

Notice of Meeting of the

ASSEMBLY

**to be held on Friday, 19 July 2024
commencing at 7:00 pm in the
Council Chamber, Town Hall, Barking**



Councillors and senior officers are also invited to attend a presentation in the Council Chamber at 6.00 pm on the topic of Facial Recognition Technology.

To all Members of the Council of the London Borough of Barking and Dagenham

Date of publication: 11th July 2024

Fiona Taylor
Chief Executive

Contact Officer: Leanna McPherson
Tel: 020 8227 2852
E-mail: leanna.mcpherson@lbbd.gov.uk

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 15th May 2024 (Pages 5 - 14)

4. Leader's Statement

The Leader will present his statement.

5. Appointments

The Labour Group Secretary will announce any nominations to fill vacant positions on Council committees or other bodies.

6. Treasury Management Annual Report 2023/24 (Pages 15 - 52)

7. Motions

8. Questions With Notice

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

10. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.

Private Business

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

11. Any 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

- Residents are supported during the current Cost-of-Living Crisis;
- Residents are safe, protected, and supported at their most vulnerable;
- Residents live healthier, happier, independent lives for longer;
- Residents prosper from good education, skills development, and secure employment;
- Residents benefit from inclusive growth and regeneration;
- Residents live in, and play their part in creating, safer, cleaner, and greener neighbourhoods;
- Residents live in good housing and avoid becoming homeless.

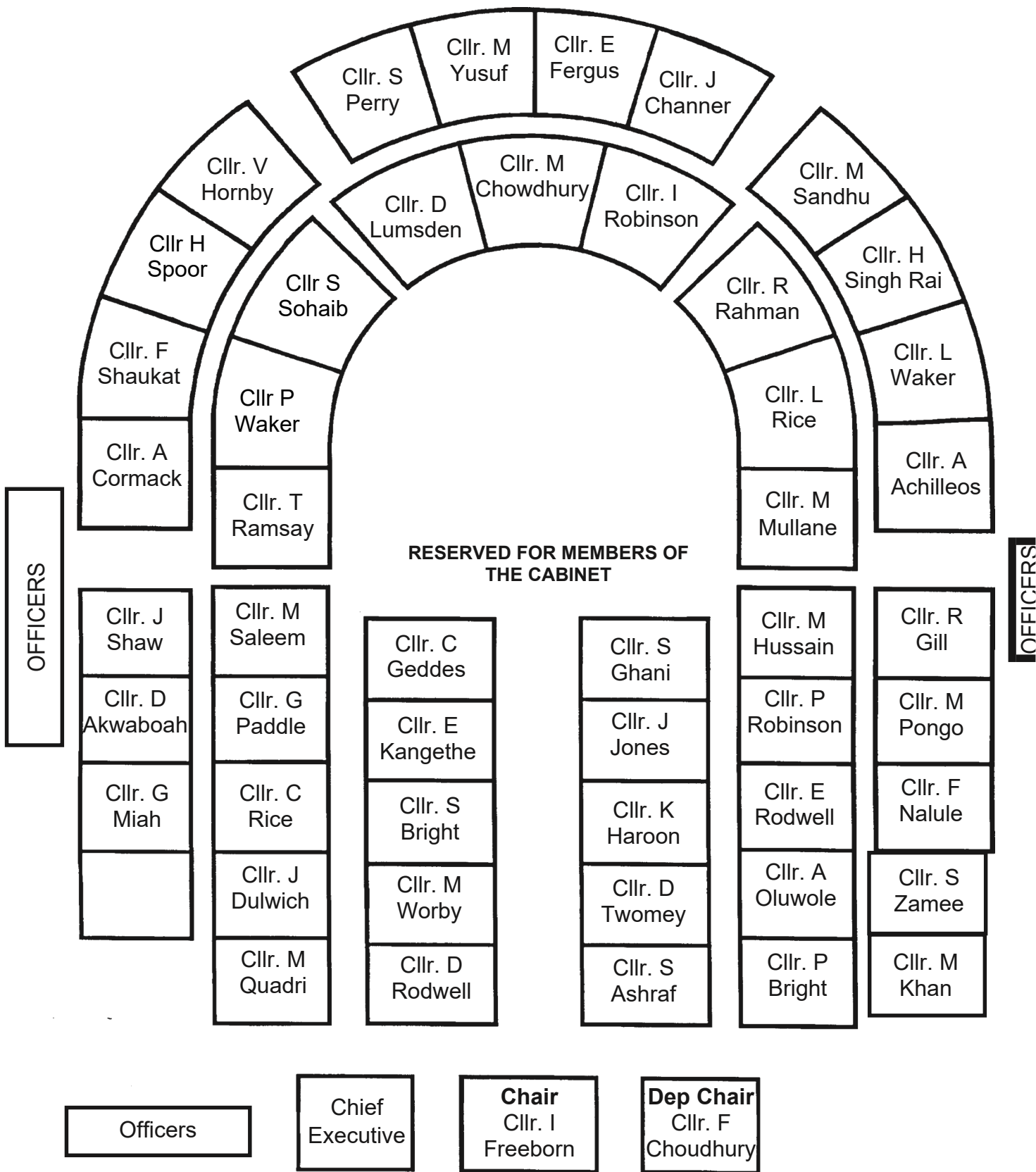
To support the delivery of these priorities, the Council will:

- Work in partnership;
- Engage and facilitate co-production;
- Be evidence-led and data driven;
- Focus on prevention and early intervention;
- Provide value for money;
- Be strengths-based;
- Strengthen risk management and compliance;
- Adopt a “Health in all policies” approach.

The Council has also established the following three objectives that will underpin its approach to equality, diversity, equity and inclusion:

- Addressing structural inequality: activity aimed at addressing inequalities related to the wider determinants of health and wellbeing, including unemployment, debt, and safety;
- Providing leadership in the community: activity related to community leadership, including faith, cohesion and integration; building awareness within the community throughout programme of equalities events;
- Fair and transparent services: activity aimed at addressing workforce issues related to leadership, recruitment, retention, and staff experience; organisational policies and processes including use of Equality Impact Assessments, commissioning practices and approach to social value.

