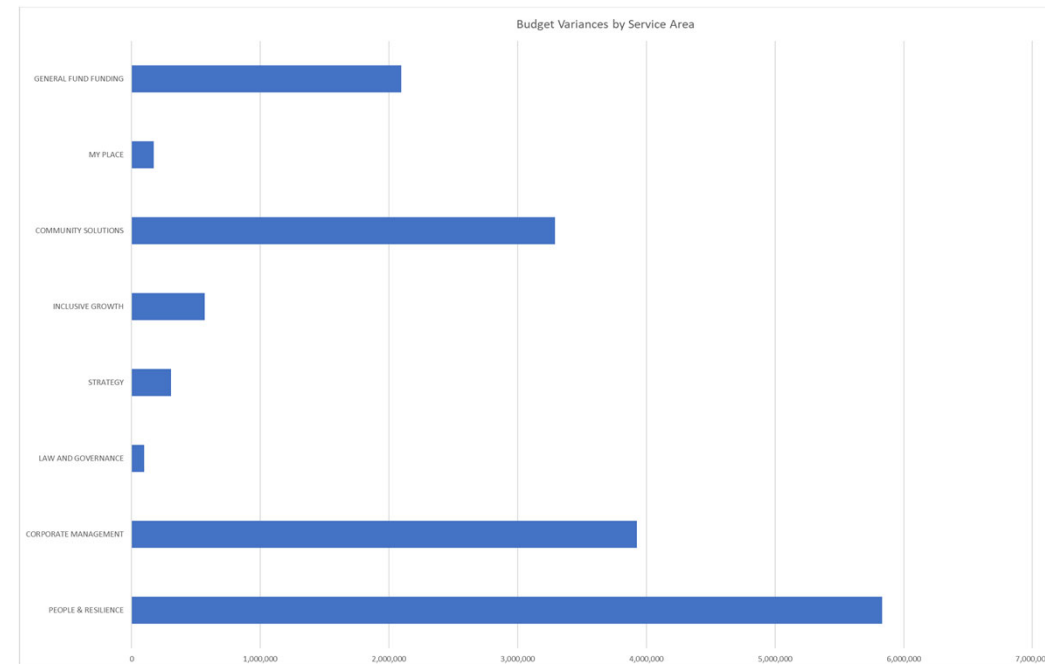
- The budget reflects a 2% pay rise provision. Noting inflation and public sector pay awards the forecast reflects a 6% pay rise resulting in a £4m overspend within this area. Contingency budgets held here in previous years have been redistributed to services leaving no central underspend cushion.

• Community Solutions:

- £3.3m variance from budget. This is driven by the change in the HRA recharge policy which has had a c£2m impact. The remainder are variance across the services.

• Company Dividends:

- The company dividends are forecast to be £2m lower as a result of BDTP being unable to meet the budgeted income.



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**Barking &
Dagenham**

London Borough of Barking and Dagenham Revenue Forecast

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
PEOPLE & RESILIENCE	129,929,230	107,532,940	22,396,290	43,523,396	135,984,843	0	0	6,055,613	6,055,636
CORPORATE MANAGEMENT	4,933,320	9,602,910	-4,669,590	16,701,074	8,416,412	0	0	3,483,092	3,927,745
LAW AND GOVERNANCE	-2,777,915	-265,175	-2,512,740	1,291,728	-2,956,320	1,946,433	-1,532,324	235,704	97,522
STRATEGY	2,026,429	2,832,599	-806,170	3,185,339	3,959,603	0	-1,574,046	359,128	304,248
INCLUSIVE GROWTH	4,737,340	1,797,630	2,939,710	-1,642,058	6,280,101	0	-725,609	817,152	568,815
COMMUNITY SOLUTIONS	25,454,948	19,561,458	5,893,490	6,744,784	30,357,864	295,000	-1,807,000	3,390,916	3,289,356
MY PLACE	18,756,779	37,453,434	-18,696,655	19,774,347	19,910,537	0	0	1,153,758	172,558
GENERAL FUND I&E	183,060,131	178,515,796	4,544,335	89,578,610	201,953,040	2,241,433	-5,638,979	15,495,363	14,415,881
GENERAL FUND FUNDING	-183,060,131	-183,060,131		-5,763,627	-180,965,131	0	0	2,095,000	2,095,000
GENERAL FUND	0	-4,544,335	4,544,335	83,814,983	20,987,909	2,241,433	-5,638,979	17,590,363	16,510,881

The main drivers of the variance to budget are the change in HRA policy, which is seen across several areas within the Council, most notably Community Solutions, Inclusive Growth and Law and Governance.

Aside from this People and Resilience is the most significant area of overspend of **£6m, 5.6% of the overall budget**. This is primarily driven by the overspend within Children's. The area has received £5m in growth in 2021/22 to their base budget. This is a key area of risk for the Council as a small variance can have a significant impact on the overall position.

Community Solutions is a volatile area that is demand driven, **although £2m of it's overspend is driven by the HRA**. This is a key area of risk where mitigations are being developed, growth was allocated to this area to write off unachievable savings in prior years.

Corporate Management has been reduced to allocate budgets to services. There is less availability of this resource to cover other overspends. The area is forecasting an overspend as a **result of the forecasted 6% pay award**.

BDTP is not assumed to **make £2m in dividend payment this year**, which has reduced funding. The Be First contribution is currently assumed to be secure as a result of the Mueller site profits.

London Borough of Barking and Dagenham Budget Monitor: Period 5 Risk and opportunities

Risk

- There are still some data and reporting issues arising from the implementation of the new ERP and Financial Systems which are making it harder for Finance and budget holders to gain full and up to date financial information. This has been improving over time but remains a significant financial risk with incomplete data available to make financial decisions, or to take remedial action if spend profiles are driving an overspend or under achievement in income. Particular remaining issues are the backlog of payroll/agency miscodings and some issues with income.
- This month is the first time budget holders have used CP. Although there has been a good start we do not yet have full compliance and it may take some time before all managers are confident using the system.
- The cost-of-living crisis and increased inflation has meant pressure on the pay award request. Built into the budget was a 2% award however the LGA Employers offer amounts to around a 6% increase creating a significant pressure. In addition, we have made provision of £0.5m for the PWC review of Senior Pay and £0.5m other potential recruitment/retention requirements.
- HRA and General Fund recharge policy change has resulted in an increase of costs of c£2.7m within the General Fund. This will drive an overspend to be managed in year as this was not built into the budget.
- The income for PRPL is forecasting a shortfall of c£1.5m and will require a drawdown from reserve. This will leave a balance of c£0.3m on the reserve. The scheme is currently in year 3 of 5. A full review of the scheme will be carried out in the current year.

Opportunities

- At this early point of the year forecasts will reflect risks but there has been little time to build an enact mitigations. We would therefore anticipate that this forecast will reduce as the year progresses and mitigations take effect.
- Income for Parking is forecasting a c£2m surplus. This is in-line with prior year income. The income target has been increased by c£3.5m in the current year. There is a likelihood that the income will be higher than forecast. This will be a result of introduction of new CPZ schemes and Safer School Streets, but this is currently difficult to quantify.

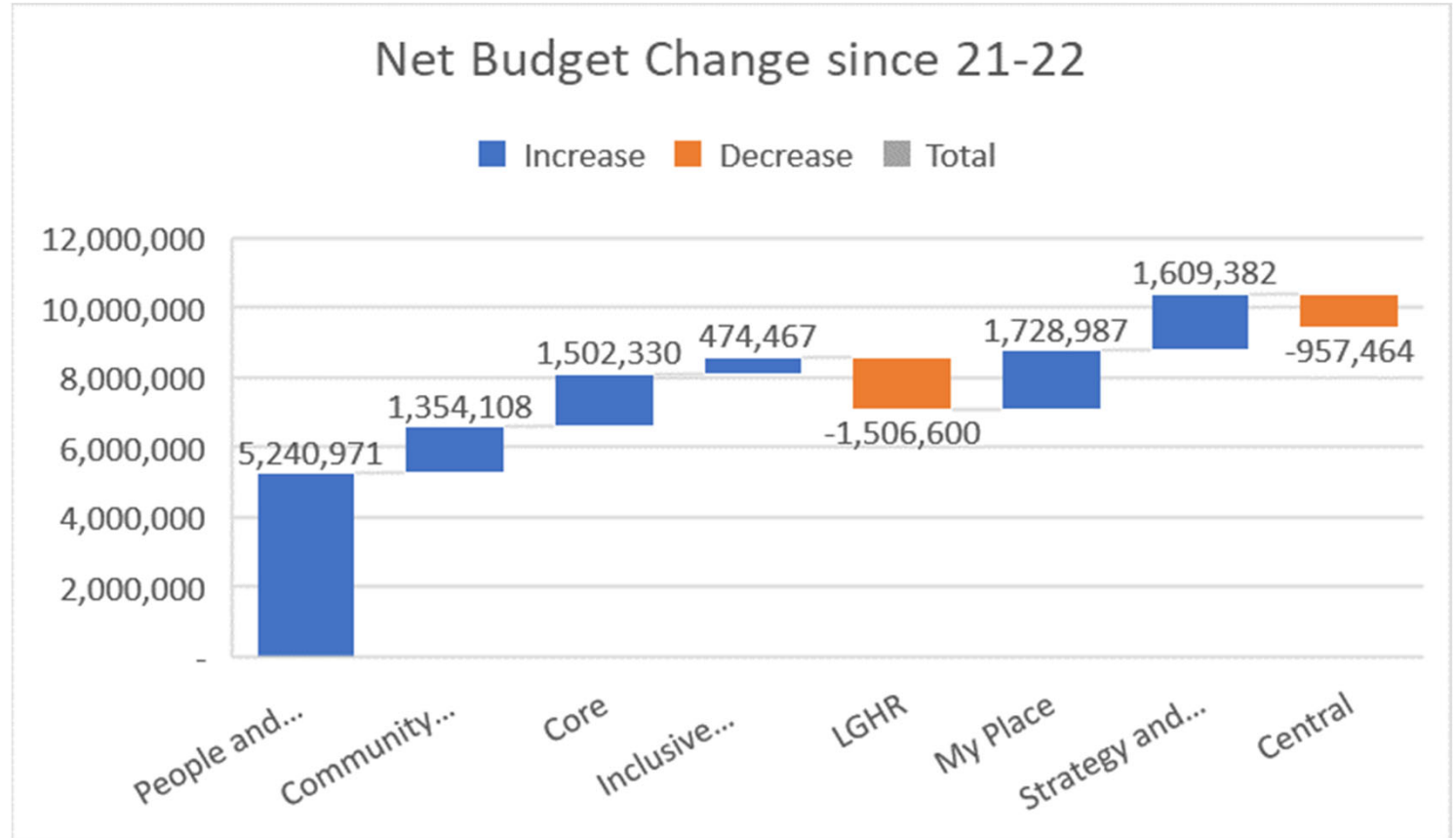
London Borough of Barking and Dagenham Budget Monitor: Methodology

- This month is the first month where Collaborative Planning has been used and budget holders have been asked to enter and submit their forecasts.
- The tables are largely drawn directly from CP and show the data entered on that system – except an offline correction has been made for Early Help as changes to the reporting structure in month caused a technical issue.
- In CP reports default to showing TOTALS at the top of the tables not at the bottom.
- CPG are asked to note the completion rates show that the majority of users are entering data at cost centre level. This is promising given the newness of the system and the short timetable this month (because 1st Sept fell on a Thursday the deadlines were particularly tight. However the full cycle of review and approval at higher levels is not yet in place – this will take time to embed but is likely to be an important driver of compliance.

Budget Increase: The Budget has increased by a net £9.4m from £173.6m to £183.1m since 2021-22

Several areas have received growth since 2021/22.

- **People & Resilience:**
 - Demographic and Inflation growth and investment in Early Help, Coroners
- **Community Solutions**
 - Concessionary Fares (-), debt strategy, NRPf, Core savings written off, loss of Brocklebank income, community hubs
- **Law and Governance:**
 - Increased income
- **Inclusive Growth**
 - Foyer written off, old income written off
- **Core:**
 - Investment in IT and HR
- **My Place**
 - Improving waste and recycling
- **Strategy and Culture**
 - Realignment of Leisure fees post Covid, small increase in Policy/strategy team
- **Central**
 - Distribution of centrally held contingency budgets to support services



Note: this is based on the structure at the time of the MTFS so may differ slightly from current.
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2022- 23 Savings – including brought forward savings

	2022-23 MTFs Savings	TOTAL SAVING '£000s	RAG RATING	Target for 22-23	Expected Achieved 22-23	Comments
EYC	Fixed Penalty Income	50	Amber	50	25	Finance estimate based on rag rating
ComSol	Working with VCS in community centres	90	Achieved	90	90	albeit by other means
LGHR	Parking Income	250	Achieved	250	250	
LGHR	Other Income - fines and market	70	Green	70	70	Income running slightly under profile but forecast to be achieved
LGHR	Further Parking Income	1,498	Green	1,498	1498	Income very robust
IT	Cyber Security	40	Achieved	40	40	
ComSol	Debt and Affordable Credit	580	Green	580	580	
My Place	Property Management	154	Red	154	0	Won't be achieved in 22/23 as dependent on restructure.
IT	various efficiencies	167	Amber	167	167	MPLS and Mobile Telephony achieved. Digital postroom and IT Procurement in progress
Disabilities	New CHC Monies from Transition clients	240	Amber	240	0	
Disabilities	Brocklebank	1,100	Red	1,100	0	Plans still being decided, timeline not achieved
Childrens	Efficient TOM	1,100	Red	1,100	0	Implementation postponed
		5,339		5,339	2,720	
	Brought Forward from previous years					
Inclusive Gr	Central Parks Landscaping Income	400	Green	400	400	Anticipated total income is £825k across 3 years
Adults	Transformation Income Generation	400	Green	400	400	
Enforcemen	Barking Market Additional Day	80	Green	80	80	
	TOTAL	6,219		6,219	3,600	

Community Solutions: Period 5

Forecast Position: £28.8m (overspend of £3.4m, 13.3% Variance)

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
COMMUNITY SOLUTIONS	25,454,948	19,561,458	5,893,490	6,744,784	30,357,864	295,000	(1,807,000)	3,390,916	3,289,356
SUPPORT AND COLLECTIONS	9,261,950	4,569,330	4,692,620	2,339,882	12,714,708		(800,000)	2,652,758	2,582,709
COMMUNITY SOLUTIONS	6,698,956	6,851,506	(152,550)	3,547,741	7,657,540	130,000	(215,000)	873,584	839,344
COMMUNITY PARTICIPATION & PREV	9,494,042	8,140,622	1,353,420	857,160	9,985,616	165,000	(792,000)	(135,426)	(132,698)

Key Drivers of the Position:

The reported overspend of **£3,391k** is caused by the following:

Support & Collections;

• Impact of HRA recalculation	£1,656k	
• Pressure on TA (Voids & demand led)	£250k	
• Under recovery on Bailiff Fees	£530k	
• Revenues & Benefits Budget Pressure (Historic Budget Pressure)	<u>£217k</u>	
		£2,653k

Community Solutions;

• Impact of HRA recalculation	£311k	
• Oneview System Annual Subscription	£300k	
• Customer Services FTC Staff	<u>£262k</u>	
		£873k

Community Participation & Prevention;

• Impact of HRA recalculation	-£33k	
• Everyone Everyday	<u>-£100k</u>	
		-£135k
		<u>£3,391k</u>

Community Solutions: Period 5 Risk and Opportunities

Forecast Position: £28.8m (overspend of £3.4m, 13.3% 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 not able to identify Impacts which may arise from the Homes for Ukraine scheme. However, we do expect financial implications to arise.
- It is assumed COVID-19 related costs c£0.1m will be funded from COMF and other COVID Grants.
- The Ethical Collection Service Fee Income is impacted due to delay in data and recruitment.

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

- A **£250k** gatekeeping buffer has been set-aside for Temporary accommodation due to Voids and demand, if unused will reduce the forecast.

Corporate Management: Period 5

Forecast Position: £8.4 (Overspend of 3.4m)

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers	Variance	Last Period
CORPORATE MANAGEMENT	4,933,320	9,602,910	(4,669,590)	16,701,074	8,416,412			3,483,092	3,927,745
STRATEGIC LEADERSHIP	(334,261)	412,359	(746,620)	200,739	(370,914)			(36,653)	(2,327)
FINANCE	5,579,118	12,172,848	(6,593,730)	6,803,595	4,915,700			(663,418)	(250,750)
IAS	(4,167,250)	(4,178,970)	11,720	(2,476,600)	(4,164,909)			2,341	
CENTRAL EXPENSES	3,855,713	1,196,673	2,659,040	12,173,340	8,036,535			4,180,822	4,180,822

Key Drivers of the Position:

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There is a forecast overspend of £3.483m on Corporate Management . There is a net shortfall in income from the HRA of £338k.

- **Strategic Leadership** - £36k underspend : HRA recharge shortfall of £103k on Procurement Gainshare offset by underspends of £140k due to senior leadership vacancies.
- **Finance** - £663k underspend:
 - IT - 794k underspend mainly due to £315k underspend on salaries and £458k savings from the Oracle to Advanced E5 and Itrent contract costs offset by 26k over recovery estimate on entities and external recharges.
 - Finance and Audit - £131k overspend with Finance and Audit, largely due to a HRA income shortfall of £188k.
- **Investment Strategy** - £2k overspend
- **Central Expenses** - £4.18m overspend: The Local Government employers offer is an approx. 6% pay increase on average (higher for lower grades, lower for managers/professional grades). This is significantly higher than the roughly 2% provision made in the MTFs. Currently other contingencies and provisions are assumed to be fully used. It should be noted that these are much lower than in previous years as funds have been transferred to services.

Corporate Management: Period 5 Risk and Opportunities

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

- A £2m budget provision made for the 22/23 pay award. If a higher award is made this will cause a budget pressure (either here or dispersed among services.) The forecast assumes an approx. 6% award in line with offers made to other public service workers. However the final position is unlikely to be settled for some time. In addition there are risks from the Senior Leadership review and also a number of services are reporting recruitment/retention issues that mean result in other upwards pressures on pay.
- Debt management improvement savings have reduced the budget available for providing against bad debt. The forecast currently assumes spend to budget – however the economic situation may mean that debt could rise.
- Finance recruitment and staff retention becoming increasingly difficult
- Insufficient engagement within the Council over risk management & Internal audit practices

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

- Currently the forecast assumes full spend against several contingency budgets including the central redundancy pot and insurance. If these are not required, then this will contribute further underspends the Council position.

Inclusive Growth: Period 5

Forecast Position: Overspend of £817k

		This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variance Inc Reserves	
		Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
10E	INCLUSIVE GROWTH TOTAL	4,737,340	1,797,630	2,939,710	(1,642,058)	6,280,101		(725,609)	817,152	568,815
10EA	COMMERCIAL	257,849	(368,111)	625,960	(2,654,533)	1,015,620			757,771	515,932
10EB	INCLUSIVE GROWTH	4,479,491	2,165,741	2,313,750	1,012,475	5,264,481		(725,609)	59,381	52,883

Key Drivers of the Position (Summary):

Inclusive Growth are forecasting an overspend of £817k. There is a net shortfall in income from the HRA of £312k. This is because the value of the recharges to the HRA has been recalculated but the budget has not been adjusted.

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Commercial Services – 757k overspend

- £370k relates to the reduced HRA recharge. The greatest impact is in Procurement where there was a historic fixed fee of £331k chargeable by Agilisys to the HRA. As part of the Elevate exit business case it was agreed that Procurement would continue to make the charge to the HRA. Now the recharge no longer takes place this has left a budget gap of £331k.
 - £218k estimated Film Income shortfall. The Film Office is finding it increasingly difficult to meet the income target, as the number of filming locations dwindles as the borough is being regenerated.
 - Across Commercial services there is a net pressure of £76k on salaries budgets in addition to a forecast overspend of £33k from added years pension top ups.
- #### Inclusive Growth – 59k overspend
- Parks Commissioning: £35k overspend : £17k budget pressure costs for Eastbrookend Discovery Centre and £21k shortfall for Licence & Permit income.
 - Culture and Heritage :£175k overspend on salaries, NNDR and income under-achievement.
 - Inclusive growth core team: £191k underspend due to 58k HRA recharge income increase, anticipated CIL admin fee income £40k and staffing underspend of £71k due to restructure implementation.