BARKING TOWN HALL COUNCIL CHAMBER



SEATING PLAN FOR THE ASSEMBLY

This page is intentionally left blank

MINUTES OF ASSEMBLY

Wednesday, 15 May 2024
(7:00 - 8:06 pm)

PRESENT

Cllr Irma Freeborn (Chair)

Cllr Andrew Achilleos	Cllr Dorothy Akwaboah	Cllr Saima Ashraf
Cllr Princess Bright	Cllr Josie Channer	Cllr Muhib Chowdhury
Cllr Alison Cormack	Cllr Cameron Geddes	Cllr Syed Ghani
Cllr Rocky Gill	Cllr Kashif Haroon	Cllr Victoria Hornby
Cllr Manzoor Hussain	Cllr Jane Jones	Cllr Elizabeth Kangethe
Cllr Mohammed Khan	Cllr Giasuddin Miah	Cllr Fatuma Nalule
Cllr Adegboyega Oluwole	Cllr Simon Perry	Cllr Michel Pongo
Cllr Moin Quadri	Cllr Regina Rahman	Cllr Tony Ramsay
Cllr Hardial Singh Rai	Cllr Lynda Rice	Cllr Ingrid Robinson
Cllr Paul Robinson	Cllr Muhammad Saleem	Cllr Muazzam Sandhu
Cllr Faraaz Shaukat	Cllr Summya Sohaib	Cllr Harriet Spoor
Cllr Dominic Twomey	Cllr Phil Waker	Cllr Maureen Worby
Cllr Mukhtar Yusuf	Cllr Sabbir Zamee	

APOLOGIES FOR ABSENCE

Cllr Faruk Choudhury	Cllr Sade Bright	Cllr John Dulwich
Cllr Edna Fergus	Cllr Donna Lumsden	Cllr Margaret Mullane
Cllr Glenda Paddle	Cllr Chris Rice	Cllr Darren Rodwell
Cllr Emily Rodwell	Cllr Jack Shaw	Cllr Lee Waker

1. Appointment of Chair and Deputy Chair

The Chief Executive opened the meeting and invited nominations for the positions of Chair and Deputy Chair of the Assembly for the 2024/25 municipal year.

The Assembly **resolved** to appoint Councillor Freeborn and Councillor Faruk Choudhury as the Chair and Deputy Chair respectively.

2. Declaration of Members' Interests

There were no declarations of interest.

3. Minutes (28 February 2024)

The minutes of the Assembly meeting held on 28 February 2024 were confirmed as correct.

4. **Death of Former Councillor Jeff Wade**

The Assembly noted with deep regret the passing of former councillor Jeff Wade on 5 March 2024, aged 79.

The Chief Executive introduced a tribute report that reflected on Mr Wade's tenure as a Chadwell Heath ward councillor between May 2010 - May 2018. Several Members paid their own personal tributes to Mr Wade, remarking on his commitment to social justice and his relentless enthusiasm and hard work on behalf of the Labour Party and the Chadwell Heath residents, who he continued to support even after stepping down from the Council.

The Assembly marked the passing of Mr Wade with a minute's silence in his memory.

5. **Leader's Statement**

Councillor Twomey, Deputy Leader and Cabinet Member for Finance, Growth and Core Services, presented the Leader's Statement to the Assembly.

The Leader's Statement covered a range of matters, including:

Serious Incident in Whalebone Lane South: The distressing events that occurred on Thursday 2 May where a young man was attacked in broad daylight by a group of individuals, leaving him in a critical condition in hospital.

Elections on 2 May 2024: The London Mayor and Greater London Assembly elections and other elections held across the country had delivered remarkable results for the national Labour Party who took overall control of an additional eight local councils and won all but one of the 10 metro-Mayoral contests, including Sadiq Khan retaining the seat of London Mayor. Congratulations were also extended to Mr Unmesh Desai on his re-election as Greater London Assembly Member for the City & East constituency.

B&D Jobs and Skills Fair: The latest event hosted by the Barking & Dagenham Employment and Skills service took place on 9 May 2024 and attracted a wide range of employers, recruiters and training providers who were on hand to speak to attendees on new job, apprenticeship and training opportunities in the local area.

Launch of B&D Opportunities: The Council had also recently launched the new B&D Opportunities portal which provided access to a range of training, jobs and business opportunities via the single source.

Care Experienced History Month (CEHM): A flag-raising ceremony marked the launch of CEHM, held in April, and the Council was very proud to participate for the first time and hear from Barking and Dagenham's Mayor, Councillor Donna Lumsden, at the launch event on her own personal experiences as a foster carer.

International Day Against Homophobia, Biphobia and Transphobia: The Council was very proud to be participating in the event that was taking place on 17

May 2024 and stood firm in its belief that hatred and bigotry had no place in a modern society.

New Deputy Cabinet Member Position: Councillor Simon Perry was shortly to be appointed by the Leader as Deputy Cabinet Member for Co-Production, supporting the Cabinet Member for Adult Social Care and Health Integration's portfolio.

British Muslim Awards 2024: The Council's congratulations were extended to Councillor Saima Ashraf, Deputy Leader and Cabinet Member for Community Leadership and Engagement, who was awarded 'Highly Commended' status in the Muslim Woman of the Year Award category at the ceremony held on 10 May 2024.

6. Appointments to the Political Structure and Other Bodies 2024/25

The Chief Executive introduced a report on appointments to the Political Structure and Other Bodies for the 2024/25 municipal year.

The Assembly **resolved** to:

- (i) Approve the appointments to various Council committees and other internal and external bodies, as set out in Appendix 1; and
- (ii) Delegate authority to the Chief Executive, in consultation with the Leader of the Council, to approve the appointment of councillors to fill any vacant positions prior to the next meeting of the Assembly.