Inclusive Growth: Period 5 Risk and Opportunities

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

- Key risk is that the film studios operator MBS/Hackman do not continue to fund the existing post or the programme beyond the initial endowment, which is projected to last 5 years.
- There is a risk that the City of London does not re-locate the wholesale markets to the borough, in which case we will not receive additional funding beyond the s106 funding received to date. This would shorten the impact and length of the programme to 2 years. Longer term, there is a risk that the City of London does not provide funding to support the ongoing nature of the programme beyond the s106 funding.
- Heritage income remains at risk with Eastbury Manor House only open 1 day per week, making it difficult to meet income targets.

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

- The opportunity is to establish ongoing sponsorship from MBS/Hackman for the film studios, as well as using the endowment to leverage additional funding and resources from the sector and visiting productions. There are also opportunities to commercialise/self-fund elements of the programme, to ensure long term sustainability, including by creating a training space that can be leased to different providers to deliver sector-specific training.
- The opportunity for the food sector is to establish ongoing sponsorship from the City of London, and leverage further additional funding from external sponsors.
- The Business Rates bills for Eastbury Manor and Valence House have been appealed and, if successful, may result in a refund of up to £200k.

Law and Governance: Period 5

Forecast Position: -£2.5m (overspend of £0.2m, 8.4% Variance). Overspend is after transfer of c£2m parking surplus to reserves and drawdown c£1.5m PRPL from reserve

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
LAW AND GOVERNANCE	(2,777,915)	(265,175)	(2,512,740)	1,291,728	(2,956,320)	1,946,433	(1,532,324)	235,704	97,522
WORKFORCE CHANGE / HR	569,217	2,331,737	(1,762,520)	1,600,864	1,053,020			483,803	469,495
LEGAL	1,749,180	3,225,440	(1,476,260)	3,220,407	1,904,817			155,637	177,688
ENFORCEMENT	(5,096,733)	(6,081,223)	984,490	(3,657,008)	(5,960,731)	1,946,433	(1,532,324)	(449,889)	(549,661)
LEADERS OFFICE	421	258,871	(258,450)	127,464	46,574			46,153	

Key Drivers of the Position (Summary):

The HRA recharge has been recalculated and this has resulted in an income shortfall across Law and Governance of £615k.

There are significant staff vacancies within the Enforcement Service which has resulted in a forecast underspend of c£450k. A recruitment campaign is currently in process, which may slightly impact the forecast underspend.

Parking income is forecast to be around £2m above the expected level as traffic levels have increased after lockdown and the introduction of new CPZ schemes. This additional income will be taken to the Parking reserve at year end while proposals for its use to improve local transport, highways management, community safety, mobility and environmental concerns are developed. The focus of investment will be to generate future improvements for residents of the Borough. The Private Sector Property Licensing (PRPL) scheme income target will not be met and a drawdown of c£1.5m will be required from reserves.

Law and Governance: Period 5 Risk and Opportunities

Forecast Position: -£2.5m (overspend of £0.2m, 8.4% Variance) Overspend is after transfer of c£2m parking surplus to reserves and drawdown c£1.5m PRPL from reserve

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.

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

- 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 5

Forecast Position: **£1.154m** overspend (£1.700m underlying after adjusting for HRA Fixed Recharges impact)

		This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
		Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
10G	MY PLACE	18,756,779	37,453,434	(18,696,655)	19,774,347	19,910,537			1,153,758	172,558
10GA/B	MY PLACE (HOMES & ASSETS)	8,291,725	23,855,380	(15,563,655)	11,820,206	9,310,935	0	0	1,019,210	685,649
10GC	PUBLIC REALM	10,465,054	13,598,054	(3,133,000)	7,954,142	10,599,602	0	0	134,548	(513,091)

Key Drivers of the Position (Summary):

- **My Place £1.019m:**
 - a. £266,000 reflects the variance in the HRA Fixed Recharges that were reviewed in April 2022 compared to the current budget. These affect Depots, Highways and Compliance. Therefore, the underlying variance is **£753,000** driven by:
 - a. Commercial Assets: £657,000
The income budget was profiled on the expectation of increased rental income due to rent reviews, however, this has not occurred yet due to changes in the team and limited capacity. Furthermore, increased costs from insurance, repairs and maintenance have exacerbated the position
 - b. Property Assets: £338,000
Highways is projecting a £857,000 overspend, much of this relates to energy projections on its street lighting and illuminated signage plus undeliverable savings of £150,000. This is offset in part from underspends in staffing on Asset Management (**£152,000**) and Major Works (**£367,000**). The later of which, will require more review and could be partially reversed in Period 6.
 - c. (**£242,000**) in Business Development and Contract Management.

Key Drivers of the Position (Summary):

- **Public Realm £135,000 Overspend:**
- (**£813,000**) the HRA Fixed Recharges that were reviewed in April 2022 compared to the current budget.
- Offset by:
 - Waste Operations: £325,000, Street Cleansing: £406,000
The environment has played a factor in putting pressure on the 2022/23 staffing budget with Storm Eunice, the pandemic impacting carried forward leave for staff, creating a need for overtime and agency cover whilst staff have taken leave. Compounding this in year, the fire in Beam Parklands and the ongoing heatwave and drought has had its effect.
 - Fleet & Transport Expenditure £623,000
Following Qtr 1 recharges, the forecasts have been revised which have seen increases in Waste and Street Cleansing in particular. Fleet Management & Workshop itself has seen a £385,000 increase. A review is required.
 - (**£406,000**) mainly within Compliance with increased income forecast compared to budget and vacancies.

My Place: Period 5 Risk and Opportunities

Forecast Position: **£1.154m** overspend (£1.700m underlying after adjusting for HRA Fixed Recharges impact)

Risks: **£2.300m** (These are risks that are NOT in the forecast that we are monitoring)

- £2.0m: Total of outstanding invoices with BD Management Services relating to Fleet running costs.
- £150k: Highways is facing inflationary pressures on maintenance contracts.
- £75k: Ward Budget expenditure should only be capital in nature. However, sometimes schemes are progressed that do not meet the definition and this expenditure must be charged to the general fund revenue budget. The value is based on last years impact.
- £75k: Cemetery and Crematoria income is at risk despite prudently reducing the income budget for 2022/23. This risk is based on current fees and charges.
- Unquantifiable Risks:
 1. Energy Budget uncertainty (other than Street Lighting).
 2. Corporate Repairs and Maintenance charges from BDMS for 2022/23 are now due for Quarter 1.
 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. Further HRA Fixed Recharges are expected to be reviewed which could generate further adverse variances until funding is identified from the general fund.

Opportunities: **(£102k)** (These are opportunities that are NOT in the forecast that we are monitoring)

- Commercial: The overspend in Commercial Assets could be reduced if the service is able to initiate some of the budgeted plans around rent reviews and letting voided properties.

People and Resilience: Period 5

Forecast Position: £136m (overspend of £6m, 4.6% variance)

		This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
		Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
10A	PEOPLE & RESILIENCE	129,929,230	107,532,940	22,396,290	43,523,396	135,984,843			6,055,636	6,055,636
10AA	DISABILITIES CARE & SUPPORT	29,550,582	28,757,822	792,760	12,643,815	31,430,833			1,880,251	1,880,251
10AB	ADULT'S CARE & SUPPORT	23,629,160	20,937,980	2,691,180	10,188,628	23,464,512			(164,648)	(164,648)
10AC	COMMISSIONING - CARE & SUPPORT	14,555,353	13,590,033	965,320	(3,654,023)	14,555,353				
10AD	PUBLIC HEALTH	(318,250)	(381,250)	63,000	4,117,709	(318,250)				
10AE	CHILDREN'S CARE & SUPPORT	40,741,709	39,525,409	1,216,300	16,338,839	45,081,741			4,340,032	4,340,032
10AF	EDUCATION, YOUTH & CHILDCARE	20,522,911	3,915,181	16,607,730	4,751,925	20,522,888				
10AG	EARLY HELP SERVICE	1,247,765	1,187,765	60,000	(863,497)	1,247,765				

Key Drivers of the Position (Summary):

- **Disabilities Service:**
 - 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, this should be noted as not being within the control of the Disabilities director, but currently reports under here.
- **Adults Care and Support**
 - Adults Care and Support currently reporting a small underspend.
- **Commissioning Care and Support**
 - Currently reporting breakeven.
- **Public Health**
 - Growth was awarded to the Coroners and mortuary service which means this service currently has no budget pressure, PH is grant funded and is expected to remain within its allocation.
- **Children's Care & Support:**
 - The overall budget pressure for the Services sits mainly within Corporate Parenting, with a pressure of £3.9m, a £900k increase from last year.
 - The increase is currently solely down to Fostering, where the full year effect of the uplift given to carers is now being felt.
 - The remaining pressure is on staffing where there already exists a significant pressure due to increased resources being brought in to manage rising case numbers since the pandemic. This has increased further this year due to special dispensation being awarded to increase spend in order to recruit additional temporary resources to meet Ofsted recommendations specifically around the review of cases.
 - This has been partly offset by the growth award for 22/23.
- **Education, Youth & Childcare:**
 - Currently reporting breakeven.
- **Early Help Service:**
 - Currently reporting breakeven.

People and Resilience: Period 5 Risk and Opportunities

Forecast Position: £136m (overspend of £6m, 4.6% variance)

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

- D2A CCG Funding has now ceased, although there is some short term funding, the lasting impact of the pandemic is expected to increase base costs permanently.
- 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.
- Market stabilisation and Fair Cost of Care impact is currently being worked on, although there is some short term funding to mitigate this, the ongoing impact is currently unfunded and will increase our base care rates.
- Cap on Care Costs legislative change will mean that more costs will fall on the LA rather than the individual within Adults Care and Support.
- 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.
- Hays Social Worker Review may lead to an increase in salary and incentive offers to social workers across the board.

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, service is in now implemented and client reviews starting to take place, we hope to see savings/cost avoidance this year and in the future.
- The HDP reserves are currently not in the forecast, this could potentially improve the forecasted outturn or mitigate some of the fair cost of care risk once it materialises.
- If the interim resources projected in Children's care and support are not brought in immediately this could potentially improve the position with some of the cost falling into the next financial year.

Strategy: Period 5

Forecast Position: Overspend of £359k

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
STRATEGY TOTAL	2,026,429	2,832,599	(806,170)	3,185,339	3,959,603	0	(1,574,046)	359,128	304,248
STRATEGY & TRANSFORMATION	1,147,369	1,459,659	(312,290)	2,268,838	2,663,597	0	(1,574,046)	(57,819)	(88,183)
COMMUNICATIONS	879,060	1,372,940	(493,880)	916,501	1,296,007	0	0	416,947	392,431

Key Drivers of the Position (Summary):

The Strategy directorate is forecast to overspend by £359k. This is in the main attributable to the revised HRA recharge which is causing a budget pressure of £259k.

- **Strategy and Transformation – Forecast 57k underspend**
- There is a budget pressure from the reduced HRA recharge in Strategy and the PMO of £141k. This is offset by vacancies in the PMO and the Strategy team of (£215k) combined. The Insight team are forecast to overspend by 71k. Advertising is forecasting an income surplus of (£95k).
- **Communications (including Events) – Forecast 417k overspend**
- There is a budget pressure of £118k from the reduced HRA recharge. There is also a pressure of £275k in Events due to salaries, increased costs and an increase in the number of events being staged.
- The £1.574m transfer from Reserves represents a drawdown to finance the ERP programme and £497k of Shielding grant expenditure.

Strategy Period 5 Risk and Opportunities

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

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

- Income from Digital Advertising is potentially set to increase. There is potential for new units coming on-stream and will generate additional income.

HRA: Period 5

Forecast Position: £279,000 overspend, this is the first reported month of 2022/23.

2022/23 FORECAST OUTTURN				
REPORT LEVEL	BUDGET	PERIOD 5	VARIANCE	CHANGE
	£'000	£'000	£'000	£'000
SUPERVISION & MANAGEMENT	44,628	44,244	(£383)	
REPAIRS & MAINTENANCE	18,851	23,780	£4,928	
RENTS, RATES ETC	950	1,055	£105	
INTEREST PAYABLE	10,944	10,944	£0	
DEPRECIATION	17,088	17,088	£0	
DISREPAIR PROVISION	0	0	£0	
BAD DEBT PROVISION	3,309	3,309	£0	
CDC RECHARGE	685	1,003	£318	
TOTAL EXPENDITURE	96,454	101,422	£4,968	£0
DWELLING RENTS	(£88,255)	(88,097)	£158	
NON-DWELLING RENTS	(£770)	(772)	(£2)	
CHARGES FOR SERVICES & FACILITIES	(£22,048)	(22,874)	(£826)	
INTEREST & INVESTMENT INCOME	(£299)	(299)	£0	
TOTAL INCOME	(£111,371)	(£112,041)	(£670)	£0
TRANSFER TO HRA RESERVE	1,281	1,700	£419	
TRANSFER TO MRR	13,636	9,198	(£4,438)	
	£0	£279	£279	£0

Key Drivers of the Position (Summary):

- Supervision & Management: **(£383,000)**

£2.3m projected increase in the BDMS contract for Management of the DLO. **£114,000** for additional legal costs related to Disrepair Claims management. Offset by **(£2.8m)** reduction in planned and estimated recharges from the General Fund for HRA Fixed Recharges and the My Place Recharge. These are predominantly addressed in the HRA Budget Restatement above.

- Repairs and Maintenance: **£4.928m**

£3.760m projected in the BDMS contract for Repairs and Maintenance Services in 2022/23 plus **£1.0m** projection of BDMS Agency for additional capacity within the DLO to manage disrepair and void property delays. In addition, £224,000 in relation to former DLO Apprentice posts commitment as qualified. These variances are addressed in the HRA Budget Restatement above

- Dwelling Rents/Service Charges: **(£670,000)**

Rents represent a £156,000 overspend on a budget of **(£89m)** representing less than 0.02% variance. Whilst Service Charges is expected to be **(£826,000)** higher than budget, approximately half of this is related to Leaseholder Major Repairs and is therefore ringfenced to be transferred to reserves or drawn down to fund the Capital Programme block works.

- Transfer to Major Repairs Reserve: **(£4.438m)**

As set out in the Budget Restatement, the Capital Programme for 2022/23 requires reprofiling and therefore there is less funding required.

HRA: Period 5 Risk and Opportunities

Forecast Position: £279,000 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).
- There is uncertainty over energy budgets due to the world market but also the timing delays in receiving charges. Price uplift is further expected in October 2022. Additional resources are required in the Energy team to analyse impact.
- Following the Compliance Review, there is an expectation that increased costs will follow in this area. Awaiting the Head of Compliance to provide an update.
- Uncertainty over what repairs and maintenance activities are in scope of the existing contract and what are not means a lack of assurance. This could be creating additional costs to the HRA.
- Insufficient backing information from BDMS leaves Leasehold Services unable to apply the true cost of R&M to Leaseholders, reducing cost recovery to the HRA.
- Contracts between the water companies and Council's predating 2016 have been challenged through various legal routes (e.g. Southwark). There is a risk that partial compensation maybe required.

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

- **£1.8m:** 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.

Capital Programme for 2022-23

1. 2022/23 Capital Programme

- 1.1 A provisional capital programme for 2022/23 was submitted to Cabinet in June 2022 which, including slippage, was estimated at £667.31m, split into £533.6m for the Investment Strategy (IAS), £70.5m for General Fund (GF) and £60m for HRA.
- 1.2 Outturn has been finalised resulting in revisions to slippage and budgets being profiled for Quarter 1 with a capital programme of £417.05m, split into £315.5m for the Investment Strategy (IAS), £70.5m for General Fund (GF) and £31.1m for HRA.

Table 1: Three-Year Capital Investment programme

	22/23		Q1	Q1	23/24	24/25
Strategic Function	Budget	Adjust-ment	Budget	Spend	Budget	Budget
Adults Care & Support	1,456	-	1,456	74	-	-
Community Solutions	5	-	5	-	-	-
Core	1,408	-	1,408	6	-	-
CIL	576	-	576	18	-	-
Culture, Heritage & Recreation	8,668	-	8,668	543	250	-
Enforcement	2,254	-	2,254	47	-	-
Inclusive Growth	7,040	-	7,040	-	-	-
Transport for London schemes	333	-	333	43	-	-
My Place	7,395	-	7,395	273	5,160	-
Public Realm	1,461	-	1,461	659	30	-
Education, Youth and Childcare	38,392	-	38,392	1,463	24,263	-
Other	1,489	-	1,489	210	-	-
General Fund	70,477	-	70,477	3,156	29,703	
Stock Investment (My Place)	47,489	- 28,798	18,691	2,639	23,000	23,000
Estate Renewal (Be First)	10,247	-	10,247	339	-	-
New Build Schemes (Be First)	2,264	- 142	2,122	367	-	-
HRA Total	60,000	-28,940	31,060	3,345	23,000	23,000
Residential Developments	497,539	- 214,543	282,996	30,488	146,255	15,495
Temporary Accommodation	4,247	- 4,211	36	195	-	-
Commercial Investments	31,786	698	32,484	4,008	-	-
Investments Total	533,572	-218,056	315,516	34,301	146,255	15,495
Total	664,049	-246,996	417,053	40,802	198,958	38,495

2. Capital Programme 2022/23 – P1 to P3 spend update for Q1

2.1 The Q1 spend totalled £41.27m, including £463k of DSG, with the spend split into IAS - £34.30m, EYC - £1.46m and the HRA - £3.24m, including estate renewal and New Build costs. This is net of £19.3m accrual reversals.

3. General Fund

3.1 **Adults Care & Support** - Forecasting to spend total grant in year. The DFG funding will also be allocated to Assistive technology enhancing quality of life and to increase double handed care equipment and capitalize agency staff costs.

3.2 **Community Solutions** - Projects completed, with view to re-coup £5k remaining budget for other schemes.

3.3 **CIL Schemes** - Contains projects utilising Community Infrastructure Levy Income for purposes including Box Up Crime and East End Woman's' Museum enhancements.

3.4 **Core** - Contains projects relating to "Keeping the Lights on" IT enhancements and purchases, expecting future Cabinet Paper update for utilisation of current budgets and proposals for the next 3 financial years.

3.5 **Culture, Heritage & Recreation** - Contains Projects relating to the enhancement of Open Spaces, with developments in play infrastructure and various sports pitches, alongside projects on Community and Heritage assets.

3.6 **Enforcement** - Contains purchases of enforcement equipment and Controlled Parking Zone developments.

3.7 **Inclusive Growth** - Programme centred on Retrofitting Houses to efficiency standards.

3.8 **TfL** - Contains Transport for London funded projects relating to reducing traffic emissions in neighbourhoods, creating cycle routes and Bus priorities.

3.9 **My Place** - Contains projects centred on highways enhancements, bridges structures, flood risks and stock conditions.

3.10 **Public Realm** - Fleet Purchases and advancement on technology with existing Waste Vehicles.

3.11 **Education, Youth and Childcare** - Schools Capital and Investment Update submitted to Cabinet in February 2022.

3.12 **Other** - Capital projects relating to Abbey Green conservation works and East Street Parade alongside proposal updates for 82a and 82b Oval St.

4. Housing Revenue Account

4.1 The revised Capital Programme reflects a £28.9m adjustment due to re-profiling commitments within the Stock Improvement Programme across future years.

5. Investment and Acquisitions Strategy

- 5.1 Report on IAS taken to April Cabinet, where viability issues were raised on pipeline schemes. A report, due to go to Investment Panel and Cabinet, will provide an update on viability, including ways to improve the viability of agreed schemes.
- 5.2 Work is being carried out with Be First to reprofile spend for 2023/24 onwards on current schemes.