7. Appointment of Church Representative (Church of England) Co-optee to the Overview and Scrutiny Committee

The Chief Executive introduced a report on the proposed appointment of a new Church of England representative on the Overview and Scrutiny Committee.

The Chief Executive advised that in accordance with the Education Act 1996 and the Local Government Act 2000, the membership of the Overview and Scrutiny Committee should include Parent Governor and Church representatives who have co-optee status to scrutinise and vote on education-related matters.

The Assembly **resolved** to agree the appointment of Reverend Mark Adams as the Church Representative (Church of England) co-optee on the Overview and Scrutiny Committee.

8. OFSTED Inspection of Children's Services Improvement Plan and the Children's Care and Support Self-Evaluation 2023/24

Further to Minute 10 (17 May 2023), the Cabinet Member for Children's Social Care and Disabilities presented a report on the outcome of the Ofsted inspection of the Council's Children's Care and Support service.

The Cabinet Member advised that a full inspection of the Children's Care and Support service was carried out by Ofsted in July last year and its report was published on 4 September 2023. The service was assessed as 'Requires Improvement to be Good', with a judgement of 'Good' in respect of the

experiences and progress of care leavers, and Ofsted made eight specific recommendations covering the following areas:

- Timeliness of strategy meetings;
- The capacity, quality, consistence and impact of supervision and management oversight;
- Assessment and decision-making for children experiencing neglect;
- Timeliness of pre-proceedings pathways;
- Consistency of response to 16- and 17-year-olds who present as homeless;
- Oversight of children's placements in unregistered children's homes
- Application of threshold in early help; and
- Life-story work and permanence planning

In response to Ofsted's findings, the Council developed an Improvement Plan which was reflected in its Children's Care and Support Self-Evaluation for 2023/24. The self-evaluation was shared with Ofsted, in line with its Inspection of Local Authority Children's Service (ILACS) framework, and an engagement meeting was held on 17 April 2024 where progress was discussed in detail.

The Cabinet Member was pleased to report that the Council had received a positive response from Ofsted on the progress made since its previous full inspection in 2019 and with the Improvement Plan. That progress had been achieved during a particularly challenging period and the Cabinet Member referenced the Covid-19 pandemic, high population growth, increased levels of deprivation and increasing complexity of need as factors which required new approaches and ways of working. The point was also made that the inadequate funding of social care services by the Government was not taken into account by Ofsted.

On the issue of funding, Members called on the Government to overhaul the social care funding system so that all local authorities, and especially those with high levels of deprivation such as Barking and Dagenham, received adequate funding to meet demand. It was acknowledged that without proper funding, the pace at which the Council would be able to implement its Improvement Plan and its ambition to invest in new prevention services would be hampered.

The Assembly **resolved** to:

- (i) Note the Children's Care and Support Ofsted Improvement Plan at Appendix A to the report; and
- (ii) Note the progress made and areas requiring further improvement throughout the duration of the Improvement Plan.

9. Health Scrutiny Committee Annual Report 2022/23

The Chair of the Health Scrutiny Committee, Councillor Paul Robinson, presented the Committee's annual report for 2022/23, outlining the statutory role of the Committee and its key objectives which were centred around ensuring that the needs and experiences of residents were considered as part of the commissioning and delivery of health services in the Borough.

Councillor Robinson advised on the Committee's work programme for 2022/23 and referred to its key achievements, which included:

- Helping to shape the refresh for the Joint Local Health and Wellbeing Strategy for 2023-28;
- Making recommendations to the Early Pregnancy Assessment Unit relating to implementing additional support for fathers and other vulnerable individuals who experienced miscarriage and/or pregnancy loss;
- Making recommendations to improve health inequalities and promoting better access to healthcare for minority groups; and
- Promoting greater collaboration between health and voluntary sectors to improve effective care to residents, especially over the winter period and during the cost-of-living crisis.

Councillor Robinson alluded to other issues that the Committee had looked into during 2022/23 relating to the new integrated care system arrangements, Place-Based partnerships and the potential effects of extreme weather conditions. The Committee had also concluded its scrutiny review on the potential of the voluntary and community sector (VCS) to further contribute to reducing health inequalities within the Borough the potential opportunities for the VCS and residents to have a meaningful role in shaping future strategy / service delivery. Councillor Robinson advised that the Committee's recommendations and the impact of their implementation would be included in a future report.

The Cabinet Member for Adult Social Care and Health Integration placed on record her appreciation to the Committee for its contribution to improving health provision and services in the Borough.

The Assembly **resolved** to note the Health Scrutiny Committee Annual Report 2022/23, as set out at Appendix A to the report.

10. Annual Report of the Director of Public Health 2022/23

The Cabinet Member for Adult Social Care and Health Integration presented the LBBB Director of Public Health's Annual Report for 2022/23, which informed local people about the health of their community as well as providing necessary information for decision-makers in local health services and authorities on health gaps and priorities that needed addressing.

The Cabinet Member encouraged her colleagues to read the Director of Public Health's report in detail as it gave an excellent synopsis of the public health challenges faced in Barking and Dagenham. The Annual Report covered the legacy period of Covid-19 and highlighted its lasting impacts in aspects such as life expectancy and healthy life expectancy determinants for Barking and Dagenham residents. Other key messages within the Annual Report included:

- That only 20% of a person's health care affected / improved their health, with the other 80% determined by factors such as housing, employment and their local environment;
- The need to exploit the opportunities within the Place-based Partnership and locality working to improve healthy life expectancy;
- The need to deliver lifestyle services in a more outcome-based way;

- Local residents were three times more likely to suffer an avoidable death than the 10 least deprived areas in England;
- Plans to enhance the diagnosis of long-term health conditions, as 1 in 3 local residents had at least one long-term condition;
- 24% of Reception-age children were measured as being overweight.
- Breaking down barriers that were causing health inequalities, especially amongst those groups who were considered to be 'hard to reach';
- Understanding who and why people were presenting themselves and having better pathways for referral, to support the prevention and early intervention aims; and
- The disparity between Public Health Grant funding received within Barking and Dagenham compared to other local authorities with similar levels of deprivation and need.

Following the presentation, points were raised regarding healthy eating and the lower nutritional value of many products due to 'forced growing', the financial and other support offered by the Council which had helped reduce residents' anxiety and some of the other stark statistics within the report regarding deprivation and health levels amongst the local community. The benefits of building new family homes with gardens, the need for new legislation to promote healthy eating and new active travel infrastructure and public realm improvements to encourage local residents to cycle and walk more were also highlighted as positive steps that would contribute to a healthier local community.

The Assembly **resolved** to note the Director of Public Health's Annual Report for 2022/23, as set out at Appendix A to the report.

The Chair conveyed her appreciation to the Cabinet Member for Children's Social Care and Disabilities, the Chair of the Health Scrutiny Committee and the Cabinet Member for Adult Social Care and Health Integration for their presentations to this evening's meeting and their hard work and efforts.

11. **Members' Allowances Scheme 2024/25**

The Chief Executive presented a report on the proposed Members' Allowances Scheme for 2024/25, which included the Basic Allowance payable to all councillors and Special Responsibility Allowances (SRAs) for those councillors appointed to specific positions.

It was noted that in approving the Members' Allowances Scheme for 2023/24 (Minute 13, 17 May 2023), the Assembly also agreed that the previous year's percentage increase to allowances as part of the Local Government Services Pay Agreement should be applied to future years' Members' Allowances Schemes, as a way of ensuring that councillors' remuneration kept in line with increases received by staff, albeit a year in arrears. It was further agreed at that meeting that the Dependants' Carers' Allowance be increased in line with the effective date of any uplift to the London Living Wage (LLW). The Chief Executive confirmed that the proposed changes to the Members' Allowances Scheme for 2024/25 merely reflected those previous decisions.

The Assembly **resolved** to adopt the Members' Allowances Scheme 2024/25 at Appendix A to the report, to be effective from 16 May 2024.

12. Appointment of Statutory Scrutiny Officer

Further to Minute 34 (27 September 2023), the Chief Executive presented a report on the proposed appointment of the Council's Director of Strategy, Sal Asghar, as the Council's statutory Scrutiny Officer, in accordance with section 9FB of the Local Government Act 2000 (amended by the Localism Act 2011).

The Assembly **resolved** to designate Sal Asghar, Director of Strategy, as the Council's statutory Scrutiny Officer with effect from 16 May 2024.

13. Motions

There were no motions.

14. Questions With Notice

There were no questions with notice.

This page is intentionally left blank

Main Council Committees Appointments – May 2024

(Appointments are for one year unless otherwise stated)

Committee	Appointments
Assembly	Cllr Freeborn (Chair) and Cllr F Choudhury (Deputy Chair)
Audit and Standards Committee	Cllr P Bright (Chair), Cllr Khan (Deputy Chair), Cllrs Akwaboah, Channer, Gill, Oluwole, Yusuf and Zamee
Health Scrutiny Committee	Cllr P Robinson (Chair), Cllr Pongo (Deputy Chair), Cllrs M Chowdhury, Freeborn, Lumsden and Nalule
JNC Appointments, Structures and Salaries Panel	Cllrs Lumsden, Oluwole, Saleem, Shaukat, P Waker and Yusuf (to form a pool)
Licensing & Regulatory Committee	Cllr Oluwole (Chair), Cllr Zamee (Deputy Chair), Cllrs Cormack, Hornby, Mullane, Rai, L Rice, Sandhu, Sohaib and Spoor
Overview & Scrutiny Committee	Cllr Paddle (Chair), Cllr Akwaboah (Deputy Chair), Cllrs Achilleos, Hussain, Lumsden, Rahman, P Robinson, Sandhu, P Waker and Yusuf
Pensions Committee	Cllr Hussain (Chair), Cllr Gill (Deputy Chair), Cllrs Lumsden, Miah, Ramsay, Sohaib, Yusuf (two-year appointment to May 2026)
Personnel Board	Cllr E Rodwell (Chair), Cllr Nalule (Deputy Chair), Cllr F Choudhury, Dulwich, Hornby, Perry, Rahman, Sandhu and P Waker (to form a pool)
Planning Committee	Cllr Saleem (Chair), Cllr Shaw (Deputy Chair), Cllrs F Choudhury, Cormack, Fergus, Geddes, Miah, Sohaib, Twomey and Zamee

Other Internal / Outside Body Appointments - May 2024
 (Appointments are for one year unless otherwise stated)

Body / Committee	Appointments
East London Waste Authority	Cllrs Akwaboah and Haroon
Employee Joint Consultative Committee	Cllrs Ghani, Hornby, Lumsden, Saleem, Twomey and Yusuf
London Road Safety Council	Cllrs Oluwole and Sandhu (two-year appointment to May 2026)
Member Development Group	Cllr S Bright (Chair), Cllrs P Bright, M Chowdhury, Hornby, Khan, Lumsden, Nalule, Oluwole, Rahman, Rai, I Robinson, Saleem and Zamee
OFSTED Report Panel	Cllr Kangethe (Chair), Cllrs Akwaboah, Fergus, Lumsden, Oluwole, Paddle, Rahman, I Robinson, Sandhu and P Waker