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		22/23		Q1	Q1	23/24	24/25
Project		Budget	Adjust- ment	Budget	Expend- iture	Budget	Budget
General Fund							
Adults Care & Support							
C00106	Disabled Facilities Grant	1,456		1,456	74		
Total for Adults Care & Support		1,456		1,456	74		
Core							
C03059	Customer Services Channel Shift	- 64		- 64	48		
C02877	Joint Services						
C03052	KTLO	1,209		1,209	6		
C03068	ICT End User Computing	263		263	48		
Total for Core		1,408		1,408	6		
CIL (EXT)							
C05031	Becontree Centenary - Create London	61		61			
C05028	Box Up Crime	214		214	18		
C05029	East End Women's Museum	175		175			
C05030	Green Community	1		1			
C05027	Kingsley Hall	30		30			
C05062	Litter in Parks	96		96			
Total for CIL		576		576	18		
Culture, Heritage & Recreation							
C05061	B&D Local Football Facility (CIL)	157		157			
C04084	Central Park Masterplan Implementation	982		982			
C04080	Children's Play Spcs & Fac (CIL)	214		214	99		
C04042	Community Halls	15		15			
C05089	De-contamination adjacent to ECB	2,094		2,094	38		
C04017	Fixed play facilities	83		83			
C03090	Lakes	293		293	3	150	
C04018	Park Buildings	92		92			
C04013	Park Infrastructure Enhancements	30		30	30		
C04081	Parks & Open Spaces	97		97	6	100	
C03032	Parsloes Park Activation	3,880		3,880	332		
C04085	Play Facility at Valence Park'	5		5			
C04031	Reimagining Eastbury	4		4			
C04033	Redressing Valence	250		250			
C05060	Safer Parks (CIL)	84		84	17		
C04043	The Abbey: Unlocking Barking's past, securing its future	389		389	18		
Total for Culture, Heritage & Recreation		8,668		8,668	543	250	
Enforcement							
C02982	Consolidation & Expansion of CPZ	2,154		2,154	20		
C04015	Enforcement Equipment	100		100	67		
Total for Enforcement		2,254		2,254	47		
Inclusive Growth							
C05084	Green Homes	7,040		7,040			
Total for Inclusive Growth		7,040		7,040			
Transport for London schemes							
C04094	Becontree Heath Low Emission	- 88		- 88	96		
C05083	Bus Priority	33		33	16		
C05079	Cycle Future Route 10	45		45			
C05052	Dagenham Heathway 'Healthy Streets'						
C05057	Eastbury Manor House Access	- 20		- 20			
C02898	Local Transport Plans	46		46	28		
C05080	Low Traffic Neighbourhood	327		327	9		
C05058	Minor Works (Various Locations)						
C02964	Road Safety Improvement						
C04095	Station Access Improvement						
C05056	Valence Avenue 'Healthy Streets' Corridor Improvements	- 11		- 11			
Total for TfL		333		333	43		

		22/23		Q1	Q1	23/24	24/25
	Project	Budget	Adjust-ment	Budget	Expend-iture	Budget	Budget
	My Place						
C04064	Bridges and Structures	1,124		1,124			
C05077	Community Hubs and Dispersed Working	808		808	50		
C04063	Flood Risk and Drainage	84		84			
C03065	HIP Footways & Carriageways	3,117		3,117		3,820	
C05075	Reside Capital - Abbey Road						
C04029	Road Safety Engineering	- 55	-	- 55			
C05055	Road Safety Improvement	160		160	49		
C03064	Street Lighting	- 137	-	- 137			
C03011	Struct Rep's & Maintce-Bridges	33		33	6		
C05018	Stock Condition	1,596		1,596	147	1,000	
C04032	Habitat for Humanity					1,000	
C02811	Ward Capital Spend	666		666	23	340	
C04019	Winter Equipment / Gully Motors	- 3	-	- 3			
	Total for My Place	7,395		7,395	273	6,160	
	Public Realm						
C04012	Bins Rationalisation	34		34			
C03083	Chadwell Heath Cemetery Extension	149		149			
C04028	Hand Arm Vibration	5		5			
C05048	Procuring Tech for Waste Vehicles	205		205		30	
C05039	Tree Planting						
C04016	Vehicle Bin Weighing	16		16			
C04070	Vehicle Fleet Replacement	1,052		1,052	659		
	Total for Public Realm	1,461		1,461	659	30	
	Education Youth & Childcare						
C03042	Additional SEN Provision	4		4			
C04052	SEND 18-21	349		349	19		
C04053	SCA 18-20	38		38			
C04072	SCA 18-19	513		513			
C04087	SCA 19-20	37		37	3		
C05033	SCA 20-22	303		303	14		
C05069	SCA 20-21	- 859	-	- 859	121		
C05098	SCA 21-22	3,727		3,727	471		
C05107	SCA 22-23						
C05099	SEND 21-22	1,836		1,836	42		
C05105	Basic Needs 21/22	- 36	-	- 36	89		
C05034	Expansion 22	1,007		1,007	126		
C05040	Healthy School	146		146			
	Primary						
C03053	Gascoigne Primary 5forms to 4 forms	60		60			
C04058	Marks Gate Infants & Juniors	836		836	392		
C04071	Roding Classroom Reinstatement						
C04098	Ripple Suffolk Primary	6		6			
C05078	Greatfields Primary	10,459		10,459	8		
C04097	Trinity Special School Expansion	- 39	-	- 39			
	Secondary						
C03018	Eastbury Secondary	156		156			
C03020	Dagenham Park	77		77			
C03022	New Gascoigne (Greatfields) Secondary School	7,692		7,692	175	16,363	
C02959	Rober Clack Expansion						
C03054	Lymington Fields New School	- 137	-	- 137	2		
C04059	Chadwell Heath	100		100		6,900	
	Funds to be allocated	12,118		12,118			
	Total for Education Youth & Childcare	38,392		38,392	1,463	23,263	
	Other						
C05038	82a 82 Oval St	325		325			
C03099	Abbey Green & BTC Conservation Townscape HLF	1,007		1,007	210		
C04056	Abbey Road Infrastructure	11		11			
C03056	Burford Close Garage Site	1		1			
C02969	Creative Industry (formerly Barking Bathouse)						
C04051	Street Property Acquisition 17-19	50		50			
	TBD	95		95			
	Total for Other	1,489		1,489	210		
	General Fund Total	70,476		70,476	3,157	29,703	
	Completed Projects						
C03060	Barking Learning Centre Works	5		5			
C04036	Enhancement of Security at BLC						
C05063	BRL Thames Clipper						
		5		5			

		22/23		Q1	Q1	23/24	24/25
	Project	Budget	Adjust- ment	Budget	Expend- iture	Budget	Budget
	HRA						
	Stock Investment (My Place)						
C00100	Aids and Adaptations	1,610	- 610	1,000	87	1,000	1,000
C05068	Adaptations and Extensions	400	- 175	225			
C02933	Voids	1,242		1,242	289	1,500	1,500
C04004	Box-Bathroom Refurbs	160	- 125	35	35		
C02950	Central Heating	- 18	18				
C05011	Communal Boilers	212	33	245			
C05005	Compliance	1,445	- 1,122	324		500	500
C04003	Domestic Heating	969	25	993	280	500	500
C05008	De-Gassing of Blocks	20	7	27	27		
C05000	DH Internal	4,669	- 2,189	2,481	218	1,500	1,500
C05004	Door Entry Systems	1,645	- 1,347	298		250	250
C05014	Energy Efficiency inc Green Street	8,422	- 6,422	2,000	14	5,000	5,000
C03039	Estate Roads & Environ	3	- 3				
C05013	Estate Roads Resurfacing	930	2,070	3,000		1,000	1,000
C03045	External Fabric – Blocks	39	- 39				
C05002	Externals 1 - Houses & Blocks	10,422	- 8,105	2,317	1,245	5,000	5,000
C05003	Externals 2 - Houses & Blocks	4,748	- 1,737	3,011	446	1,000	1,000
C05007	Fire Doors	2,463	- 2,263	200	103	500	500
C03048	Fire Safety						
C05006	Fire Safety Improvement Works	1,850	- 1,796	54		500	500
C05009	Lateral Mains	2,350	- 2,350			2,000	2,000
C04002	Lift Replacement	2,504	- 2,051	453	84	1,000	1,000
C05010	Lift Replacement Prog 19/20	5	- 5				
C04006	Minor Works & Replacements	1,450	- 1,306	144		750	750
C05015	Other Works	- 51	692	641	16	1,000	1,000
	Total for Stock Investment (My Place)	47,489	- 28,798	18,691	2,639	23,000	23,000
C02820	Estate Renewal	10,247		10,247	339		
	Total for Estate Renewal	10,247		10,247	339		
	New Build Schemes						
C02988	Bungalows (Stansgate, Mrgt Bon)	11		11			
C03046	Decent Homes (North)						
C02931	Leys	43		43			
C03009	Leys Estate Ph 2	18		18			
C05102	Mellish Close - Austin House	625	1,121	1,746	367		
C03071	Mellish Close	1,562	- 1,263	299			
C02970	Marks Gate	5		5			
	Total for HRA New Builds	2,264	- 142	2,122	367		
	Total for HRA	59,999	- 28,940	31,059	3,344	23,000	23,000

		22/23		Q1	Q1	23/24	24/25
	Project	Budget	Adjust- ment	Budget	Expend- iture	Budget	Budget
	Investment & Acquisitions						
	Residential Developments						
C04067	12 Thames Road	28,332	4,687	33,019	2,221	20,300	1,929
C04065	200 Becontree	133	21	154	150	-	-
C03086	A House for Artists	112	8	104	33	-	-
C05100	Barking Riverside Health	3,678	2,872	806	8	-	-
C05066	Beam Park	39,084	39,084	-	55	-	-
	Beam Park Phase 4 / 7 - Scheme	17,865	17,865	-	-	Budget	Budget
C03089	Becontree Heath New Build	46	278	233	328	-	-
C05071	Brocklebank Lodge	3,582	2,453	1,129	31	-	-
	Capitalised Interest	-	-	-	-	Budget	Budget
C05065	Chequers Lane	169	169	-	92	-	-
C04069	Crown House	3,251	754	4,005	304	80	-
C04062	Gascoigne East 2 C1	46,291	45,030	1,261	1,515	2,313	-
04062.	Gascoigne East 2 E	67,395	67,395	-	-	-	-
C05076	Gascoigne East Phase 2 E1	22,147	22,121	26	191	-	-
C05091	Gascoigne East Phase 2 F	51,771	12,226	39,545	5,218	12,445	3,141
C05092	Gascoigne East Phase 2 E2	41,590	65,793	24,203	4,453	3,807	-
C05090	Gascoigne East 3A - Block I	39,658	32,115	7,543	17	28,612	6,708
C05073	Gascoigne East 3B	20,501	6,809	13,691	198	-	-
C05026	Gascoigne East Phase 3	13,781	14,753	28,534	3,216	7,885	3,052
C02985	Gascoigne West (Housing Zone)	62	62	-	-	-	-
C04099	Gascoigne West P1	6,121	5,151	970	1,508	-	-
C05025	Gascoigne West Phase 2	75,692	2,849	72,843	18,066	42,657	3,819
	Jervis Court - Scheme	15,820	15,820	-	-	Budget	Budget
C03058	Kingsbridge Shared Ownership	-	-	-	-	-	-
C04068	Oxlow Road	9,200	3,137	6,063	842	9,813	1,563
C05035	Padnall Lake	6,700	2,510	9,210	465	1,115	1,472
C05093	Padnall Lake Phase 2	10,864	8,499	19,363	110	4,891	1,911
C05094	Padnall Lake Phase 3	30	3,439	3,469	181	-	-
C04066	Roxwell Road	11,922	6,871	5,052	13	15,190	8,194
C03080	RBL Jervis Court	827	1,899	1,073	48	-	-
C03072	Sacred Heart	25	198	173	104	-	-
C03084	Sebastian Court - Redevelop	40	1,167	1,128	450	-	-
C04090	Site London Rd/North Street	165	165	-	53	-	-
C05103	Town Quay Wharf	9,646	9,646	-	15	-	-
C05041	Transport House	24,667	24,667	-	19	-	-
C05082	Trocoll House	1,397	1,397	-	30	-	-
C05020	Woodward Road	10,604	738	9,866	798	1,933	392
	Total for Residential	497,539	214,543	282,996	30,488	146,255	15,495
	Temporary Accommodation						
C05021	Grays Court	16	21	36	1	-	-
C04101	Margaret Bondfield	4,437	4,437	-	-	-	-
C04077	Weighbridge	143	143	-	143	-	-
C04078	Wivenhoe Containers	61	61	-	52	-	-
	Total for Temporary Accommodation	4,247	4,211	36	195		
	Commercial Investments						
C05023	3 Gallions Close	-	-	-	-	-	-
C05044	9 Thames Road	62	-	62	-	-	-
C05070	23 Thames Road	-	-	-	-	-	-
C05042	26 Thames Rd	1,373	-	1,373	138	-	-
C05074	Barking Business Centre	5	-	5	-	-	-
C04103	Barking Restore PLC	1	-	1	-	-	-
C04102	CR27	3	-	3	-	-	-
C05067	Dagenham Heathway	23	-	23	1	-	-
C05037	Dagenham Road Street Purchases	-	-	-	-	-	-
C04091	Welbeck Wharf	1,018	-	1,018	-	-	-
C05024	Film Studios	12	-	12	-	-	-
C05072	Industria	29,480	698	30,178	3,855	-	-
C05049	Innovative Sites Programme	-	-	-	-	-	-
C04057	Travelodge Dagenham	15	-	15	-	-	-
C04086	Travelodge Isle of Dogs	12	-	12	14	-	-
	Total for Commercial	31,786	698	32,484	4,008		
	Total for Investment Strategy	533,572	218,056	315,516	34,302	146,255	15,495
	Transformation Core Implementation	1,844					
	ERP Transformation	1,421					
	Transformation Total	3,264	3,264				
	Programme Total	667,312	250,260	417,051	40,803	198,958	38,495

		21/22	21-22	21/22	22/23	22/23		Q1
Project	Budget	Cost	Carry-Forward	Budget	Budget Total	Adjust-ment	Budget	
General Fund								
Adults Care & Support								
C00106	Disabled Facilities Grant	1,582	1,148	434	1,022	1,456		1,456
	Total for Adults Care & Support	1,582	1,148	434	1,022	1,456		1,456
Core								
C03059	Customer Services Channel Shift	297	361	- 64		- 64		- 64
C02877	Joint Services	35	35					
C03052	KTLO	1,687	478	1,209		1,209		1,209
C03068	ICT End User Computing	100	95	5	258	263		263
	Total for Core	2,118	968	1,150	258	1,408		1,408
CIL (EXT)								
C05031	Becontree Centenary - Create London	542	481	61		61		61
C05028	Box Up Crime	265	52	214		214		214
C05029	East End Women's Museum	225	50	175		175		175
C05030	Green Community	13	12	1		1		1
C05027	Kingsley Hall	60	30	30		30		30
C05062	Litter in Parks	96		96		96		96
	Total for CIL	1,201	625	576		576		576
Culture, Heritage & Recreation								
C05061	B&D Local Football Facility (CIL)				157	157		157
C04084	Central Park Masterplan Implementation	1,006	23	982		982		982
C04080	Children's Play Spcs & Fac (CIL)	204	45	159	55	214		214
C04042	Community Halls	15		15		15		15
C05089	De-contamination adjacent to ECB	1,500	406	1,094	1,000	2,094		2,094
C04017	Fixed play facilities	102	19	83		83		83
C03090	Lakes	254	111	143	150	293		293
C04018	Park Buildings	100	42	58	35	92		92
C04013	Park Infrastructure Enhancements	54	24	30		30		30
C04081	Parks & Open Spaces	150	148	2	95	97		97
C03032	Parsloes Park Activation	4,797	2,070	2,727	1,153	3,880		3,880
C04085	Play Facility at Valence Park'	5		5		5		5
C04031	Reimagining Eastbury	17	13	4		4		4
C04033	Redressing Valence	391	141	250		250		250
C05060	Safer Parks (CIL)	42		42	42	84		84
C04043	The Abbey: Unlocking Barking's past, securing its future	257	29	228	161	389		389
	Total for Culture, Heritage & Recreation	8,893	3,071	5,821	2,847	8,668		8,668
Enforcement								
C02982	Consolidation & Expansion of CPZ	546	627	- 81	2,235	2,154		2,154
C04015	Enforcement Equipment	178	78	100		100		100
	Total for Enforcement	724	705	19	2,235	2,254		2,254
Inclusive Growth								
C05084	Green Homes	10,236	3,196	7,040		7,040		7,040
	Total for Inclusive Growth	10,236	3,196	7,040		7,040		7,040
Transport for London schemes								
C04094	Becontree Heath Low Emission	459	547	- 88		- 88		- 88
C05083	Bus Priority	280	247	33		33		33
C05079	Cycle Future Route 10	67	22	45		45		45
C05052	Dagenham Heathway 'Healthy Streets'							
C05057	Eastbury Manor House Access		20	- 20		- 20		- 20
C02898	Local Transport Plans	62	16	46		46		46
C05080	Low Traffic Neighbourhood	574	247	327		327		327
C05058	Minor Works (Various Locations)							
C02964	Road Safety Improvement							
C04095	Station Access Improvement							
C05056	Valence Avenue 'Healthy Streets' Corridor Improvements	4	14	- 11		- 11		- 11
	Total for TfL	1,447	1,114	333		333		333

		21/22	21-22	21/22	22/23	22/23		Q1
	Project	Budget	Cost	Carry-Forward	Budget	Budget Total	Adjust-ment	Budget
	My Place							
C04064	Bridges and Structures	933	108	824	300	1,124		1,124
C05077	Community Hubs and Dispersed Working	1,213	405	808		808		808
C04063	Flood Risk and Drainage	143	59	84		84		84
C03065	HIP Footways & Carriageways	3,726	4,093	368	3,485	3,117		3,117
C05075	Reside Capital - Abbey Road							
C04029	Road Safety Engineering	74	129	55		55		55
C05055	Road Safety Improvement	395	235	160		160		160
C03064	Street Lighting	62	199	137		137		137
C03011	Struct Rep's & Maintce-Bridges	33		33		33		33
C05018	Stock Condition	1,054	458	596	1,000	1,596		1,596
C04032	Habitat for Humanity							
C02811	Ward Capital Spend	578	252	326	340	666		666
C04019	Winter Equipment / Gully Motors	5	7	3		3		3
	Total for My Place	8,216	5,947	2,270	5,125	7,395		7,395
	Public Realm							
C04012	Bins Rationalisation	100	66	34		34		34
C03083	Chadwell Heath Cemetery Extension	149		149		149		149
C04028	Hand Arm Vibration	42	38	5		5		5
C05048	Procuring Tech for Waste Vehicles	140		140	65	205		205
C05039	Tree Planting	127	127					
C04016	Vehicle Bin Weighing	16		16		16		16
C04070	Vehicle Fleet Replacement	1,350	1,156	194	858	1,052		1,052
	Total for Public Realm	1,924	1,386	538	923	1,461		1,461
	Education Youth & Childcare							
C03042	Additional SEN Provision	4		4		4		4
C04052	SEND 18-21	870	521	349		349		349
C04053	SCA 18-20	157	120	38		38		38
C04072	SCA 18-19	586	73	513		513		513
C04087	SCA 19-20	92	55	37		37		37
C05033	SCA 20-22	1,136	833	303		303		303
C05069	SCA 20-21	2,100	3,886	1,786	928	859		859
C05098	SCA 21-22	5,225	1,499	3,727		3,727		3,727
C05107	SCA 22-23							
C05099	SEND 21-22	1,000	323	677	1,160	1,836		1,836
C05105	Basic Needs 21/22		36	36		36		36
C05034	Expansion 22	600	39	561	446	1,007		1,007
C05040	Healthy School	311	165	146		146		146
	Primary							
C03053	Gascoigne Primary 5forms to 4 forms	135	76	60		60		60
C04058	Marks Gate Infants & Juniors	1,000	1,209	209	1,046	836		836
C04071	Roding Classroom Reinstatement							
C04098	Ripple Suffolk Primary	241	235	6		6		6
C05078	Greatfields Primary	500	130	370	10,089	10,459		10,459
C04097	Trinity Special School Expansion	10	49	39		39		39
	Secondary							
C03018	Eastbury Secondary	172	16	156		156		156
C03020	Dagenham Park	77		77		77		77
C03022	New Gascoigne (Greatfields) Secondary School	17,126	16,555	572	7,120	7,692		7,692
C05106	Gascoigne Road							
C02959	Rober Clack Expansion							
C03054	Lymington Fields New School	633	770	137		137		137
C04059	Chadwell Heath				100	100		100
	Funds to be allocated	12,118		12,118		12,118		12,118
	Total for Education Youth & Childcare	44,095	26,592	17,504	20,888	38,392		38,392
	Other							
C05038	82a 82 Oval St	325		325		325		325
C03099	Abbey Green & BTC Conservation Townscape HLF	1,167	361	807	200	1,007		1,007
C04056	Abbey Road Infrastructure	11		11		11		11
C03056	Burford Close Garage Site		1	1		1		1
C02969	Creative Industry (formerly Barking Bathouse)							
C04051	Street Property Acquisition 17-19	50		50		50		50
	TBD	95		95		95		95
	Total for Other	1,648	360	1,289	200	1,489		1,489
	General Fund Total	82,460	45,482	36,978	33,498	70,476		70,476
	Completed Projects							
C03060	Barking Learning Centre Works	74	69	5		5		5
C04036	Enhancement of Security at BLC							
C05063	BRL Thames Clipper	300	300					
	Total for Completed Projects	374	369	5		5		5

		21/22	21-22	21/22	22/23	22/23		Q1
	Project	Budget	Cost	Carry-Forward	Budget	Budget Total	Adjust-ment	Budget
	HRA							
	Stock Investment (My Place)							
C00100	Aids and Adaptations	1,800	1,190	610	1,000	1,610	- 610	1,000
C05068	Adaptations and Extensions	400		400		400	- 175	225
C02933	Voids	1,000	1,258	- 258	1,500	1,242		1,242
C04004	Box-Bathroom Refurbs	162	2	160		160	- 125	35
C02950	Central Heating		18	- 18		18		18
C05011	Communal Boilers	300	88	212		212		245
C05005	Compliance	1,073	128	945	500	1,445	- 1,122	324
C04003	Domestic Heating	200	231	- 31	1,000	969		993
C05008	De-Gassing of Blocks	20		20		20		27
C05000	DH Internal	3,500	331	3,169	1,500	4,669	- 2,189	2,481
C05004	Door Entry Systems	1,403	8	1,395	250	1,645	- 1,347	298
C05014	Energy Efficiency inc Green Street	3,500	78	3,422	5,000	8,422	- 6,422	2,000
C03039	Estate Roads & Environ	3		3		3		3
C05013	Estate Roads Resurfacing	1,000	1,070	- 70	1,000	930		2,070
C03045	External Fabric – Blocks	39		39		39		39
C05002	Externals 1 - Houses & Blocks	10,500	7,078	3,422	7,000	10,422	- 8,105	2,317
C05003	Externals 2 - Houses & Blocks	3,504	1,756	1,748	3,000	4,748	- 1,737	3,011
C05007	Fire Doors	3,150	1,188	1,963	500	2,463	- 2,263	200
C03048	Fire Safety							
C05006	Fire Safety Improvement Works	1,350		1,350	500	1,850	- 1,796	54
C05009	Lateral Mains	350		350	2,000	2,350	- 2,350	
C04002	Lift Replacement	1,012	508	504	2,000	2,504	- 2,051	453
C05010	Lift Replacement Prog 19/20		5	5		5		5
C04006	Minor Works & Replacements	700		700	750	1,450	- 1,306	144
C05015	Other Works	163	1,214	- 1,051	1,000	51		641
	Total for Stock Investment (My Place)	35,130	16,141	18,989	28,500	47,489	- 28,798	18,691
C02820	Estate Renewal	5,155	6,953	- 1,798	12,045	10,247		10,247
	Total for Estate Renewal	5,155	6,953	- 1,798	12,045	10,247		10,247
	New Build Schemes							
C02988	Bungalows (Stansgate,Mrgt Bon)		11	11		11		11
C03046	Decent Homes (North)							
C02931	Leys	43		43		43		43
C03009	Leys Estate Ph 2		18	18		18		18
C05102	Mellish Close - Austin House	2,875	2,249	625		625	1,121	1,746
C03071	Mellish Close		1,562	1,562		1,562	- 1,263	299
C02970	Marks Gate	12	7	5		5		5
	Total for HRA New Builds	2,931	666	2,264		2,264	- 142	2,122
	Total for HRA	43,215	23,761	19,454	40,545	59,999	- 28,940	31,059

		21/22	21-22	21/22	22/23	22/23		Q1
Project	Budget	Cost	Carry-Forward	Budget	Budget Total	Adjust-ment	Budget	
Investment & Acquisitions								
Residential Developments								
C04067	12 Thames Road	9,390	15,825	- 6,435	34,767	28,332	4,687	33,019
C04065	200 Becontree	2,867	3,112	- 246	379	133	21	154
C03086	A House for Artists	2,682	2,950	- 268	379	112	8	104
C05100	Barking Riverside Health		194	- 194	3,872	3,678	- 2,872	806
C05066	Beam Park		26,071	- 26,071	65,155	39,084	- 39,084	
	Beam Park Phase 4 / 7 - Scheme				17,865	17,865	- 17,865	
C03089	Becontree Heath New Build		741	- 741	787	46	- 278	233
C05071	Brocklebank Lodge	2,836	455	2,381	1,201	3,582	- 2,453	1,129
	Capitalised Interest							
C05065	Chequers Lane	12,291	13,769	- 1,478	1,309	- 169	169	
C04069	Crown House	24,065	25,204	- 1,138	4,389	3,251	754	4,005
C04062	Gascoigne East 2 C1	13,647	15,140	- 28,787	17,504	46,291	- 45,030	1,261
04062.	Gascoigne East 2 E	35,027		35,027	32,368	67,395	- 67,395	
C05076	Gascoigne East Phase 2 E1		4,359	- 4,359	26,506	22,147	- 22,121	26
C05091	Gascoigne East Phase 2 F	36,919	40,544	- 3,625	55,396	51,771	- 12,226	39,545
C05092	Gascoigne East Phase 2 E2		41,590	- 41,590		41,590	65,793	24,203
C05090	Gascoigne East 3A - Block I		2,959	- 2,959	42,617	39,658	- 32,115	7,543
C05073	Gascoigne East 3B	1,334	1,327	7	20,494	20,501	- 6,809	13,691
C05026	Gascoigne East Phase 3	8,499	7,729	770	13,011	13,781	14,753	28,534
C02985	Gascoigne West (Housing Zone)		62	- 62		62	- 62	
C04099	Gascoigne West P1	28,987	32,823	- 3,836	9,958	6,121	- 5,151	970
C05025	Gascoigne West Phase 2	39,213	37,229	1,983	73,709	75,692	- 2,849	72,843
	Jervis Court - Scheme				15,820	15,820	- 15,820	
C03058	Kingsbridge Shared Ownership							
C04068	Oxlow Road	2,947	3,894	- 946	10,147	9,200	- 3,137	6,063
C05035	Padnall Lake	18,423	1,922	16,502	- 9,802	6,700	2,510	9,210
C05093	Padnall Lake Phase 2		4,369	- 4,369	15,233	10,864	8,499	19,363
C05094	Padnall Lake Phase 3		1,011	- 1,011	1,041	30	3,439	3,469
C04066	Roxwell Road	8,419	764	7,655	4,267	11,922	- 6,871	5,052
C03080	RBL Jervis Court	3,405	827	2,578	- 3,405	- 827	1,899	1,073
C03072	Sacred Heart	3,389	3,508	- 119	94	- 25	198	173
C03084	Sebastian Court - Redevelop	6,848	5,583	1,266	- 1,305	40	1,167	1,128
C04090	Site London Rd/North Street	117	282	- 165		165	165	
C05103	Town Quay Wharf		83	- 83	9,729	9,646	- 9,646	
C05041	Transport House		258	- 258	24,925	24,667	- 24,667	
C05082	Trocoll House	1,007	259	748	649	1,397	- 1,397	
C05020	Woodward Road	9,482	6,611	2,872	7,733	10,604	- 738	9,866
	Total for Residential	271,796	271,049	747	496,792	497,539	- 214,543	282,996
Temporary Accommodation								
C05021	Grays Court		171	- 171	187	16	21	36
C04101	Margaret Bondfield	4,455	18	4,437		4,437	- 4,437	
C04077	Weighbridge	984	616	368	512	143	143	
C04078	Wivenhoe Containers		139	- 139	78	61	61	
	Total for Temporary Accommodation	5,439	945	4,494	- 246	4,247	- 4,211	36
Commercial Investments								
C05023	3 Gallions Close							
C05044	9 Thames Road		62	- 62		62	-	62
C05070	23 Thames Road		128	- 128	128			
C05042	26 Thames Rd		35	- 35	1,407	1,373		1,373
C05074	Barking Business Centre		54	- 54	49	5	-	5
C04103	Barking Restore PLC				1	1		1
C04102	CR27		3	- 3		3	-	3
C05067	Dagenham Heathway		8	- 8	31	23		23
C05037	Dagenham Road Street Purchases							
C04091	Welbeck Wharf	884	231	653	365	1,018		1,018
C05024	Film Studios		3,750	- 3,750	3,739	12	-	12
C05072	Industria	27,986	6,629	21,357	8,123	29,480	698	30,178
C05049	Innovative Sites Programme	129		129				
C04057	Travelodge Dagenham		15	- 15		15	-	15
C04086	Travelodge Isle of Dogs	253	12	241	- 253	12	-	12
	Total for Commercial	29,252	10,928	18,325	13,461	31,786	698	32,484
	Total for Investment Strategy	306,487	282,921	23,566	510,006	533,572	- 218,056	315,516
	Transformation Core Implementation	1,806	815	992	852	1,844		
	ERP Transformation	4,287	4,005	283	1,138	1,421		
	Transformation Total	6,094	4,819	1,274	1,990	3,264	- 3,264	
	Programme Total	438,256	356,983	81,273	586,040	667,312	- 250,260	417,051

CABINET

18 October 2022

Title: Procurement of Contract for Removal and Storage Services	
Report of the Cabinet Member of Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
Report Author: Olatunde Olayiwola Senior Contracts & Procurement Manager, My Place	Contact Details: E-mail: olatunde.olayiwola@lbbd.gov.uk
Accountable Strategic Leadership Director: Leona Menville, Interim Strategic Director, My Place	
<p>Summary:</p> <p>This report presents proposals for a new contract for the provision of removal and storage services for both corporate and residential properties. The primary users of these services are Landlord Services, Community Solutions and Be First.</p> <p>The current contract is due to expire in June 2023 with no option to extend. The intention is to let a new contract(s) via the open procedure commencing 1 June 2023 for an initial three-year term with the option to extend for a further two years (3+1+1).</p> <p>It is proposed that the contract will be tendered as two lots – Lot 1 would relate to estate decant services and residential moves where the vast majority of expenditure is incurred. Lot 2 would relate to the Council's office removals and, as a local function, is expected to attract interest from small/medium-sized local removal companies in line with the Council's Social Value objectives.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Agree that the Council proceeds with the procurement of a contract for the provision of removal and storage services, in accordance with the strategy set out in this report; and (ii) Delegate authority to the Strategic Director, My Place, in consultation with the Cabinet Member for Finance, Growth and Core Services, the Strategic Director, Finance and Investment and the Chief Legal Officer, to conduct the procurement and enter into the contract(s) and all other necessary or ancillary agreements, including contract extensions, with the successful bidder(s). 	

Reason(s)

To ensure compliance with the Council's Contract Rules and Public Contracts Regulations 2015 and assist in achieving the priority of 'Well-Run Organisation'.

1. Introduction and Background

- 1.1 By Minute 44 (16 October 2018), the Cabinet approved the procurement of the current removal and storage services contract which was awarded to Crown Promotions and Removals for a four-year period ending June 2023. The contract covered all estate decant services and also residential moves and has been used primarily by Landlord Services, Be First and Community Solutions.
- 1.2 A local removal service, Phil's Removals, has also been used historically for office moves and to support the Elections Service during election periods with the transportation of equipment.

2. Proposed Procurement Strategy

2.1 Outline specification of the works, goods or services being procured

- 2.1.1 This contract is for the removal of items from properties that will include resident's properties and may include offices. There may also be some requirement for the storage of items and the hire of storage crates.
- 2.1.2 There will be at least three different Council departments that will be using this contract for removal services and each one will likely have slightly different requirements and specifications.
- 2.1.3 There will need to be scheduled costs for removal, storage boxes, storage of items and a schedule for long distance moves.
- 2.1.4 The offices removals will be a small part of the contract. In line with the Council's Social Value objective to promote local supplier spend it is proposed to tender in two Lots. Lot 1 will be the bulk of the spend with the removals that take place in properties and Lot 2 will be the removals that take place within our offices. Officers are working alongside the Strategy and Commissioning Office to ensure that this approach is impactful to organisations within the borough.

2.2 Estimated Contract Value, including the value of any uplift or extension period

- 2.2.1 The last time this contract was tendered the estimated value over four years was £1.2m. Using Purchase Order (PO) data, it is estimated that the actual contract value over the four-year term will be £817,465. An assumption has been made concerning the lack of activity under this contract, being that the pandemic and lock down restrictions slowed down activity.
- 2.2.2 The expected value of this contract has been set at £1.236m.

2.3 Duration of the contract, including any options for extension

2.3.1 Three years with the option of extending for a maximum of two years in 12-month intervals, subject to satisfactory performance and in line with the Council's contract extension rules.

2.4 Is the contract subject to (a) the (EU) Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?

2.4.1 The contract is subject to Public Contract Regulations 2015 but is not subject to the Light Touch Regime.

2.5 Recommended procurement procedure and reasons for the recommendation

2.5.1 A full open tender will be carried out and advertised on Find a Tender, Jaggaer/Bravo (e-tendering), Contracts Finder and the Council's website. The tender will be published via the Jaggaer/Bravo Solution procurement portal.

2.5.2 The procurement is required to be let under an open procedure. The open procedure will allow for the maximum number of suppliers to respond, which will encourage SMEs and will likely produce the best value for money for the Council.

2.5.3 Suppliers will be required to have sufficient accreditation relevant to the services and have sufficient financial standing.

Indicative procurement timetable

Stage	Estimated Date
Report to Cabinet	18 October 2022
Publish tender opportunity in Find a Tender, Jaggar /Bravo, Contracts Finder and the LBBB website	November 2022
Tenders returned	1 February 2023
Tender Evaluation completed by	8 March 2023
Award Report approved	22 March 2023
Standstill period	23 March 2023
Award of Contract	7 April 2023
TUPE Consultation Period	10 April - 24 May 2023
Implementation	10 April - 31 May 2023
Contract Commencement	1 June 2023

2.6 The contract delivery methodology and documentation to be adopted

2.6.1 The Contract will be let using the Council's standard Terms and Conditions for Services.

2.6.2 A schedule of rates will be completed for all required services to provide cost certainty.

2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract

2.7.1 The outcome of this procurement will be to have a compliant contract for removal services. An open tender process is the ideal route and should deliver the best value for money that is available.

2.8 Criteria against which the tenderers are to be selected and contract is to be awarded

2.8.1 The tenders will be evaluated through a scoring matrix on the basis of 30% Quality, 10% Social Value and 60% Pricing. The service specification can be stipulated relatively clearly so quality analysis is not as important in this instance and price can be weighted higher to drive down costs.

2.9 How the procurement will address and implement the Council's Social Value policies

2.9.1 The Social Value toolkit will be published as part of the tender documentation pack. A delivery plan (what) and method statement (how) question relating to social value will hold 10% of the overall evaluation. The social value coordinator will be invited to sit on the evaluation panel to grade this delivery plan and method statement alone, while the main evaluation panel members will be asked to evaluate the whole tender response.

3. Options Appraisal

3.1 Option 1 – Open procurement procedure for a three-year contract with the option to extended for a maximum of two years at two twelve-month terms. This is the most favourable option as it coincides with the Decant Programme which will be running for the next four to five years.

3.2 Option 2 – Do Nothing – This option has been rejected as the service is still needed.

3.3 Option 3 – Carry out in-house – This option has been rejected as the Council does not have the current infrastructure to carry out this requirement and it would require large resources and capital which has not been budgeted for.

3.4 Option 4 – Mini competition under framework – This option has been rejected as there are only three suppliers on the ESPO/YPO framework:

Crown Work Place,
Harrow Green and
Johnsons1871 Ltd.

4. Waiver

4.1 This is not applicable for this procurement.

5. Equalities and other Customer Impact

- 5.1 The removals and storage contract is an essential service that will assist residents to move with ease. The EIA screening tool shows that there are either mainly positive impacts or no perceived negative impacts on the protected characteristics, therefore at this time a full EIA is not required. The EIA Screening will be routinely reviewed for any changes in procurement / service.

6. Other Considerations and Implications

- 6.1 **Risk and Risk Management** - Delays in the process may lead to the new contract not being signed on time. This will be managed by staying within the time constraints as detailed in the indicative procurement timetable. If there are any slippages this will be managed by escalating through the relevant channels. In the worst-case scenario, a short-term waiver will be put in place to prevent any gaps in service.
- 6.2 **TUPE, other staffing and trade union implications** - This will need to be examined as there may be some TUPE implications. For TUPE to apply there should be an organised grouping of employees at Crown Promotions and Removals Limited dedicated to the LBBB contract. This means they are staff who spend most of their working time undertaking work for LBBB and are organised into a client team. LBBB will need to make further enquiries about the number of employees which Crown Promotions and Removals Limited have dedicated to the LBBB contract, the amount of time they spend on LBBB contract and their terms and conditions. If LBBB accepts, following these enquiries, that TUPE does apply it will need to make this information about their terms and conditions available to bidders so they are able to properly price their bids.

7. Consultation

- 7.1 Officers across the Council and Be First have been involved in the development of the tender documents.
- 7.2 The proposals in this report were considered and endorsed by the Procurement Board on 26 September 2022.

8. Corporate Procurement

Implications completed by: Francis Parker – Senior Procurement Manager

- 8.1 The proposed strategy is compliant with the Council's Contract Rules and the PCR 2015.
- 8.2 An Open tender process is likely to yield the best value for money and open up the opportunity to the widest possible audience. The available frameworks do not offer enough competition
- 8.3 The evaluation criteria is suitable for this contract and includes social value

9. Financial Implications

Implications Completed by: Sandra Pillinger Group Accountant

- 9.1 The estimated cost of this contract over a period of 3+1+1 = 5 year is £1,236,000. This estimate is based on the value of POs raised over the period since the start of the current contract on 1st July 2019 to 31st March 2022. The overwhelming majority of POs by value are raised within 3 areas – the HRA capital programme (40%), the Housing Advice team in Community Solutions (37%) and Landlord Services in My Place (21%). It is questionable whether removal, storage and hire costs are costs that can legitimately be charged to the HRA capital programme, as they do not enhance asset value, and it may be more appropriate for these costs to be charged to the HRA revenue budget.
- 9.2 There is no specific budget for removal, container hire and storage costs. Services will need to ensure costs are contained within the overall budget for the service.
- 9.3 If TUPE applies there may be financial implications. These will need to be assessed when further information becomes available.

10. Legal Implications

Implications completed by: Kayleigh Eaton, Principal Contracts and Procurement Solicitor, Law and Governance

- 10.1 This report is seeking approval for a new procurement for Removal and Storage services. The new contract is estimated to cost the Council approximately £1,236,000.00 over the lifetime of the contract and therefore is above the UK threshold for service contracts. This means that there is a legal requirement to competitively tender the contract via Find a Tender Service (FTS).
- 10.2 It is noted that the intention is to tender this contract in accordance with the Public Contracts Regulations 2015 (the 'Regulations') using the Open procedure. The requirements for competitive tendering, as contained in the Regulations and rule 28.5 of the Council's Contract Rules, should therefore be met, provided that the procedure is conducted in accordance with the Regulations.
- 10.3 Contract Rule 28.8 of the Council's Contract Rules requires that all procurements of contracts above £500,000 in value must be submitted to Cabinet for approval. In line with Contract Rule 50.15, Cabinet can indicate whether it is content for the Chief Officer to award the contract following the procurement process with the approval of Corporate Finance.
- 10.4 It is noted that TUPE may apply to the new award so legal will work with the client department to advise and assist where required.