ASSEMBLY**19 July 2024**

Title: Treasury Management Annual Report 2023/24	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open	For Decision
Wards Affected: None	Key Decision: No
Report Author: David Dickinson, Investment Fund Manager	Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Michael Bate, Interim Director of Financial Services (Deputy S151 Officer)	
Accountable Executive Team Director: Jo Moore, Interim Strategic Director Finance and Investment (S151 Officer)	
Summary	
<p>Changes in the regulatory environment place a greater onus on Elected Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities, significant new proposed borrowing, and highlights compliance with the Council's policies previously approved by the Assembly prior to the start of each financial year.</p> <p>This report presents the Council's outturn position in respect of its treasury management activities during 2023/24. The key points to note are as follows:</p>	
Interest Income and Investments:	
<ul style="list-style-type: none"> i) Total treasury investments held at 31/03/2024 was £0.0m (2022/23: £54.0m); ii) Total cash held at 31/03/2023 was -£10.1m (2022/23: -£18.4m); iii) Total loans lent held at 31/03/2023 was £287.4m (2022/23: £192.2m); iv) Net General Fund Treasury outturn for 2023/24 (Interest payable plus MRP less Interest Receivable) was £10.3m compared to a net expenditure budget of £10.9m, an outperformance of £0.6m (as per table 1); v) Investment from the Council's IAS Residential, Commercial and other IAS portfolio totalled (£4.6m) for the year compared to a budget of (£2.9m), an outperformance of £1.7m (as per table 1); vi) The combined General Fund Treasury and IAS return was £5.7m against a budget of £8.0m, an outperformance of £2.3m; vii) The Council's average treasury interest return of 4.55% for 2023/24; 	

- viii) The Council's average return on its property loans was 2.62% and on its commercial loans was 8.42% for 2023/24; and
- ix) A total of £8.99m was transferred from the IAS Reserve in 2023/24, reducing it from £31.95m to £22.96m;

Interest Expense and Borrowing:

- x) Interest payable for 2023/24 totalled £49.6m (2022/23: £40.9m), consisting of £13.7m for PFI/Finance leases, £10.2m for HRA and £25.7m for General Fund;
- xi) Capitalised interest for 2023/24 totalled £12.2m;
- xii) The total long-term borrowing (General Fund and IAS) at 31/3/2022 was £681.8m, comprising of market loans, Public Works Loan Board (PWLB), Local Authority, European Investment Bank and other loans;
- xiii) The value of short-term borrowing as at 31 March 2024 totalled £343.9m;
- xiv) HRA borrowing totalled £295.9m of long-term debt and £10.7m of internal borrowing;
- xv) PFI / finance lease borrowing totalling £271.1m, the total Council borrowing as at 31 March 2024 was £1,592.7m (this excludes internal HRA borrowing).
- xvi) The Council did not breach its 2023/24 Operational Boundary limit of £1.850bn or its Authorised Borrowing Limit of £1.950bn;
- xvii) The Council complied with all other set treasury and prudential limits; and
- xviii) A loan impairment has been made against loans to Barking and Dagenham Trading Partnership (BDTP) of £3.4m in 2023/24, bringing the total provision against BDTP to £15.6m, as outlined in section 2.4.1 of the report.

The Cabinet considered and endorsed this report at its meeting on 18 June 2024.

Recommendation(s)

The Assembly is recommended to:

- (i) Note the Treasury Management Annual Report for 2023/24;
- (ii) Note that the Council complied with all 2023/24 treasury management indicators;
- (iii) Approve the actual Prudential and Treasury Indicators for 2023/24, as set out in Appendix 1 to the report; and
- (iv) Note that the Council's total provision against Barking and Dagenham Trading Partnership was £15.6m as at 31 March 2024.

Reason(s)

This report is required to be presented to the Assembly in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services.

1. Introduction and Background

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce a treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.2 For the 2023/24 period, Assembly received the following reports:

- an annual treasury strategy in advance of the year (Assembly 01/03/2023);
- a mid-year (minimum) treasury update report (Assembly 22/11/2023); and
- an annual review following the end of the year (this report).

In addition, Treasury and Investment and Acquisition Strategy (IAS) matters are reported as part of the Revenue Budget monitoring report to Cabinet.

1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2. Executive Summary of Treasury and IAS and issues for 2023/24

2.1 Overall in 2023/24 the combined Treasury and IAS Return was a surplus of £2.3m. This surplus is £0.6m for Treasury, £1.5m for IAS Commercial and Residential and £0.2m for IAS other, which includes the Hotel lease and lease schemes. The return is significantly below the c£7m surplus returned in 2021/22 and the £29m returned in 2022/23, which includes the £22m dividend returned from the sale of Muller.

2.2 For 2023/24 the surplus return was due to a one-off final dividend from Muller as the company was wound-up and the remaining surplus of £4.8m returned to the Council. Of the £4.8m return from Muller, £1.3m was interest earned by the Council's treasury team as part of a SLA for treasury management with Muller.

2.3 Table 1 below provides a summary of the returns for 2023/24. Abbey Road is reported as part of Central Expenses and the Hotel deals are reported as part of inclusive growth but both form part of the overall IAS return. The main areas where there were losses were in GF interest receivable and IAS residential. A detailed breakdown of the income and costs can be found in Appendix 2.

Table 1: General Fund and Treasury Returns in 2023/24

	2023/24 Revised Budget	2023/24 Returns	Variance
	£000s	£000s	£000s
General Fund Treasury Outturn			
Interest Payable	7,678	2,295	(5,383)
Interest Received	(6,503)	(4,888)	1,615
Bad Debt Provisions		3,430	3,430
MRP	9,700	9,470	(230)
TOTAL General Fund Return	10,875	10,307	(568)
IAS Residential & Commercial Return Against Budget			
Total Commercial Net (Return)/Loss	(1,143)	(1,417)	(274)
Total Residential Net (Return)/Loss	50	3,652	3,602
Muller - Final (Net of costs) Distribution		(4,839)	(4,839)
TOTAL IAS Residential & Commercial Return	(1,093)	(2,604)	(1,511)
IAS Other Return Against Budget			
Abbey Road Contribution	(600)	(600)	-
CR27 Lease and Leaseback	(862)	(1,061)	(199)
Travelodge Lease and Leaseback	(314)	(326)	(12)
SUB-TOTAL IAS Other Return	(1,776)	(1,987)	(211)
Total IAS Return	(2,869)	(4,591)	(1,722)
Total General Fund and IAS Return	8,006	5,716	(2,290)
Transfer to IAS Reserve		1,500	1,500

2.4 The key reasons for the relative underperformance in 2023/24 are provided in 2.4.1 below. Each of these issues can be resolved and some, including PRS lettings, have improved, but Reside Limited, BDTP and Shared Ownership will require further action to reduce the losses currently being incurred.