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

List of appendices: None

CABINET**18 October 2022**

Title: Land at London Road / North Street, Barking – Extension of Development Loan	
Report of the Cabinet Member for Regeneration and Economic Development	
Open Report with Exempt Appendices (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972)	For Decision
Wards Affected: Abbey	Key Decision: Yes
Report Author: David Harley, Deputy Development Director, Be First	Contact Details: Tel: 020 8227 5316 E-mail: david.harley@befirst.london
Accountable Director: Ed Skeates, Development Director, Be First	
Accountable Strategic Leadership Director: Abi Gbago, Strategic Director, Inclusive Growth	
Summary	
<p>By Minute 33(viii) (20 October 2020), Cabinet has approved a development loan of £44m to Robyna Limited to facilitate the development of the former White Horse site and adjacent bus stand at London Road / North Street, Barking. This report provides an update on progress and seeks approval to extend the development loan being provided to the developer in light of the recent significant increases in building cost inflation, whilst remaining within the previously agreed loan criteria.</p>	
Recommendation(s)	
Cabinet is recommended to:	
<ul style="list-style-type: none"> (i) Approve the extension of the development loan to Robyna Limited in respect of the London Road / North Street development from £44m to £52m on the terms set out in Appendix 1 to the report in light of the recent significant increase in building cost inflation; (ii) Delegate authority to the Strategic Director, Inclusive Growth, in consultation with the Cabinet Member for Regeneration and Economic Development, the Strategic Director, Finance and Investment and the Chief Legal Officer, to agree the documents to fully implement and effect the proposals set out in the report; and (iii) Authorise the Chief Legal Officer, or an authorised delegate on her behalf, to execute all the legal agreements, contracts and other documents on behalf of the Council. 	

Reason(s)

To assist the Council in achieving its Inclusive Growth priorities including the delivery of a high-profile mixed-use development on a key gateway site to Barking Town Centre that would provide much needed affordable housing units.

1. Introduction and Background

1.1 On 20 April 2021, Cabinet re-confirmed and amended its various earlier resolutions of September 2018, March 2020 and October 2020, to enter into a residential-led joint development scheme with a developer (Robyna UK Ltd) on land separately owned by the Council and developer, whereby the Council would acquire the freehold ownership of the developer's site and, upon completion of the scheme, grant the developer a head lease on the combined sites for 250 years subject to the payment of a head rent. In addition, the Council would provide the developer with a construction loan of up to £44m. Cabinet also approved the acquisition of the Developer's land pursuant to section 227 of the Town and Country Planning Act 1990 and the appropriation of the Council's land for planning purposes pursuant to section 122 of the Local Government Act 1972.

1.2 The initial Cabinet report in September 2018 set out the rationale for the transaction and considered the following options before adopting Option 3:

Option 1 – Do Nothing.

Approximately one half of the site is outside the control of the Council. Should the decision be taken to 'do nothing', it is possible that Robyna Ltd will seek to bring forward a lesser scheme in isolation on their own land. It is unlikely that such a scheme would deliver the full planning potential of this key, landmark site and will not release any marriage value to be shared with the Council from the merging of the two parcels of land in a comprehensive, larger scheme. There would be a lower rate of new homes bonus, Council tax and business rates. This principle also relates in isolation to the Council's own portion of the site.

If agreement cannot be reached to work together with the Council, Robyna Ltd may delay or even abandon plans for redevelopment. This will result in the continuation of the 'eyesore', with the on-going potential for antisocial use.

The Council could continue to lease their own site to TfL as a bus lay-over yard but seek to negotiate a rent – although this may be challenging given the shared objective of supporting bus service provision.

Option 2 – Develop in isolation.

The Council could develop its portion of the site in isolation but, as noted above, it will fail to benefit from a larger, more efficient and ambitious scheme with the associated regeneration benefits.

The Council could try to acquire Robyna Ltd's land through compulsory purchase however this is unlikely to be successful given their desire to deliver development.

Option 3 (Favoured Option) – Enter into agreement with Robyna Ltd to acquire, fund the development (up to 80%) and hold long term

Through the proposed approach, whilst the Council will not be leading on the delivery of the scheme, control will be retained via the head lease arrangement

under which an annual head rent will be paid. The scheme also compliments and is integral to the overall regeneration vision of the wider Town Centre. The leasehold arrangement allows the Council to benefit from the regular income generated from the site although it exposes the Council to risk if the site is not developed or the Council has to step in.

To bring this key site forward for regeneration and maximise the site through an enlarged scheme across the two ownerships, the Council should engage and treat with the adjoining landowner, Robyna Ltd. Enhanced due diligence has not raised issues with Robyna Ltd but the Council will take steps to ensure that full measures are put in place to take early control of the land including contractual step in rights in the event of default. Robyna Ltd would fund the remaining 20% of costs from their own equity (ie no other lender). Development finance payments will be staged on periodic independently certified construction work to reduce risk, however it is acknowledged that stepping in may result in additional costs and delays to enable the building to be completed.

Option 4 – As Option 3 but without providing development funding.

The ability for the Council to fund the scheme, whether up to the agreed proportion in Option 3 or a lesser amount (Option 5), provides a further degree of control over the scheme being brought forward. In the event of developer default, the Council would have direct rights to step in and complete the development. Third party funders would typically require their own preferential step in rights to sell the scheme, potentially leading to significant 'stand still' periods on site. Lenders will also wish to have control over the land during construction by way of a first legal charge over the remainder. This would introduce issues of priority in the event of joint Council/lender funding situation.

The opportunity to generate a further income stream for the Council during construction would also be lost.

Option 5 – As Option 3 but with Council just providing 50% of Development finance.

A lower percentage of development finance would reduce the amount of Council borrowing required, however it would also result in lower returns and less control as set out for Option 4. This particular option would introduce issues of priority in the event of the Council and another lender both funding the scheme. Another funder would typically seek to rank first and such negotiations would delay progress alongside the control risks set out for option 4.

Option 6 – Sell Council land to Robyna Ltd or another party

The Council could sell its landholding to Robyna Ltd who would then be likely to progress the development proposal independently of the Council. A one-off capital receipt would be generated however it would fail to give the Council the ability to secure a long term rental income stream, the returns from development finance and a role in ensuring the development comes forward, together with the quality and content of the scheme. Selling the site to another party would similarly result in potential for the site to lie empty and not deliver the additional homes delivered by a combined scheme

- 1.3 The March 2020 Cabinet agreed to use its appropriation powers to help bring forward the scheme, and in October 2020 it was agreed to increase the loan up to £44m due to the increased size of the development. Finally in March 2021, Cabinet

agreed to amend the site area to reflect the planning consent and change the identity of the developer to a wholly owned UK subsidiary, Robyna UK Ltd.

- 1.4 The development secured planning consent in February 2021 and will provide 196 residential units, of which 35% will be affordable for the duration of the head lease (250 years) at no cost to the Council.
- 1.5 On 21 January 2022 the Development Agreement, Loan Agreement and other associated documents were exchanged between the Council and the developer. As anticipated by the agreement, the Council immediately took ownership of the developer's land (the site of the former White Horse Public House) at nil cost. The developer then commenced consultation with adjoining interests, as required before the Council could appropriate the site, and continued to finalise its development plans in order to satisfy the conditions precedent before work can commence.
- 1.6 The Council appropriated the site on 5 September 2022.
- 1.7 The Council has also now made good progress with securing vacant possession of the Transport for London (TfL) bus stand on part of the site by providing three alternative stands in close proximity. This work is expected to complete by end October 2022.

2. Proposal and Issues

- 2.1 In light of the recent significant increases in building cost inflation, construction costs for the development project have risen materially. Whilst this has been largely offset by an increase in the gross development value, the developer is seeking to extend the development loan being provided by the Council on the terms set out in the attached Part 1 of Appendix 1, which is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 2.2 This additional facility will be on the same loan criteria as originally agreed (notably the loan to value & loan to cost ratios) and over the same time period (30mths). It will also be subject to the same protection to take over the development should the developer default. These are detailed further in Part 1 of Appendix 1.
- 2.3 Most notably the additional funding will allow the developer to proceed with the development without seeking alternative additional sources of funding which may not be available on commercial terms, thereby allowing the scheme to proceed.
- 2.4 The developer has agreed to meet the Council's costs of amending the documentation to accommodate the extra lending and will additionally make a further contribution towards the cost of relocating the bus stand which the Council is committed to remove at its cost.
- 2.5 Additionally, in order to allow sufficient time for the documentation to be amended and the bus stand to be moved, it is proposed to extend by 6 months the deadlines in the existing loan and development agreements.

- 2.6 The additional lending increases the return the Council will receive from providing the loan as illustrated in the model at Appendix 2.
- 2.7 Updated valuation and loan reports have been commissioned (at the expense of the developer) in order to satisfy both the requirements of S123 of LGA 1972 and subsidy control (formerly state aid). The final lending will be subject to confirmation of satisfactory compliance.
- 2.8 Additionally, agreement to the additional loan facility will be subject to re-running enhanced due diligence on the developer.

3. Options Appraisal

- 3.1 **Do Nothing:** The Council is still committed to provide the development loan as previously agreed should the developer satisfy the conditions precedent in the Development Agreement. These include a requirement to demonstrate to the Council that it has sufficient funding to proceed with the development. If the loan extension is not provided, the developer will need to secure the additional funding from alternative sources or equity. As the Council are the principal lender for the development this may not be available at commercial terms to allow the development to proceed. This would result in the development agreement terminating and the development will not take place.
- 3.2 **Loan Proposal:** The recommended option is to provide the additional debt to the developer at the enhanced rate proposed. This will enable the development to proceed and deliver much needed affordable homes within the borough at this gateway to Barking town centre. The additional facility will be subject to the same loan covenants as before with the developer only securing a long interest in the property upon completion of the scheme.

4. Consultation

- 4.1 The proposals in this report were considered and endorsed by the Investment Panel at its meeting on 20 September 2022.

5. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

- 5.1 The detailed assessment of the financial implications is set out in Part 2 of Appendix 1, which is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Below is a summary of other considerations.
- 5.2 **Subsidy control (formerly state aid)** - This is being carried out by Gowling. The loan should only be agreed if this has been satisfactorily signed off by Gowling prior to a report going to Cabinet.

- 5.3 **Due Diligence** - Be First have carried out some due diligence on Robyna and its parties that are associated with them. The Due Diligence completed has not raised any issues.

This due diligence was carried out a number of years ago and an update of this to take into account the financial viability of the various companies as well as the enhanced due diligence requirements, should be completed prior to a report going to Cabinet.

- 5.4 **Reputational Risk** - On-lending by a Council has additional reputational risks as, potentially, the borrower has been unable to obtain a loan from usual banking and private financing sources and has therefore approached the Council for financing.

It is important that comfort is obtained that the borrower is of sufficient quality and that any potential reputational risk has been minimised to fit within the risk parameters that the Council is willing to take prior to the report going to Cabinet in September 2019.

The source of both the initial funding from Robyna and the subsequent repayment of the loan to the Council is potentially an area where fraud and / or money laundering can occur. It will be essential for any final agreement to provide clarification of Robyna's source of funding.

6. Legal Implications

Implications completed by: Gowling WLG (external lawyers for the Council) and Ann Towndrow, Property Lawyer

- 6.1 Gowling WLG have reviewed the proposed variation to the loan terms and the extension of the ultimate conditions longstop date from a subsidy control (formerly state aid) and procurement perspective and have reported accordingly.
- 6.2 The increased loan should not constitute a subsidy as it is being provided on market terms. This is the basis on which the original loan was approved albeit the sign off on this will need to come from Avison Young (GVA's new owner) rather than Gowlings and we understand that a report from Avison Young is awaited. Paragraph 3.4 of the original report sets out the further details which Avison Young will need to consider.
- 6.3 There has been a change in the public subsidy regime (following Brexit) and we are currently in something of a limbo period pending the coming into effect of the Subsidy Control Act later this year. However, the terms of the new Act provide that "financial assistance is not to be treated as conferring an economic advantage on an enterprise unless the benefit to the enterprise is provided on terms that are more favourable to the enterprise than the terms that might reasonably have been expected to have been available on the market" (section 3(2)).
- 6.4. Regarding procurement, the development agreement is a public works contract which was exempt from procurement under Regulation 32 (see paragraph 4.5 of the original advice).

- 6.5. On that basis, it can only be varied in the circumstances permitted by Regulation 72. We anticipate that the variation to extend the ultimate conditions longstop date will fall within one or more of those circumstances.
- 6.6. For example, Regulation 72(1)(e) permits a variation where it is not considered substantial (meaning that the change does not: render the contract materially different; introduce conditions which may have resulted in a different conclusion to the procurement process (if any); change the economic balance of the contract in favour of the contractor; considerably extend the scope of the contract or replace the original contractor). We consider that the proposed variation would not be substantial and that the variation would be permitted under Regulation 72(1)(e). No notice would need to be published following the variation.
- 6.7 Full legal implications were included in the report to Cabinet in September 2018, including the Council's powers to participate in the transaction under section 1 of the Localism Act 2011 and the powers in s111 of the Local Government Act 1972 to do anything calculated to facilitate or conducive to the discharge of any of its functions including borrowing or lending money.
- 6.8 The exercise of powers is subject to use for a proper purpose and the usual reasonableness constraints. Investment decisions must also be made in compliance with all relevant statutory guidance relating to Local Government Investments, and with regard to the Council's fiduciary duty to taxpayers. An overall Investment Strategy should include consideration of total financial exposure, credit risk, credit controls and that the total loan book is within self-assessed limits

7. Commercial Implications

Implications completed by Hilary Morris, Commercial Director

- 7.1 This paper proposes to increase the loan to the developer to reflect increased construction costs whilst retain the existing loan criterion and security provisions approved by Cabinet in 2018.
- 7.2 Key security for the Council include a legal charge over the loan asset and full step-in rights in the event of borrower default which would enable the lender (the Council) to complete the scheme if needed.

8. Other Implications

- 8.1 **Property / Asset Issues** - The property transaction will not vary from that previously approved and contracted. The Council will retain the freehold of the site throughout and will only grant the developer a long leasehold interest upon satisfactory completion of the development.

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

List of Appendices:

- Appendix 1** - Revised Loan Proposals & Financial Implications (exempt document)
Appendix 2 - Revised Loan Model (exempt document)

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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of the Local Government Act 1972.

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CABINET**18 October 2022**

Title: Gascoigne Estate (East) Phase 3B Redevelopment Project	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report with Exempt Appendix 4 (relevant legislation: paragraph 5 of Part I of Schedule 12A of the Local Government Act 1972)	For Decision
Wards Affected: Gascoigne	Key Decision: Yes
Report Author: Mark Crane, Head of Affordable Housing Delivery	Contact Details: E-mail: mark.crane@befirst.london
Accountable Director: Ed Skeates, Director of Development, Be First	
Accountable Strategic Leadership Director: Philip Gregory, Strategic Director, Finance and Investment	
<p>Summary</p> <p>A progress update on the regeneration of the Gascoigne Estate was provided to Cabinet in April 2021, which identified a target start on site date of March 2023 for Gascoigne Estate (East) Phase 3B (GEP3B). This is a critical development phase in the regeneration of the Gascoigne Estate, which will deliver 334 new homes (50% affordable), and significant improvements to the public realm, replacing the existing LPS blocks, which are in extremely poor condition.</p> <p>GEP3B is included in the Be First Business Plan 2022-27 approved by Cabinet in March 2022. However, since the Business Plan was agreed, there has been significant cost inflation in the construction sector, which are impacting on the Council's ability to deliver schemes to the budgets set out in the Business Plan. These cost increases have been driven by the continued impact on the cost of materials and labour of Covid, Brexit, and the introduction of more stringent building regulations. These impacts have intensified during 2022 as a result of the war in Ukraine.</p> <p>Consequently, there are a number of projects within the Be First Business Plan that are yet to start on site that have experienced significant cost increases since the previously reported figures, including GEP3B.</p> <p>At the April 2021 meeting, the Cabinet gave delegated authority to the Managing Director, in consultation with relevant Members and officers and on the advice of the Investment Panel, to progress the future development phases within the Gascoigne Estate. However, due to the significant additional costs experienced since then, which have affected the financial performance of GEP3B, it is appropriate for the Cabinet to reconsider its commitment to this project.</p>	

Planning permission has been granted subject to the signing of the s.106 agreement. GLA grant of c.£16.1m has been secured, subject to starting on site by March 2023. To date 154 properties have been vacated, with 22 properties still to be decanted.

A procurement exercise has been undertaken from Lot 2 of the Be First Development Framework, with Wates being identified as the preferred contractor. However, based on the agreed maximum price, the project does not meet all the financial hurdle rates. There is also a risk of further cost increases in the future. A different form of contract is proposed to mitigate this risk, which seeks a more open book approach to working with the contractor during the supply chain tender process, in order to achieve value for money, and mitigate the Council's financial exposure prior to committing to the main works.

The purpose of the report is to update Cabinet and request the appropriate delegations to officers to proceed with GEP3B based on the latest cost estimate set out in this report. The project will still be subject to the full development and financial appraisal process and will require Investment Panel approval in the normal way. Should the circumstances of the project change from those set out in this report, a further update will be provided to Cabinet, and any approvals sought as required.

Recommendation(s)

The Cabinet is recommended to:

- (i) Agree to award the Constructing Excellence Contract to Wates Construction Ltd Company No. 01977948(Wates) on the basis of a Gross Maximum Price ("GMP") of £142,061,994;
- (ii) Approve the total development cost of £166,527,638 subject to the advisory process of the LBBD Investment Panel;
- (iii) Approve the handover loan of £138,049,272;
- (iv) Note the IAS Return with an NPV of -£15,885,868 and a handover loan that is repaid by year 50;
- (v) Delegate authority to the Strategic Director, Finance and Investment, in consultation with the Leader, Deputy Leaders, the Cabinet Member for Regeneration and Economic Development 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 Gascoigne East 3B;
- (vi) Agree that the project be presented to Investment Panel to consider and advise the Strategic Director, Finance and Investment regarding his approval to deliver the main works part of the Constructing Excellence contract, once the final Contract Price has been confirmed by the contractor; and
- (vii) Note that should the circumstances of the project change from those set out in the report, a further report will be presented to Cabinet.

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 Gascoigne East Phase 3B (GEP3B) is a critical development phase in the regeneration of the Gascoigne Estate, which will deliver 334 new homes (50% affordable), and significant improvements to the public realm. The existing buildings are earmarked for demolition. Vacant possession is targeted for early 2023. To date 159 properties have been vacated, with 22 properties still to be decanted. Start on site for the construction works is currently targeted for June 2023.
- 1.2 A progress update on the regeneration of the Gascoigne Estate was provided to Cabinet in April 2021, which identified a target start on site date of March 2023 for GEP3B.
- 1.3 Cabinet agreed the Be-first business plan in March 2022, which contained a programme of schemes that Be First was aiming to progress, including GEP3B. The Cabinet agreed to delegate the decision on investing in these schemes to the Managing Director (this role is now carried out by the Strategic Director, Finance and Investment), advised by Investment Panel, once detailed feasibility and financial modelling had been carried out.
- 1.4 Subsequent to the approval of the business plan, the development and construction sector has continued to experience significant cost pressures. Whilst high material price inflation is not expected to continue indefinitely, prices have increased significantly in recent months, particularly in relation to steel, which has doubled in price during the last 12 months, and concrete, which has increased by 30% during this period. Construction material costs for new housing have risen by 23% in the 12 months to May according to BEIS. BCIS is reporting tender price increases of 9.1% in the year to Q2 2022. As a result of the high level of volatility in the construction sector, contractors and suppliers are holding prices for significantly shorter periods of time.
- 1.5 The viability impact on projects due to the increase in construction costs over the last 12-24 months has been compounded by a lack of rental and sales value growth over the same period, with rental values only 3-4% above pre-covid levels. Furthermore, operating and borrowing costs have increased, placing further pressure on viability.
- 1.6 A procurement process has been carried out to appoint a contractor from Lot 2 of the Be First Development Framework to deliver GEP3B, with a preferred contractor having been selected (Wates). In order to mitigate the current volatility in the construction sector, a different form of contract is proposed. It is proposed that the

contractor is appointed through a Constructing Excellence (CE) contract, instead of the standard JCT Design and Build contract. The CE contract adopts a more collaborative and transparent pricing process, with the final contract price reflecting accurate tender price information from the supply chain, shared on an open-book basis by the contractor.