2.4.1 Provision for Barking and Dagenham Trading Partnership (BDTP)

In 2023/24 further provisions were required for the loan to BDTP to purchase LEUK and the working capital loan to BDTP, covering the loan and interest. Provisions set aside against BDTP for loans is provided in table 2 below. The provisions directly impact the Council's outturn and are a charge to its revenue. The total £15.6m does not include provisions for inter-company debtors, which currently totals £6.2m.

Table 2: BDTP Provisions 2021/22 to 2023/24

Entity	2021/22 Provision	2022/23 Provision	2023/24 Provision	Combined Provision
	£000s	£000s	£000s	£000s
LEUK Loan	2,347	4,776	2,506	9,629
BDTP Working Capital Loan		5,000	925	5,925
Total Provision	2,347	9,776	3,431	15,554

2.4.2 Barking and Dagenham Reside Ltd (Reside Ltd)

Reside Ltd includes 477 homes in William Street Quarter and Eastern End Thames View and is subject to an income strip style arrangement with the Council leasing the homes to a funder who then leases these homes back to Reside Ltd. This vehicle currently incurs an ongoing loss primarily because the rent payable to the funder is linked to RPI and there is no cap or collar on the indexation. In addition, management and maintenance allowances under the lease are not sufficient to reimburse the Council in full for the services it provides to this vehicle. There is a Council guarantee in place, so the Council step in should this company be unable to cover its obligations to the funder.

Reside Limited has not historically been part of the IAS, with costs and income being allocated to MyPlace but its reporting has now been transferred to the IAS and therefore the IAS reports its losses. The costs include repairs and maintenance, energy costs and caretaking.

2.4.3 IAS Residential Scheme Costs

In 2022/23 and 2023/24 several schemes completed and there was a significant transfer of units from under construction to operational. For the social housing units, the handover of the schemes was generally managed within the assumptions used for each scheme but there were several issues with the Private Rental Schemes (PRS) and Shared Ownership (SO) schemes that have impacted and continue to impact the IAS Residential return.

There were significant delays between when schemes were completed and then leased, in some cases this was many months, which resulted in schemes incurring interest, security and heating costs when they were empty. A summary of the costs against the income generated from the Reside Regeneration schemes is provided below. Overall, the return was negatively impacted by £2.5m in 2023/24.

A key reason for the significant losses is the amount of borrowing against each scheme, with a total of £174.6m of borrowing against the PRS and SO schemes. The assumptions used in the financial models were prudent and the performance of both PRS and SO schemes in 2023/24 reflects the worst-case scenario for lettings. The impact of schemes being empty is the requirement for security but also management and maintenance costs, as well as energy costs must be paid by the Council. The energy costs, even when schemes are being let are also not being charged to the residents.

Table 3: IAS Residential Costs 2023/24

Description	Total Spend £000s	Cost and Income £000s
Net Interest Cost	174,566	2,677
Energy, Security and MRP		549
Regen LLP Loss / (Surplus)		(547)
Regen Ltd Loss / (Surplus)		(216)
Total for PRS and SO	174,566	2,464

3. Treasury Position at 31 March 2024

- 3.1 The Council manages its debt and investments through its in-house treasury section to ensure adequate liquidity for revenue and capital spend, security of investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.
- 3.2 Overall the Council's borrowing increased by £130.5m to £1,321.7m, mainly driven by an increase in short-term borrowing, which increased to £343.9m. Overall investments reduced but there was an increase in loans to £287.4m. Table 4 provides a summary of the borrowing, interest rate and average life of the loan or debt for 2023/24 and includes a comparator to 2022/23. Appendix 3 provides a detailed breakdown of the loans, debts and investments.

Table 4: Council's treasury position at the start and end of 2023/24

	31-Mar-23	Ave. Rate of interest	Average Life	31-Mar-24	Ave. Rate of interest	Average Life
	£'000	%	Years	£'000		Years
HRA Borrowing						
HRA – PWLB	265,912	3.50	33.81	265,912	3.50	31.39
HRA – Market	30,000	4.03	43.74	30,000	4.03	41.71
Total HRA Borrowing	295,912	3.55	32.28	295,912	3.55	32.28
General Fund and IAS Borrowing						
GF – PWLB	641,592	1.86	28.19	593,590	1.91	26.57
GF - Market	88,296	2.50	25.97	88,250	2.50	31.91
GF – ST Borrowing	165,317	4.02	1.28	343,900	5.13	0.33
Total GF Borrowing	895,205	1.91	23.66	1,025,740	3.04	23.66
Total Borrowing	1,191,117	2.33	28.72	1,321,652	3.15	28.72
General Fund and IAS Loans and Investments						
Treasury Investments	(54,000)	3.36	1.02			
Cash	18,420			10,077		
Loans & Equity	(192,243)			(287,374)		
Total Investments	(227,823)			(277,297)		

4. Borrowing strategy and control of interest rate risk

- 4.1 In 2023/24, the Council maintained an under-borrowed position against its capital financing requirement, using cash balances to fund capital expenditure and built up a large short-term borrowing position. This meant that the capital borrowing need, (the CFR), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow were used. This strategy was necessary as long-term interest rates remained high throughout the year, making short-term borrowing a better option. This did result in a large short-term borrowing position of £343.9m by 31 March 2024. Caution was adopted with the treasury operations, with the Investment Fund Manager monitoring interest rates in financial markets and adopted a pragmatic strategy of not locking in higher rates while cash balances were used.