- 1.7 The CE contract is awarded based on a Gross Maximum Price (GMP), with the final contract price being submitted by the contractor once they have completed the detailed design and supply chain tendering process with their supply chain. If the final contract price exceeds the GMP, this risk sits with the Council. To mitigate this risk, the Council retains the right to terminate the contract, and not proceed with the works if the final contract price exceeds the GMP. If the final price is lower than the GMP, there is a saving sharing mechanism within the contract, enabling both parties to share the benefits of a lower price being achieved. If the contract price is lower than the GMP, the Council does not have the ability to terminate the contract in this scenario.
- 1.8 Based on the agreed GMP, and the current standard financial assumptions, the project does not meet all the financial hurdle rates. Options have been explored to improve the viability of the project including:
 - Seeking additional grant funding (GLA/s.106/CIL)
 - Further design/cost efficiencies
 - Operating cost efficiencies through a comprehensive estate management strategy for the Gascoigne Estate
- 1.9 However, even with these additional measures, whilst a positive NPV can be achieved, the project would still not meet all the financial hurdle rates. Therefore, in the event the contractor's final price is lower than the GMP, the Council is committed to delivering the project, even though not all the financial performance targets are met.
- 1.10 Notwithstanding the viability challenges, it is proposed to deliver the project now, given its importance to the regeneration of the Gascoigne Estate, and the risk of viability deteriorating further over the next 12-18 months.
- 1.11 The GMP is based on the current design proposals, for which planning permission has been secured, subject to signing the s.106 agreement. Whilst the design exceeds current Building, Health and Safety, and Environmental regulations, there are upcoming regulations coming into force within the next 12 months. This is a common issue with development projects, as designs are developed in a continuously changing regulatory environment. If the scheme were to be re-designed to meet upcoming regulations it is likely that the thickness of the walls and roofs would increase in order to meet more stringent thermal performance and insulation requirements. If these changes materially alter the design in terms of the height and footprint of the buildings, a new planning application would be required, resulting in a significant delay and additional cost to the project.
- 1.12 Consequently, it is proposed that the scheme is delivered based on the current design and programme, in accordance with the current regulations.

2. Proposal and Issues

- 2.1 GEP3B is a critical development phase in the context of achieving the overall placemaking and regeneration objectives for the Gascoigne Estate, and Gascoigne East in particular. Gascoigne East Phases 2 and 3a are currently on site, and will deliver over 750 new homes within the next 18-24 months. The redevelopment of GEP3B is the next phase of development, which will deliver 334 new homes (50% affordable), together with significant public realm improvements. A site plan for GEP3B, phasing plan for Gascoigne East, and overall delivery programme for Gascoigne East is provided in **Appendix 1**.
- 2.2 To date approximately £2.2m has been spent on the project to secure planning permission and procure a contractor, which is within the pre-development budget of £19.1m approved at Gateway 2 in September 2020.
- 2.3 Full planning permission has been secured (REF:21/02176/FUL), subject to the signing of the s.106 agreement. A massing and layout plan of the scheme is provided in **Appendix 2**.
- 2.4 A contractor procurement exercise has been undertaken through the Lot 2 of the Be First Development Framework, with a preferred contractor having been (Wates) selected to provide the following services, broken down into sections:
1. Detailed design, supply chain tendering and submission of the contract price
 2. Demolition and enabling works
 3. Construction works to deliver the new homes and public realm
- 2.5 It is proposed that the contractor is appointed through a Constructing Excellence (CE) contract (instead of the standard JCT Design and Build contract), which has a number of benefits:
- Adopts a more collaborative and transparent pricing process with the contractor during section 1.
 - The contract can be terminated before commencing section 3 in the event that the GMP is not achieved.
 - Incentivises the contractor to deliver value for money by sharing savings below the GMP between the parties.
- 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 In order to secure the contractor and the proposed contract and GMP (subject to agreeing the final contract price) the Strategic Director, Finance and Investment on the advice of Be First and Gowling WLG has issued a Letter of Intent to Wates to enable them to undertake preliminary work to a certain stage and value including demolishing the existing buildings and securing the site.

3. Options Appraisal

- 3.1 A number of options have been considered for the delivery of GEP3B:

Option A - Do nothing and demolish the existing homes

- 3.2 Doing nothing would mean retaining the existing buildings.,. Given that many of the properties are vacant, there is a risk of squatters occupying the empty units, some of which are not safe. Significant operational deficits would be incurred, as there would be no rental income to offset the management costs.
- 3.3 Given this risk, and the advanced stage of the decant process, it would be prudent to demolish the existing buildings once they become vacant and manage a cleared site. Demolition is estimated to cost c.£1.5m based on the contractor's tender pricing. The security cost for GE3B is estimated at £10,000 per week, assuming the site is hoarded and secure.
- 3.4 This option would therefore result in the loss of 211 existing homes, incurring significant operational deficits, without securing any regeneration benefits.
- 3.5 Additionally, this option would have reputational implications for the Council, given the extensive resident engagement that has taken place on the development proposals, and the adverse impact a hoarded site of this size would have on the quality of the local environment.

Option B - Demolish Anderson House and refurbish the remaining homes

- 3.6 This option will involve demolishing Anderson house (high rise – Large Panel System block) due to its challenging condition which is well documented in the reports to the Councils Assurance Board concerning the structure of all the remaining Gascoigne LPS blocks. The Coverdales and Dovehouse Mead flats would be refurbished and re-let on a Target Rent basis.
- 3.7 Below shows the breakdown of the accommodation:

Unit Type	Coverdales	Dovehouse Mead	Total
1 bed	30	19	49
2 bed	20	17	37
3 bed	31	24	55
Total	81	60	141

- 3.8 An appraisal has been carried out on the assumption that the high-rise block (Anderson House) is demolished whilst the remaining 141 homes are refurbished and rented at Target Rent levels, the results of which are summarised in the following table:

3B Investment Metrics	
YR1 Surplus/Deficit	-£222k
Worst Yr Surplus/Deficit	-£170.7m (Year 42)
Cumulative Peak Deficit	-£54.9m (Year 41)
Loan Repaid in 50 Yrs?	No (Breakeven yr 89)
Net Present Value	-£48.8m
TDC excl interest	£31.5m

3.9 This option is not recommended due to:

- poor financial performance
- the significant reputational implications of decanting the existing residents, and not redeveloping the site
- the long-term operational cost risks associated with achieving more stringent environmental and regulatory standards in the future.

Option C - Pause the project, and re-tender at a later date, once the construction sector volatility and cost pressures have reduced.

- 3.10 Given the current cost pressures within the construction sector, which have significantly affected the financial performance of the project, pausing the scheme has been considered in order to assess the potential for improving the financial performance of the scheme through reduced costs and/or increased values in the future.
- 3.11 Due to the high level of volatility and cost uncertainty it is extremely difficult to accurately predict future cost trends, particularly over the next 12-18 months. Notwithstanding this, market indicators such as the BCIS, and advice from the GEP3B cost consultant in their Q2 2022 market report, forecast tender price inflation of 7.5% in 2022 and 4.5% in 2023.
- 3.12 In addition to general market cost inflation pressures, there are also cost pressures arising from regulatory changes during the next 12 months, specifically new Parts L, F and O of the Building Regulations, which will be enforced on developments commencing after June 2023. The changes principally relate to building thermal performance, overheating, and sustainability.
- 3.13 Delaying the start of the works until after June 2023 would result in a re-design of the scheme being required to comply with the new regulations, which stipulate enhanced insulation and air leakage standards that would affect wall thicknesses and building footprints.
- 3.14 These cost inflationary pressures over the next 12-18 months are unlikely to be offset by increases in rental or sales values over this period. Based on market commentary advice in Q2 2022 from residential agents, rents are forecast to rise by approximately 3-4% per annum in London during 2023 and 2024. This is below construction cost tender price inflation forecasts.
- 3.15 There is therefore a risk under this option that the viability of the project would deteriorate over the next 12-18 months.

Option D - Dispose the site with the benefit of planning permission.

- 3.16 This option would involve disposing of the site to a third-party developer to deliver the scheme. The sale could be conditional upon the developer building out the consented scheme. However, given the current cost and value assumptions, and the proposed tenure mix, it is unlikely that a disposal on this basis would generate a land receipt, unless the purchaser was allowed to radically amend the planning permission in order to optimise the value of the scheme. This could lead to a delay

to the delivery of the scheme, reduce the level of affordable housing, and compromise design quality.

- 3.17 This would create reputational risk to Be First and the Council, particularly as social housing will be demolished to facilitate the redevelopment of the site, and a significant amount of public consultation has already taken place with residents about the redevelopment and regeneration of the Gascoigne Estate.
- 3.18 The land and buildings in Gascoigne currently sit within the HRA and under section 32 of the Housing Act 1985, the Council would be required to secure approval from the Secretary of State for disposal. There is a general consent that has been issued in 2013 that would permit a disposal of vacant land.

Option E – Enter into a build contract to deliver the consented scheme

- 3.19 This option proposes that the Council appoint the contractor under a Constructing Excellence contract to prepare detailed designs, procure tender prices from their supply chain in order to agree the final contract price, and carry out enabling works to prepare the site for redevelopment. This would require expenditure of approximately £12.22m prior to fixing the contract sum and awarding the main works contract.
- 3.20 The total development costs based on the GMP are £166.5m to be funded as follows:

£138.05m	Council borrowing
£16.1m	GLA Funding (secured)
£9.1m	RtB receipts
<u>£3.25m</u>	<u>HRA funding</u>
£166.5m	Total

- 3.21 Based on the current costs and financial assumptions, the project does not achieve all the financial hurdle rates. Whilst the loan is paid off within 50 years, a cashflow surplus is not achieved until year 44, illustrated in the following cashflow:

		Total	Total
Year	Date	Per annum	Cumulative
1	2025	-£1,356,533	-£1,356,533
2	2026	-£1,083,723	-£2,440,256
3	2027	-£2,262,821	-£4,703,077
4	2028	-£2,125,038	-£6,828,115
5	2029	-£1,982,807	-£8,810,922
6	2030	-£1,858,760	-£10,669,682
7	2031	-£1,936,165	-£12,605,847
8	2032	-£1,808,913	-£14,414,760
9	2033	-£1,677,935	-£16,092,695
10	2034	-£3,438,835	-£19,531,530
11	2035	-£1,404,301	-£20,935,831
12	2036	-£1,456,556	-£22,392,387
13	2037	-£1,114,351	-£23,506,738
14	2038	-£962,951	-£24,469,689

15	2039	-£5,008,581	-£29,478,270
16	2040	-£646,664	-£30,124,934
17	2041	-£481,516	-£30,606,450
18	2042	-£311,502	-£30,917,952
19	2043	-£136,496	-£31,054,448
20	2044	-£7,195,731	-£38,250,179
21	2045	£229,146	-£38,021,033
22	2046	£420,068	-£37,600,965
23	2047	£616,623	-£36,984,342
24	2048	£571,483	-£36,412,859
25	2049	£1,027,268	-£35,385,591
26	2050	£1,241,700	-£34,143,891
27	2051	£1,462,457	-£32,681,434
28	2052	£1,689,726	-£30,991,708
29	2053	£1,923,676	-£29,068,032
30	2054	-£13,631,129	-£42,699,161
31	2055	£2,412,506	-£40,286,655
32	2056	£2,667,773	-£37,618,882
33	2057	£2,930,577	-£34,688,305
34	2058	£3,201,124	-£31,487,181
35	2059	£3,479,657	-£28,007,524
36	2060	£3,452,554	-£24,554,970
37	2061	£4,061,639	-£20,493,331
38	2062	£4,365,580	-£16,127,751
39	2063	£4,678,476	-£11,449,275
40	2064	-£6,848,094	-£18,297,369
41	2065	£5,332,282	-£12,965,087
42	2066	£5,673,745	-£7,291,342
43	2067	£6,025,283	-£1,266,059
44	2068	£6,387,211	£5,121,152
45	2069	-£850,562	£4,270,590
46	2070	£7,143,467	£11,414,057
47	2071	£7,538,431	£18,952,488
48	2072	£7,547,030	£26,499,518
49	2073	£8,363,755	£34,863,273
50	2074	£2,127,369	£36,990,642

3.22 There is also a significant negative NPV of c.-£15.9m.

3.23 However, a positive NPV could be achieved by:

- Securing additional grant (e.g. from the GLA, extra RTB, or s.106/CIL)
- Reducing operational costs on the Market Rent (MR) units
- Increasing the rental inflation values on the MR units in line with market forecasts
- Reviewing the specification of the homes to reduce construction costs

3.24 The following table summarises the viability impact of each measure cumulatively, and the level of risk associated with each measure:

Viability Improvement Strategy		Cashflow Positive Yr	NPV £	Risk
Step	Baseline Viability position	44	-15.8m	
A	Additional GLA Grant £180k each LAR unit	41	-10m	High risk, as subject to GLA approval.
B	Reduction of MR unit operational costs	39	-7m	Medium risk, as within the Council's control to manage operational costs. A comprehensive estate management strategy is being developed for the entire Gascoigne Estate.
C	Increase rental inflation to 3.5% on MR & Affordable Rent (AR) to handover	37	-4.5m	Medium risk, as subject to market conditions. Assumption is below annual rental growth achieved during last 10 years of 4% p.a.
D	Add £5.9m of LBBB grant subsidy to pay for the public realm infrastructure works	34	1.6m	Medium risk, as within the Council's control to provide additional subsidy, subject to funding being available.
E	£5m VE savings through design and ERs review	33	5.7m	Medium risk, as within the Council's control to amend the design to achieve savings, although some changes may require planning consent.

- 3.25 Whilst the above measures achieve a positive NPV, the cashflow remains in deficit for 33 years. An annual cashflow is provided in **Appendix 3**.
- 3.26 In order to further improve the viability and achieve a cashflow surplus at year one, consideration was given to reducing the number of LAR homes and applying a service charge to the LAR homes. However, these measures are not recommended for this project, as they are not compliant with planning policy, or the Council's objectives of re-providing the affordable homes that would be demolished to enable the redevelopment of the site and ensuring that the affordable homes are genuinely affordable to local residents.
- 3.27 A higher per unit grant contribution from the GLA would be required, which is considered to be high risk, given the finite availability of GLA funding. However, discussions have commenced with the GLA to seek additional grant funding, and the principle of a hybrid funding arrangement utilising Affordable Housing Programme 21-26 funding, together with RtB Ringfence funding has been identified as a potential way forward. However, formal approval is yet to be secured, which will be sought over the coming months.
- 3.28 In the event that the final contract price exceeds the GMP, there are provisions within the contract allowing the Council to terminate prior to the commencement of the main works. There are no provisions within the contract for the Council to terminate the contract should the final contract price be lower than the GMP. Legal

advice from Gowling WLG on the termination and break clauses within the contract is provided at **Appendix 4** to the report, which is in the exempt section of the agenda as it contains legal privileged information (relevant legislation: paragraph 5 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- 3.29 This option provides the Council with the greatest degree of control over the design and delivery of what is a significant development site in a priority estate regeneration programme, delivering significant social value, as well as a financial return in the long-term. The delivery of GEP3B will also benefit the other development phases in Gascoigne East, that are already under construction and due to complete in the next 12-24 months.
- 3.30 This option proposes to deliver the scheme as currently designed, which meets (and exceeds) current building and safety regulations. Whilst regulations are continuously changing, and future schemes will be designed in accordance with those regulations, it is not proposed under this option to amend the GEP3B design in response to those regulations, as this would significantly delay the delivery of the project and incur additional cost.

Preferred Option

- 3.31 It is recommended that Option E is progressed as this:
- Enables the project to continue to be delivered based on the consented design and current programme.
 - Provides the greatest degree of control over the delivery of the project.
 - Optimises the benefits to local residents.
 - Optimises the financial performance of the project.
- 3.32 However, given the viability challenges of this option it is also recommended that the following activities are undertaken to try to improve the financial performance of the project:
- Explore opportunities for additional grant funding towards the affordable homes and community infrastructure (for example s.106/Community Infrastructure Levy funding).
 - Explore opportunities for reducing operating costs (and increasing net income), by developing a holistic management strategy for the entire Gascoigne Estate, that delivers a good quality service for residents, whilst achieving operational efficiencies through economies of scale.
 - Review market rent values.
- 3.33 Once this work is complete, and the final contract price is confirmed by the contractor, the project will be presented to Investment Panel prior to commencing the main works.

4. Commissioning Implications

Implications completed by: Shanaaz Carroll, Interim Head of Commissioning & Place

- 4.1 Notwithstanding the significant increase in cost and potential risks to the Council as indicated throughout the report, GE3B forms part of a wider phased regeneration programme for Gascoigne East which will enhance placemaking of the wider estate improving the look and experience of the location. Wider infrastructure improvements will also benefit local residents who have engaged significantly in the development and to abandon the project will have reputational risks for the Council.
- 4.2 The proposed contract arrangements, as indicated in the recommended Option (E), would allow the Council to appoint the contractor under a Constructing Excellence contract to prepare detailed designs, procure tender prices from their supply chain in order to agree the final contract price, and carry out enabling works. Whilst the report identified that planning permission would be required for changes to building heights and footprint other design efficiencies are possible. Caution should be used when approaching any changes in design to ensure these do not adversely impact on residents especially given the challenges of the cost of living. This includes any reduction in insulation, windows etc to ensure heat loss is kept to a minimum.

5. Commercial Implications

Implications completed by: Hilary Morris, Commercial Director

- 5.1 This paper is proposing to proceed with awarding a contract to develop GEP3B which will deliver 334 new homes on a strategic regeneration site for a total cost of £174m. This represents an increase of 20% against the original feasibility proposal which was produced before the war in Ukraine with resultant utility and supply chain cost increases, and thus highlights the impact of the current inflationary environment on development activity.
- 5.2 As a result of the changes environment Be First have recommended moving from a standard Design & Build (D&B) form of contract to a 'Construction Excellence' contract. A construction excellence contract is different from a standard D&B contract which has clear expectations and obligations on both parties and defined allocation of risk, to one where there is shared risk with both parties potentially gaining from any price reduction's if the market stabilises. This will necessitate an increase in the emphasis on management of risk as it will formalise the Council taking on risks relating to some inflationary prices increase if prices rise during the build phase.
- 5.3 One of the areas in which the Council will be at risk in relation to further price rises is in utility costs or delays. The cost from these elements has been increased upwards since the original tender to provide a realistic cost in the current market, but any increase in cost above the current figure will be borne by the Council. F&G report however that the figure is at a level there is a low risk it will be exceeded. One area where the risk allocation has been changed is in relation to post tender design and development where any increases in costs will be borne by the provider.

- 5.4 Faithful and Gould have supported Be First's detailed negotiations throughout this tender. They have advised that when comparing the current offer to the original tendered value, the revised offer provides a more thorough assessment and realistic view for the Gross Maximum Price following the successful period of risk review, analysis, and discussion by all parties.
- 5.5 F&G also note that there is some protection built into the contract for the Council to exercise a break option prior to the commencement of main construction works if the Gross Maximum Price is expected to be exceeded when tenders are returned to Wates for all sub-contracted costs. This break option would take effect when all the preliminary works, are completed and would leave the Council with a cleared site which could be left as is until the market conditions improved. This option only applies to the Council, Wates have no reciprocal right to break the contract due to price increases.
- 5.6 Be First have been supported by Gowlings in the preparation and negotiation of this contract and a full report on contract is due to be provided shortly.

6. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

- 6.1 The financial implications for Gascoigne East Phase 3B (3B) are extensive given the significant negative cashflows being forecast for both the base scenario and even the best scenario options. It is important for Members to be aware that the base scenario and the proposed options to improve the cashflows are subject to additional market pressures, especially around borrowing costs, rental growth, operational cost inflation and bad debts. It is also important to take into account the wider Investment and Acquisition Strategy (IAS) performance which is currently strong but has a number of pressures that have reduced the forecast returns which has an impact on the overall Council's financial position.
- 6.2 Gascoigne 3B is part of the overall Gascoigne East Phase 3. Viability for 3B is very challenging due to the number of London Affordable Rent (LAR) units that need to be provided and due to the inclusion of a number of 3 and 4 bed LAR properties. It is therefore an important scheme as it provides a good mix of homes but this mix has proven to be unviable. The original plan for the Gascoigne East schemes was that there would be some cross subsidy between phases but viability for these schemes has reduced to near breakeven.
- 6.3 A pre-development budget of £19.14m was initially agreed to prepare the site for development, of which approximately £2.2m has been spent. A total development cost of £143.4m and borrowing of £117.6m was originally agreed, with an HRA budget for buyout and decants of £3.2m.
- 6.4 The main driver behind this scheme being unviable is that costs have increased by £24.1m from £143.4m to £167.5m. As a result of this increase, the viability of the schemes has worsened, from a peak deficit of **-£3.6m** to **-£42.7m**. In addition, the number of LAR units has decreased from 132 to 90, with PRS units increasing from 116 units to 167 units.