- 4.2 The Council’s treasury advisors, Link, advise that there is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index measure) moves below the Bank of England’s 2% target.
- 4.3 As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.
- 4.4 The Bank of England is also embarking on a process of Quantitative Tightening. The Bank’s original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, and high in historic terms, is an unknown at the time of writing.
- 4.5 The latest interest rate forecast from Link is provided in the table below:

Link Group Interest Rate View		08.01.24											
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

- 4.6 The forecast shows longer term rates, between 25 year and 50-year PWLB, decreasing to around 4% by 2026. At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield.
- 4.7 The PWLB borrowing rates available, including the various margins attributed to their pricing are as follows:
- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
 - PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
 - Local Infrastructure Rate is gilt plus 60bps (G+60bps)
 - HRA Borrowing rate is gilt plus 40 40bps (G+40bps)
- 4.8 Officers will continue to monitor interest rates and seek to lock in long-term rates as and when opportunities arise, but in the meantime the short-term borrowing position will continue in 2024/25.
- 4.9 The Council’s borrowing is mainly driven by the IAS and the assumptions in for each new development within the IAS has included a higher interest rate assumption since 2022. Therefore, although the higher interest rates have reduced the number of schemes that can be agreed, the impact of the higher interest rates has been factored into future borrowing assumptions.

5. Treasury and IAS 2023/24 Strategy Outturn

- 5.1 Treasury and IAS Outturn and Reserve movements is in Table 5 below and is expanded on in subsequent sections. A positive figure is a cost and a negative figure is income or an asset.
- 5.2 Overall 2023/24 saw pressures on the IAS from delays in letting PRS and the sale of SO schemes. As each scheme has a significant amount of borrowing, the delays have had a significant impact as there is insufficient rent to cover the borrowing costs. In addition, security and energy costs needs to be funded by the IAS when schemes are void.
- 5.3 In 2023/24 the final distribution of £4.8m from the sale of Muller was received and this helped the IAS provide to provide a surplus of £1.7m, generating £4.6m of net income against a revised income budget of £2.9m.
- 5.4 Table 5 provides a detailed breakdown of the HRA, General Fund Treasury and the IAS for 2023/24, including key comments on each cost and income.

Table 5: General Fund Treasury and IAS Outturn for 2023/24

Type of Income	2023/24 Budget	2023/24 Actual	Variance	Comments
HRA Borrowing Costs	10,645	10,154	(491)	Includes Long and Short-term Borrowing
IAS Return				
IAS Income	(2,746)	(16,443)	(13,697)	Includes Rent and Interest Income
IAS Borrowing Costs		23,446	23,446	Gross Interest Payable on Borrowing
IAS Capitalised Interest		(12,237)	(12,237)	Interest Capitalised
Direct Costs		5,816	5,816	Include Security, bad debt & energy
MRP	1,653	1,653		Revenue Charge
Muller - Final Distribution		(4,839)	(4,839)	Final Distribution from the Sale of Muller
Net IAS Commercial & Residential	(1,093)	(2,604)	(1,511)	
Abbey Road Contribution	(600)	(600)		Abbey Road Rental Contribution
CR27 Lease	(862)	(1,061)	(199)	Net Surplus from CR27 (The Gate)
Travelodge Lease	(314)	(326)	(12)	Net Surplus from Travelodge
Total IAS Return	(2,869)	(4,591)	(1,722)	Net IAS Return Against Budget
GF Treasury Outturn				
GF Borrowing costs	7,678	2,296	(5,382)	Interest Costs on GF Borrowing
GF Provisions		3,430	3,430	Provisions Against BDTP Loans
GF Interest Income	(6,503)	(4,888)	1,615	Interest Received on GF Loans
MRP	9,700	9,470	(230)	Revenue Charge
Total Treasury Return	10,875	10,308	(567)	GF Net Treasury Return Against Budget
Total Treasury & IAS Return	8,006	5,717	(2,289)	Combined IAS and General Fund Return
Transfer to IAS Reserve		1,500	1,500	IAS Surplus Transfer to Reserves

- 5.5 **Reserves:** a total of £8.99m was transferred from the IAS Reserve in 2023/24, reducing it from £31.95m to £22.96m, with most of this drawdown used to cover a shortfall in the Be First dividend return. In addition, £3.0m was transferred from the IAS reserve to the Business Support Reserve.

The £11.0m reserve held to cover any losses within the hotel lease and lease back schemes was not inflated for 2023/24 as the current balance held is sufficient to cover any forecast drawdowns. The total IAS reserve is currently £33.96m and reflects the significant contribution the IAS has made to the overall Council's reserve position.

Reserves	Opening Balance	Transfers	Closing Balance
IAS Reserve	(31,950)	8,990	(22,960)
Travelodge and CR27 Reserve	(11,000)		(11,000)
Total IAS and Hotel Reserve	(42,950)	8,990	(33,960)

6. Borrowing Outturn and Capitalised Interest

HRA Borrowing Costs

- 6.1 HRA long-term borrowing costs are fixed and so matched the budget but a short-term borrowing position between the Council and the HRA, along with higher treasury returns has decreased the borrowing costs to approximately £10.2m against a budget of £10.7m, resulting in an underspend of £0.5m for 2023/24.