- 6.5 Costs per unit have increased by £90k to £384k per unit, with the cost per unit of the larger, 4 bed units increasing to £500k per unit. A summary of the key financial metrics is provided below, comparing the financial metrics as the scheme has progressed:

3B Investment Metrics	GW2	GW3	Cabinet GW4 Base Position
Year 1 Surplus/Deficit	-£603,097	£182,566	-1,356,533
Worst Year Surplus/Deficit	Yr 8	-£946,184 (Yr 8)	-13,631,129 (Yr 30)
Cumulative Peak Deficit	-£3,603,980	-£5,205,397	-42,699,161 (Yr 30)
Cumulative Breakeven Year	Yr 21	Yr 23	Yr 44
Cumulative Surplus at YR50	£118,635,843	£135,829,179	£36,990,642
Loan Repaid in 50 YRs?	Yes	Yes	Yes
IRR	5.34	5.03%	4.49%
Net Present Value	£10,080,960	£818,673	-£15,885,868
TDC exc interest	£139,536,354	£157,510,194	£162,890,073
TDC inc Interest	£143,391,956	£161,799,104	£167,527,638
Cost / Handover Loan	£117,631,224	£140,978,300	£138,049,272
LAR	132	90	90
Affordable rent	76	77	77
PRS	116	167	167
Total Units	324	334	334
GIA (sgm)	31,375	34,712	34,712
NIA (sqm)	24,048	25,979	25,979
Construction Cost per unit	£294,897	£307,784	£384,420
Construction works	£3,139	£3,161	£3,699

- 6.6 The base position, before any of the mitigation options outlined in the report are progressed, is a scheme that is unviable and, if agreed and there are no improvements in the actual performance against the assumptions, will require the Council to provide additional funding to support the scheme of approximately £1.9m per year. Regardless of what the return is for the IAS, this scheme will make the return £1.9m worse based on the base position and £1m based on the best scenario outlined. The requirement for this funding is from 2025 onwards.

6.7 IAS and Treasury Position

- 6.7.1 The IAS has been established to scrutinise investment proposals and to ensure agreed schemes remain viable and that meet a number of investment hurdle rates. Previous schemes that have been agreed have been initially viable, however all schemes within the IAS have subsequently seen a deterioration in viability, with most schemes requiring a reduction in interest rate to remain viable. The reduction in interest rate, in some cases to as low as 2.1%, has only been possible due to the ability of the Council's treasury team to secure cheap borrowing, with an average cost of borrowing of 2% (this can be compared to other councils that have experienced financial difficulties where the cost of borrowing is over 3%). If the Council had an average cost of borrowing of over 3% then all residential schemes within the IAS would be unviable and there would be a significant pressure on the Council's finances.
- 6.7.2 The IAS also has a return target of £5.2m per year in the MTFs, which means that the return expectation for each scheme is not to breakeven, but to provide an excess return. The £5.2m includes returns from residential and commercial

schemes. The investment target has not been met since it was set. Overall, there has been outperformance when taking into account the excess return from treasury management activity. The IAS has built up a reserve of £16.7m over a number of years, predominantly from treasury excess return and the current forecast is for there to be a large excess return from treasury management during 2022/23. The IAS reserve is held to mitigate the increased risk associated with the scale of redevelopment and commercial activity that the Council is undertaking. This acts as protection for the local taxpayer and aims to safeguard service delivery should the IAS fail to achieve its budgeted financial return. It should be noted that the IAS reserve could only currently cover 3 years of budgeted returns if the income target was missed.

- 6.7.3 The IAS has had a number of commercial successes, with Muller and potentially Welbeck providing a return to the Council, but also a much-needed return of cash to help fund the rest of the strategy, helping to reduce the need for the Council to borrow in 2022/23. These returns, which include both capital receipts and revenue income, could potentially be used to support 3B, both by funding the infrastructure costs and also by increasing the IAS reserve, which could fund the cashflows deficits for 3B. However, it would require Members to agree to use these returns to fund a scheme that is significantly unviable and would mean it would not be available for other developments or even other council services and would increase the risk on the Council's financial sustainability.

6.8 **Leverage**

- 6.8.1 The £5.2m return was originally based on IAS borrowing of £100m, which increased to £350m and now is approx. £1bn. The return target of £5.2m is not forecast to be met by the £1bn of assets, with a forecast of around £4m per year. By adding 3B, the size of the funding would increase to £1.14bn but with a return that is between £1m to £2m a year lower than currently forecast. Adding 3B will both increase the borrowing but also reduce the return, reducing the return provided by the IAS from 0.5% to between 0.25% and 0.15%.

- 6.8.2 These returns leave very little margin available for both the Council and Reside should there be a pressure on the strategy from a variety of market conditions. It also reduces the options available to both the Council and Reside around rent increases and for future schemes that potentially may also struggle with viability issues.

6.9 **Cost of Borrowing**

- 6.9.1 The IAS has remained viable and has been able to build up a reserve due to treasury outperformance and by locking in cheap, long-term borrowing rates. This outperformance is also now being supplemented by some excellent returns from Muller and Welbeck and other commercial purchases.
- 6.9.2 However, although a significant amount of long-term borrowing has been secured (£740m) there is still a need to borrow £240m for the currently agreed schemes, predominantly for Beam Park. The £138m required for 3B will need to be borrowed in the future, along with the £240m and this is at a time when interest rates are increasing and are likely to increase further in the short-term. Below is a chart of the interest rate movements over the past year for the 25-year gilt, showing the rates

have increased from 1% to nearly 4.5%. The PWLB rate is based on the value of gilts plus a margin of 0.8%, which would mean that the borrowing rate would be approximately 5.3%:



6.9.3 The Council does not need to borrow currently as it still has cash balances of over £110m and the potential sale of Welbeck, which will provide cash, but equally there are further acquisitions and developments that potentially will require funding. In addition, grant and then the sale of units purchased on Thames Road is now not forecast to be received for a number of years.

6.9.4 Overall, there is now a very large and difficult to forecast pressure within treasury from the cost of future borrowing requirements. The chart below outlines the annual interest costs when the Council needs to borrow long term to fund 3B. The 2% is the rate used to fund all the other schemes within the strategy, the 4% rate is the current forecast, the 5.5% is where rates currently are and 8% is potentially where they could go in the short-term, but this could end up being for a much longer-term dependant on wider economic factors.

Amount	Borrowing Costs	Annual Interest
138,000,000.00	2%	2,760,000
138,000,000.00	4%	5,520,000
138,000,000.00	5.5%	7,590,000
138,000,000.00	8%	11,040,000

6.9.5 Using a fairly simplistic calculation, should the Council need to use borrowing at 5.5% to fund 3B, it will result in the average annual scheme deficit increasing over the first twenty years to between £3m and £4m, and increasing to £6.5 to £7.5m per year if borrowing was at 8%.

6.9.6 It is important to note that treasury will not seek to lock in rates at these higher rates and will target the 4% (or lower) modelled but this potentially would require an increase in short-term borrowing and this would increase the risk to the Council from refinancing and also its exposure to further interest rate increases.

6.10 Size of 3B borrowing and overall future borrowing requirement

6.10.1 3B is one of the largest schemes in the IAS with 334 units, requiring borrowing of £138m. Its impact on the overall strategy is therefore significant and the impact of the negative cashflows will have a large impact on the overall IAS return and, as outlined in section 6.6, the size of the borrowing will have an impact. There are reasons put forward in the paper as to why this scheme should proceed and these also need to be carefully considered.

6.10.2 As a one-off investment, the IAS could potentially absorb the losses and could mitigate, to a degree, the additional borrowing costs, with the potential sale of some of the commercial schemes used to offset the borrowing requirement, as well as the use of the IAS reserve to smooth out the deficit years. However, this will mean that future schemes will need to be viable but will also need to potentially model a higher borrowing rate, potentially of 5% or even higher. It is therefore important to highlight that the build cost, borrowing costs but also the underperformance of the IAS residential schemes, will restrict the future IAS pipeline.

6.11 Option Analysis

6.11.1 The paper outlines a number of alternative options to not agreeing this scheme. A number of these options have not been fully reviewed and have resulted in the recommended option being to agree an unviable scheme (Option E – Enter into a build contract to deliver the consented scheme). It will be important that for future schemes, options around mothballing, alternative tenures and alternative options should be fully considered. In addition, the reputational risk of agreeing an unviable scheme should also be carefully considered against the reputational risk of not building the scheme.

6.11.2 Option E analysis

The paper recommends option E, which is to agree a maximum price and agreeing £12.22m of enabling works. This would mean agreeing a scheme that is significantly unviable but also with the potential that the scheme does not get built as build costs increase to a level that the builder decides that the maximum price is too low. This is a very high risk for the Council with little protection and the likely best-case scenario being the scheme is built at the price in the report.

The report does include a number of options to improve viability and the likelihood and impact of these is summarised below:

- i) Securing additional grant (e.g. from the GLA, extra RTB, or s.106/CIL) – Additional GLA Grant £180k each LAR unit (option A) and add £5.9m of LBBD grant subsidy to pay for the public realm infrastructure works (option B)

Financial Implications: Additional GLA grant would improve the schemes viability. Larger LAR units are unviable. With a fixed LAR grant per unit, for this scheme to be viable, the LAR units will need to be restricted to one and two bed units. If the same number of units were provided but all one and two-bed, then the scheme viability would improve significantly and if the larger units were provided as AR this would again improve viability. A summary of the tenures

and the unit sizes are below, with the LAR units of 3 bed and above being the main drivers behind the negative returns for this scheme.

	LAR	AR	Market Rent	Total
1b2p	4	42	41	87
2b3p			38	38
2b4p	36	34	54	124
3b4p			6	6
3b5p	16	1	6	23
3b6p			22	22
4b6p	11			11
4b7p	23			23
Total	90	77	167	334

Using s106 or potentially capital receipts to fund public realm infrastructure would reduce the size of the deficits but would tie up funding that could be used elsewhere.

- ii) Explore opportunities for reducing operating costs (and increasing net income), by developing a holistic management strategy for the entire Gascoigne Estate, that delivers a good quality service for residents, whilst achieving operational efficiencies through economies of scale. (option B)

Financial Implications: improving operational efficiency will not just improve this schemes' viability but also the overall IAS viability. However currently there is limited information on operational costs and there is the potential for these to increase rather than decrease due to inflation and the high costs of providing this within the Council and its subsidiary companies. Urgent work on establishing the actual operational costs, a significant improvement in reporting and a plan to introduce efficiency, which should include market testing, is essential.

- iii) Review market rent values. Increase rental inflation to 3.5% on MR & Affordable Rent (AR) to handover (option C)

Financial Implications: for schemes coming to market within Gascoigne, rental values have been lower than modelled, in some cases they have been significantly lower. Both the initial rent and the rent inflation that is modelled does include some optimism within the assumptions and increasing this to 3.5% would set a target that is less prudent than usually modelled and there is no reason why 3B would be able to achieve this over other schemes. This option is usually included as part of sensitivity analysis.

iv) £5m VE savings through design and ERs review (option E)

Financial Implications: reducing the build costs would, in isolation, improve viability but it is essential that this is restricted to a saving for the Council and does not impact on the quality of the scheme or result in increased maintenance and life cycle costs.

6.11.3 The options to improve viability are difficult and do not result in a scheme that has positive cashflows and will require the use of profits from the commercial schemes and section 106 contributions. Some of the proposals will impact the wider investment strategy and improving the forecast returns for the whole IAS will help absorb losses for this scheme.

6.11.4 However, there are other pressures that may result in the assumptions being worse than currently being modelled and could lead to a larger deficit. The cashflows from each option is provided below but it is important to note that the base scenario is currently the most likely option.

Year	BASE	A	B	C	D	E
1	-£1,356,533	-£1,129,376	-£1,016,213	-£937,975	-£656,736	-£469,606
2	-£1,083,723	-£856,566	-£741,139	-£660,551	-£379,311	-£192,182
3	-£2,262,821	-£2,035,663	-£1,917,929	-£1,834,938	-£1,553,698	-£1,366,568
4	-£2,125,038	-£1,897,880	-£1,777,791	-£1,692,306	-£1,411,066	-£1,223,937
5	-£1,982,807	-£1,755,650	-£1,633,159	-£1,545,096	-£1,263,857	-£1,076,727
6	-£1,858,760	-£1,631,603	-£1,506,662	-£1,416,196	-£1,134,956	-£947,827
7	-£1,936,165	-£1,709,008	-£1,581,568	-£1,488,606	-£1,207,367	-£1,020,237
8	-£1,808,913	-£1,581,756	-£1,451,767	-£1,356,251	-£1,075,011	-£887,882
9	-£1,677,935	-£1,450,777	-£1,318,189	-£1,220,046	-£938,806	-£751,677
10	-£3,438,835	-£3,211,677	-£3,076,437	-£2,975,592	-£2,694,352	-£2,507,223
11	-£1,404,301	-£1,177,143	-£1,039,199	-£935,583	-£654,343	-£467,214
12	-£1,456,556	-£1,229,399	-£1,088,695	-£982,224	-£700,984	-£513,855
13	-£1,114,351	-£887,194	-£743,676	-£634,262	-£353,023	-£165,893
14	-£962,951	-£735,794	-£589,406	-£476,980	-£195,741	-£8,611
15	-£5,008,581	-£4,781,424	-£4,632,108	-£4,516,566	-£4,235,326	-£4,048,197
16	-£646,664	-£419,506	-£267,204	-£148,479	£132,761	£319,890
17	-£481,516	-£254,359	-£99,010	£23,002	£304,241	£491,371
18	-£311,502	-£84,345	£74,110	£199,495	£480,734	£667,864
19	-£136,496	£90,661	£252,286	£381,144	£662,383	£849,513
20	-£7,195,731	-£6,968,573	-£6,803,717	-£6,671,285	-£6,390,045	-£6,202,916
21	£229,146	£456,303	£624,457	£760,552	£1,041,792	£1,228,921
22	£420,068	£647,226	£818,743	£958,617	£1,239,857	£1,426,986
23	£616,623	£843,780	£1,018,728	£1,162,480	£1,443,720	£1,630,849
24	£571,483	£798,640	£977,087	£1,124,831	£1,406,071	£1,593,200
25	£1,027,268	£1,254,426	£1,436,441	£1,588,286	£1,869,526	£2,056,655
26	£1,241,700	£1,468,857	£1,654,513	£1,810,585	£2,091,824	£2,278,954
27	£1,462,457	£1,689,614	£1,878,983	£2,039,399	£2,320,639	£2,507,768
28	£1,689,726	£1,916,883	£2,110,039	£2,274,917	£2,556,156	£2,743,286
29	£1,923,676	£2,150,833	£2,347,853	£2,517,325	£2,798,565	£2,985,695
30	-£13,631,129	-£13,403,972	-£13,203,012	-£13,028,818	-£12,747,578	-£12,560,449
31	£2,412,506	£2,639,663	£2,844,642	£3,023,685	£3,304,925	£3,492,054
32	£2,667,773	£2,894,930	£3,104,009	£3,288,053	£3,569,293	£3,756,422
33	£2,930,577	£3,157,734	£3,370,994	£3,560,169	£3,841,408	£4,028,538
34	£3,201,124	£3,428,281	£3,645,806	£3,840,275	£4,121,514	£4,308,644
35	£3,479,657	£3,706,814	£3,928,690	£4,128,596	£4,409,836	£4,596,965
36	£3,452,554	£3,679,711	£3,906,025	£4,111,518	£4,392,758	£4,579,887
37	£4,061,639	£4,288,796	£4,519,636	£4,730,875	£5,012,115	£5,199,244
38	£4,365,580	£4,592,737	£4,828,193	£5,045,339	£5,326,579	£5,513,708
39	£4,678,476	£4,905,633	£5,145,799	£5,369,042	£5,650,282	£5,837,411
40	-£6,848,094	-£6,620,937	-£6,375,968	-£6,146,474	-£5,865,234	-£5,678,104

Year	BASE	A	B	C	D	E
41	£5,332,282	£5,559,439	£5,809,307	£6,045,234	£6,326,474	£6,513,603
42	£5,673,745	£5,900,903	£6,155,768	£6,398,309	£6,679,549	£6,866,679
43	£6,025,283	£6,252,440	£6,512,403	£6,761,755	£7,042,994	£7,230,124
44	£6,387,211	£6,614,369	£6,879,531	£7,135,888	£7,417,128	£7,604,257
45	-£850,562	-£623,404	-£352,939	-£89,373	£191,867	£378,997
46	£7,143,467	£7,370,624	£7,646,499	£7,917,478	£8,198,718	£8,385,847
47	£7,538,431	£7,765,588	£8,046,980	£8,325,582	£8,606,821	£8,793,951
48	£7,547,030	£7,774,187	£8,061,207	£8,347,647	£8,628,887	£8,816,016
49	£8,363,755	£8,590,912	£8,883,672	£9,178,186	£9,459,426	£9,646,555
50	£2,127,369	£2,354,526	£2,653,142	£2,955,948	£3,367,489	£3,554,605

6.12 Summary

- 6.12.1 Overall the key financial implication is that this scheme is unviable on all metrics set for the IAS. If agreed the scheme will lose the Council money based on current assumptions and these losses will need to be absorbed by surpluses from the rest of the IAS but also potentially from reserves and then potentially from a reduction in funding for services.
- 6.12.2 The impact of these losses will begin in 2025/26 or possibly even further into the future and it is nearly impossible to predict the state of the Council's finances, the returns being generated by the IAS as well as reserves and the macro-economic conditions and regulatory environment in the medium to long term. Given the market conditions have generally deteriorated over the past few years and the real pressure being experienced from both inflation and the increase in borrowing costs, it would be prudent for the Council to only agree schemes that are viable and also have an excess return buffer or alternatively are viable based on worst case rather than best case scenarios.
- 6.12.3 The Council has recently agreed Trocoll, a scheme that had a number of negative cashflows, which increased the pressure on the IAS. Agreeing another scheme, with much bigger deficits and over a much longer period of time, will again increase the pressure on the IAS.
- 6.12.4 The Council has had some successes from its commercial and treasury strategy and these have put it into a strong position to be able to absorb some losses, but, if 3B is agreed, it will be important to ring fence that funding to provide protection to the strategy should market conditions worsen.
- 6.12.5 The reasons behind why it may be necessary to agree this scheme need to be reviewed to ensure that similar schemes, with similar drivers are not in the pipeline. It is also important for Members to be aware that the current market pressures are likely to slow down regeneration within the borough but also likely mean that some regeneration strategies will need to be amended to focus on more viable alternatives.
- 6.12.6 A big driver behind the IAS remaining viable has been treasury management and the borrowing strategy will continue to seek to lock in low long-term rates. However currently the market conditions have meant that this is difficult to do and is reflected in the increased funding rate used for 3B of 4%.

7. Legal Implications

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

- 7.1 This development has been considered by the Cabinet in April 2021 and was agreed. Since that time much work has been carried out including the substantial decanting of the occupiers at the time. This is an important milestone and achievement. Since the report even though the UK as indeed the world as a whole had experienced a catastrophic upheaval both socially and economically, matters have been further compounded by war in eastern Europe that could not be predicted at the time of the Cabinet report. 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.
- 7.2 Furthermore as explained a revised regulatory framework for building and environment is imminent. Delay in proceeding with the development will mean that these changes will impact significantly on the project with substantial extra costs due to changes in methods and construction and need to get compliance with the planning regime. The contract to the contractor was awarded off one of the Be First Frameworks.
- 7.3 Advice has been given that it is possible to change the contract terms and conditions from JCT to a Constructing Excellence form of contract. 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%. It is considered that the recent events such as war in Europe are not those which could reasonably be contemplated and would be the kind of circumstances that Regulation 72 apply.
- 7.4 Option E is the preferred recommendation, with the Council's legal advisors Gowlings advising on the terms which can be utilised to enable the Council to terminate prior to the commencement of the main works. In terms of viability and costs the picture is that it is unlikely that the cost is likely to come down in any way, to the contrary the imminent changes to the statutory regulatory framework and compliance will raise costs significantly due to redesign and fresh specification. These costs may reach a point when the project ceases over its lifespan to be viable and if that is the case it needs to be highlighted and whatever necessary action taken. In the current economic climate and price inflation such an eventuality is a reasonable possibility and such a contingency should have ready prepared a viable action response plan which would need to be considered by the Investment Panel as part of the delegation before any irreversible commitment be made.

8. Procurement Implications

Implications completed by: Euan Beales, Head of Procurement

- 8.1 The report outlines that a procurement to appoint Wates has already been conducted, with the recommendation to change the terms and conditions that will be used from JCT to Constructing Excellence. The scope that the original framework was let on allows for a change away from the original call off terms (JCT with amends) if agreed by both parties (clause 18.3 and 18.4).
- 8.2 From a purely procurement process focus, the processes detailed in the Be First Development Framework Lot 2 appear to have been complied with and, as stated above, the decision to amend the terms used is permissible within the structure of the core framework.
- 8.3 The main considerations are more from a risk mitigation point. In using the Gross Maximum Price model, the Council will only be able to withdraw at the point the costs exceed the cap, so consideration needs to be made to enable the Council to withdraw if not financially viable but under the agreed cap. In addition, it should be noted that any final value that is achieved under the cap will be split between the two parties, but ideally would like to see how probable that scenario would be.

9. Risk Management

Cost increases

- 9.1 There is a risk that the final contract price exceeds the Gross Maximum Price. Under the CE contract the contractor will carry out the tender pricing on an open book basis, which will be monitored as tender package prices are submitted by the sub-contractors. As the first package prices are returned, this will provide an early indication on the level of risk of not achieving the GMP and provide time to identify measures to mitigate this risk. In the event that the final contract price is higher than the GMP, the Council has the ability to terminate the contract.
- 9.2 In addition 5% contingency on the works costs has been allowed for in the project budgets to accommodate residual cost risks.

Programme delays

- 9.3 There are still 22 properties to be decanted There are a number of 4 and 5 bed needs and cases. The priority will be to decant Anderson House as it has only 5 tenants remaining is part of a group of LPS blocks the Council need to relocate tenants from quickly. Bi- weekly status reports will be provided to the contractor so that the phasing and programme of the demolition works can be managed accordingly to minimise delays.

Design Risk

- 9.4 There is a risk of coordination and compliance issues arising during detailed design development, which may require changes to the design, that could have planning, cost and programme implications. A technical audit has been undertaken by the architects, confirming that the design is compliant with current regulations. The

detailed design development will be regularly monitored with the contractor. Changes will only be made subject to Be First approval to ensure control over the design is retained.

Security

- 9.5 There is a risk of squatters occupying the vacant buildings. Anderson House, Coverdales and Dovehouse Mead are all within the Council's management. To mitigate the risk of squatters, the Council has instructed its term security contractor to carry out regular patrols.

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

List of appendices:

Appendix 1: GEP3B Site Plan, Gascoigne East Phases Plan and Delivery Programme

Appendix 2: GEP3B Massing and Layout Plans

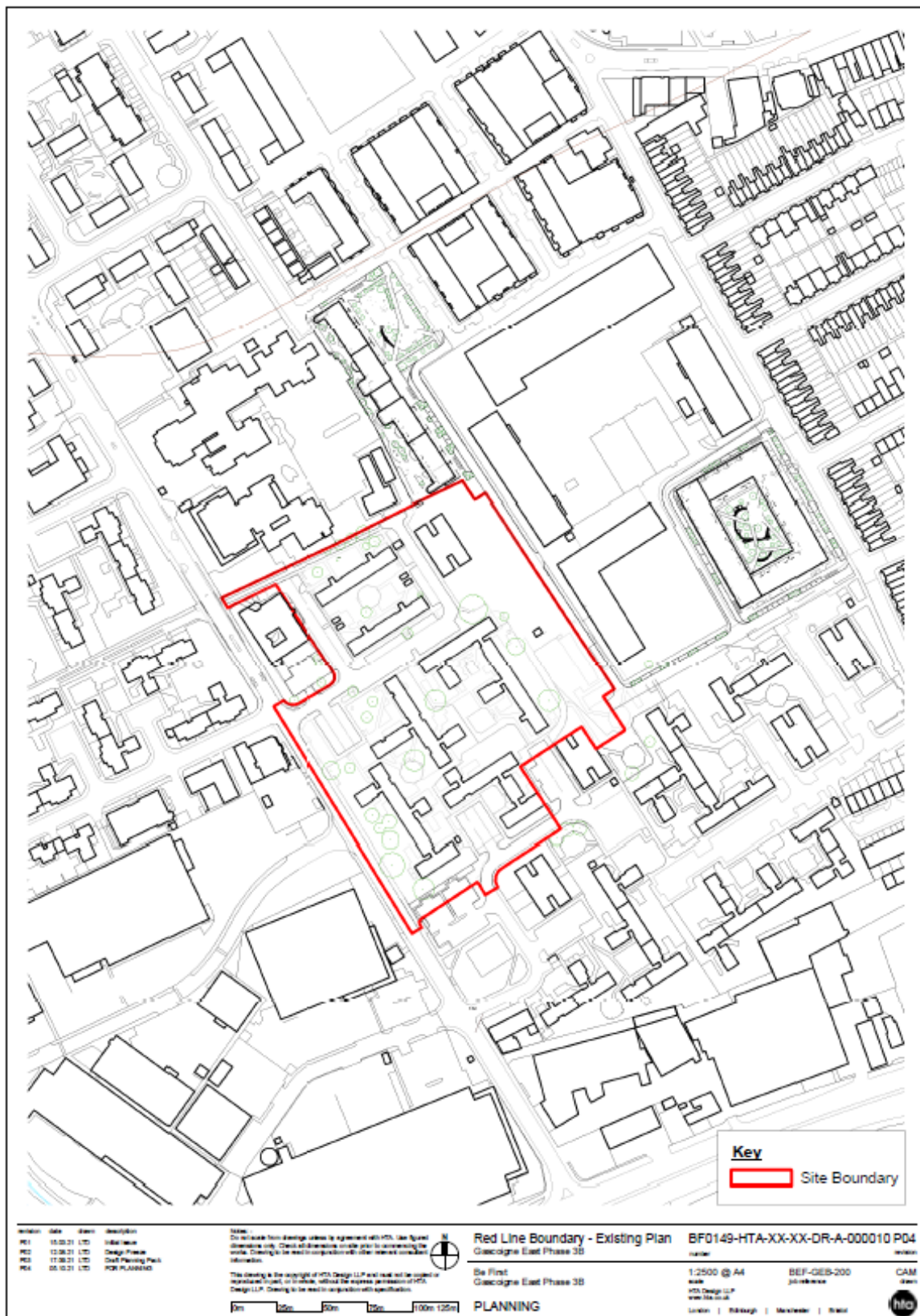
Appendix 3: Viability Improvement Steps Cashflow

Appendix 4: Gowling WLG Legal Advice on the Constructing Excellence Contract
(exempt document)

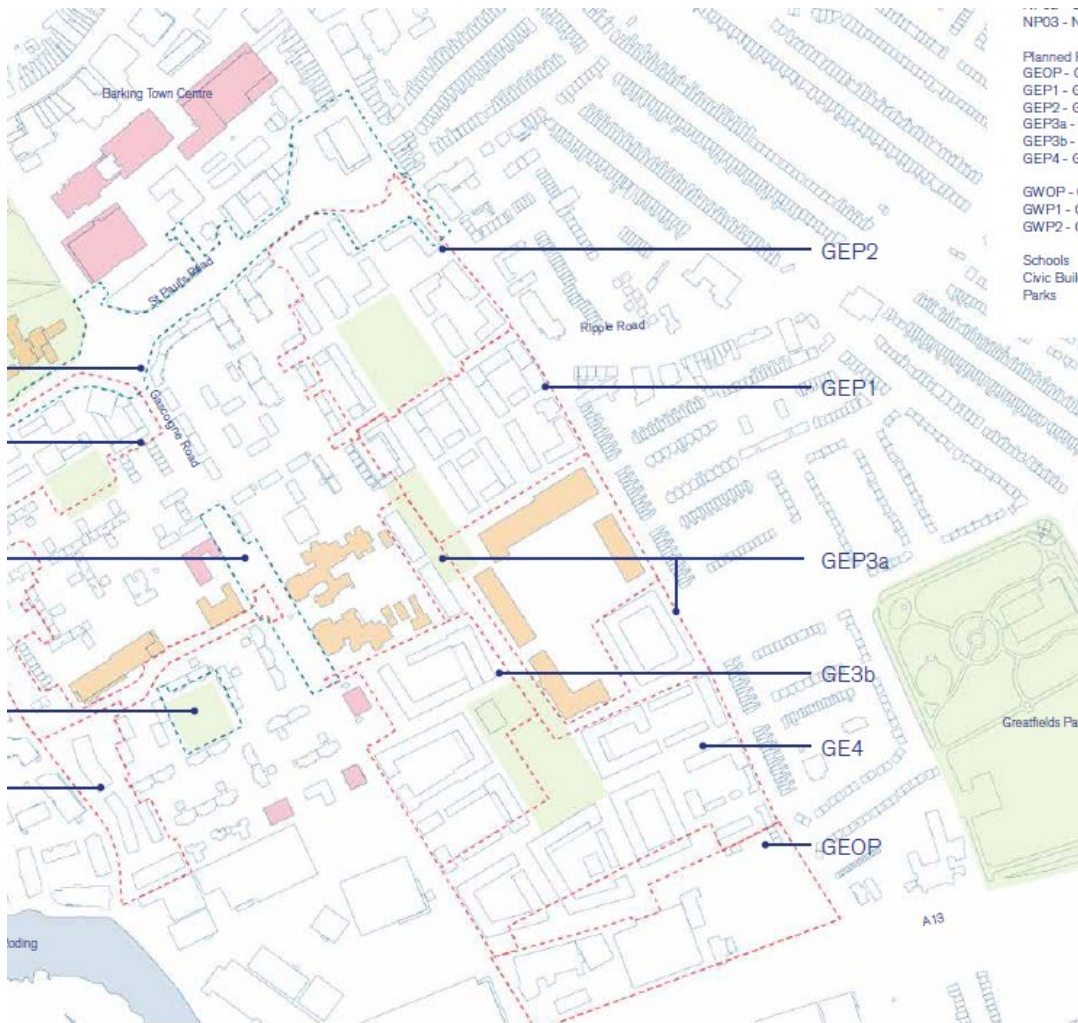
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GEP3B Site Plan, Gascoigne East Phases Plan and Delivery Programme

Site Plan



Gascoigne East Phases Plan



Gascoigne East Delivery Programme

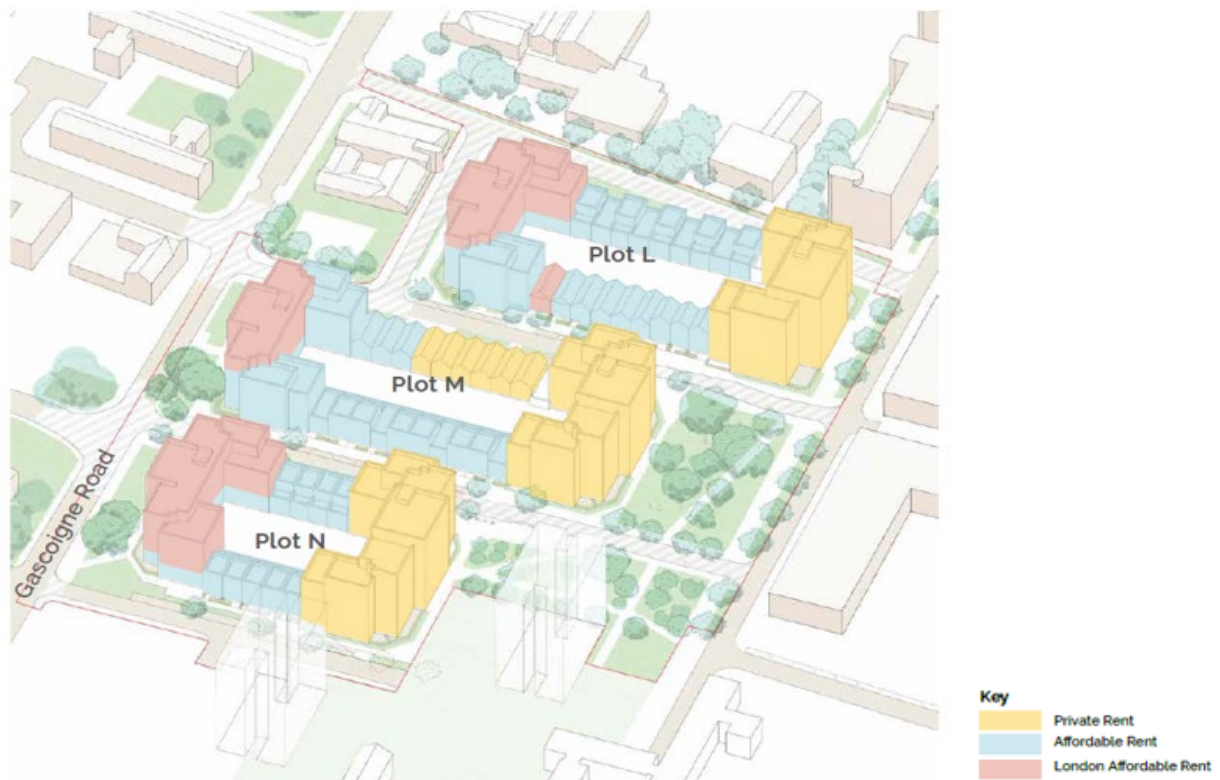
Gascoigne East	Private units	Affordable Units	Total units	Start on Site	Completion
Phase 2 Block C1	0	52	52	March 2020	Completed
Phase 2 Block E2	72	87	159	Jan 2021	Jan 2023
Phase 2 Block F1/F2	92	131	223	March 2021	Dec 2023
Phase 2 Block E1	112	0	112	June 2023	June 2025
Phase 3A Block J	0	124	124	April 2021	Sept 2023
Phase 3A Block I	102	0	102	Nov 2021	June 2024
Phase 3B	167	167	334	March 2023	Sept 2025
Total	545	561	1,106		
	49%	51%			

GEP3B Massing and Layout Plans

GEP3B Layout Plan



GEP3B Massing Plan



Apartment Block Image



Houses Image



Viability Improvement Steps Cashflow

Year	BASE	A	B	C	D	E	Total A - E Cumulative
1	-£1,356,533	-£1,129,376	-£1,016,213	-£937,975	-£656,736	-£469,606	-£469,606
2	-£1,083,723	-£856,566	-£741,139	-£660,551	-£379,311	-£192,182	-£661,788
3	-£2,262,821	-£2,035,663	-£1,917,929	-£1,834,938	-£1,553,698	-£1,366,568	-£2,028,356
4	-£2,125,038	-£1,897,880	-£1,777,791	-£1,692,306	-£1,411,066	-£1,223,937	-£3,252,293
5	-£1,982,807	-£1,755,650	-£1,633,159	-£1,545,096	-£1,263,857	-£1,076,727	-£4,329,020
6	-£1,858,760	-£1,631,603	-£1,506,662	-£1,416,196	-£1,134,956	-£947,827	-£5,276,847
7	-£1,936,165	-£1,709,008	-£1,581,568	-£1,488,606	-£1,207,367	-£1,020,237	-£6,297,084
8	-£1,808,913	-£1,581,756	-£1,451,767	-£1,356,251	-£1,075,011	-£887,882	-£7,184,966
9	-£1,677,935	-£1,450,777	-£1,318,189	-£1,220,046	-£938,806	-£751,677	-£7,936,643
10	-£3,438,835	-£3,211,677	-£3,076,437	-£2,975,592	-£2,694,352	-£2,507,223	-£10,443,866
11	-£1,404,301	-£1,177,143	-£1,039,199	-£935,583	-£654,343	-£467,214	-£10,911,080
12	-£1,456,556	-£1,229,399	-£1,088,695	-£982,224	-£700,984	-£513,855	-£11,424,935
13	-£1,114,351	-£887,194	-£743,676	-£634,262	-£353,023	-£165,893	-£11,590,828
14	-£962,951	-£735,794	-£589,406	-£476,980	-£195,741	-£8,611	-£11,599,439
15	-£5,008,581	-£4,781,424	-£4,632,108	-£4,516,566	-£4,235,326	-£4,048,197	-£15,647,636
16	-£646,664	-£419,506	-£267,204	-£148,479	£132,761	£319,890	-£15,327,746
17	-£481,516	-£254,359	-£99,010	£23,002	£304,241	£491,371	-£14,836,375
18	-£311,502	-£84,345	£74,110	£199,495	£480,734	£667,864	-£14,168,511
19	-£136,496	£90,661	£252,286	£381,144	£662,383	£849,513	-£13,318,998
20	-£7,195,731	-£6,968,573	-£6,803,717	-£6,671,285	-£6,390,045	-£6,202,916	-£19,521,914
21	£229,146	£456,303	£624,457	£760,552	£1,041,792	£1,228,921	-£18,292,993
22	£420,068	£647,226	£818,743	£958,617	£1,239,857	£1,426,986	-£16,866,007
23	£616,623	£843,780	£1,018,728	£1,162,480	£1,443,720	£1,630,849	-£15,235,158
24	£571,483	£798,640	£977,087	£1,124,831	£1,406,071	£1,593,200	-£13,641,958
25	£1,027,268	£1,254,426	£1,436,441	£1,588,286	£1,869,526	£2,056,655	-£11,585,303
26	£1,241,700	£1,468,857	£1,654,513	£1,810,585	£2,091,824	£2,278,954	-£9,306,349
27	£1,462,457	£1,689,614	£1,878,983	£2,039,399	£2,320,639	£2,507,768	-£6,798,581
28	£1,689,726	£1,916,883	£2,110,039	£2,274,917	£2,556,156	£2,743,286	-£4,055,295
29	£1,923,676	£2,150,833	£2,347,853	£2,517,325	£2,798,565	£2,985,695	-£1,069,600
30	-£13,631,129	-£13,403,972	-£13,203,012	-£13,028,818	-£12,747,578	-£12,560,449	-£13,630,049
31	£2,412,506	£2,639,663	£2,844,642	£3,023,685	£3,304,925	£3,492,054	-£10,137,995
32	£2,667,773	£2,894,930	£3,104,009	£3,288,053	£3,569,293	£3,756,422	-£6,381,573
33	£2,930,577	£3,157,734	£3,370,994	£3,560,169	£3,841,408	£4,028,538	-£2,353,035
34	£3,201,124	£3,428,281	£3,645,806	£3,840,275	£4,121,514	£4,308,644	£1,955,609
35	£3,479,657	£3,706,814	£3,928,690	£4,128,596	£4,409,836	£4,596,965	£6,552,574
36	£3,452,554	£3,679,711	£3,906,025	£4,111,518	£4,392,758	£4,579,887	£11,132,461
37	£4,061,639	£4,288,796	£4,519,636	£4,730,875	£5,012,115	£5,199,244	£16,331,705
38	£4,365,580	£4,592,737	£4,828,193	£5,045,339	£5,326,579	£5,513,708	£21,845,413
39	£4,678,476	£4,905,633	£5,145,799	£5,369,042	£5,650,282	£5,837,411	£27,682,824

40	-£6,848,094	-£6,620,937	-£6,375,968	-£6,146,474	-£5,865,234	-£5,678,104	£22,004,720
41	£5,332,282	£5,559,439	£5,809,307	£6,045,234	£6,326,474	£6,513,603	£28,518,323
42	£5,673,745	£5,900,903	£6,155,768	£6,398,309	£6,679,549	£6,866,679	£35,385,002
43	£6,025,283	£6,252,440	£6,512,403	£6,761,755	£7,042,994	£7,230,124	£42,615,126
44	£6,387,211	£6,614,369	£6,879,531	£7,135,888	£7,417,128	£7,604,257	£50,219,383
45	-£850,562	-£623,404	-£352,939	-£89,373	£191,867	£378,997	£50,598,380
46	£7,143,467	£7,370,624	£7,646,499	£7,917,478	£8,198,718	£8,385,847	£58,984,227
47	£7,538,431	£7,765,588	£8,046,980	£8,325,582	£8,606,821	£8,793,951	£67,778,178
48	£7,547,030	£7,774,187	£8,061,207	£8,347,647	£8,628,887	£8,816,016	£76,594,194
49	£8,363,755	£8,590,912	£8,883,672	£9,178,186	£9,459,426	£9,646,555	£86,240,749
50	£2,127,369	£2,354,526	£2,653,142	£2,955,948	£3,367,489	£3,554,605	£89,795,354

By virtue of paragraph(s) 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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