General Fund Long and short-term borrowing costs

- 6.2 Overall borrowing costs were higher than budgeted as both long-term and short-term borrowing rates on new borrowing was much higher than the forecast, with £3.4m additional borrowing costs being incurred. Most of this cost was picked up in a higher capitalised interest figure which netted off this additional cost but also increased the total cost of the schemes the interest was capitalised against.
- 6.3 Short-term borrowing was used for most of the year to cover cashflow requirements, with a yearend short-term borrowing position of £343.9m. The average borrowing rate was 4.86%. £150m of the short-term borrowing was through the Public Works Loan Board as treasury sought to reduce its reliance of borrowing from other local authorities.
- 6.4 Officers have sought to ensure that the borrowing matches the relevant asset life and repayment profile of the Council's investment portfolio. The current large short-term borrowing position is likely to increase in 2024/25 but if medium to long-term borrowing opportunities arise then the short-term positions will be replaced with longer-term borrowing.
- 6.5 The current borrowing strategy has a target of reducing the long-term average borrowing rate to 2.0% (excluding short-term borrowing). The average rate increases when adding short-term borrowing, with the total average long-term borrowing rate at 1.98%. For pipeline schemes, the increased interest rate has

prevented the Council from agreeing unviable schemes based on the current borrowing costs but it has contributed to delays in schemes being progressed.

- 6.6 Chart 1 below summarises the GF long term debt position as at 31 March 2024, indicating the repayment profile average rate will increase. Officers will continue to monitor rates and will seek to lock in lower rates when they occur.

Chart 1: Council General Fund Long Term Debt Profile to 2077

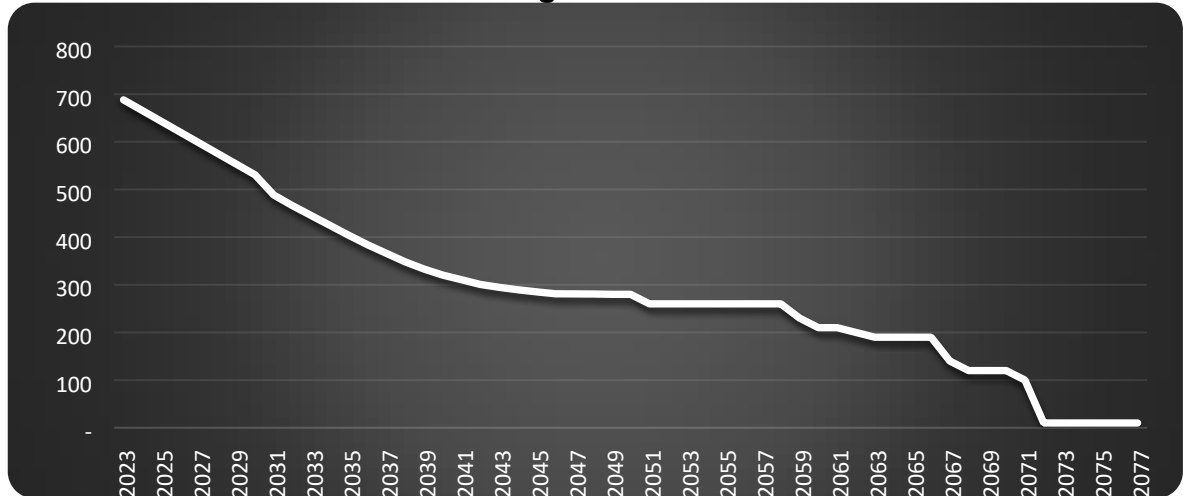
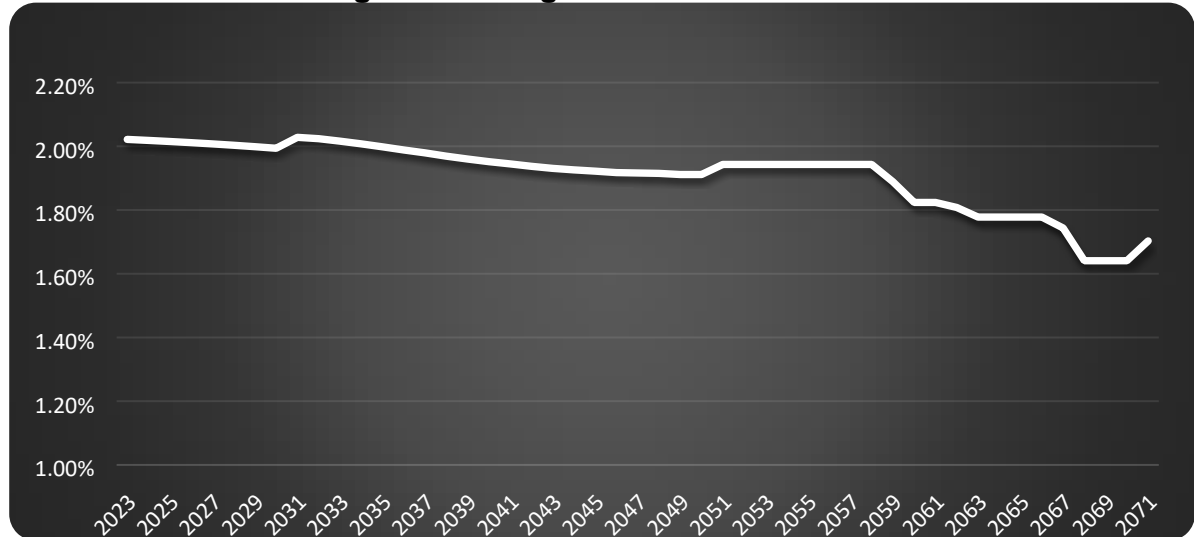


Chart 2 outlines the average long-term borrowing costs over the duration of the Council’s borrowing. With elevated borrowing rates, if more expensive borrowing is added to the current long-term debt portfolio the average rate will increase.

Chart 2: Council Average Borrowing Rate Profile to 2077



Capitalisation of Development Interest

- 6.7 The Council’s IAS will increase the Council’s interest payment costs as borrowing increases to fund the development costs. Were the Council to borrow a billion pounds at 2.0% (the current target average long-term debt rate) then the interest costs would be £20m per year, although this would decrease as debt is repaid. This will be funded by rental income from the various schemes but will result in a long-term obligation for future generations as some of the loans that will be taken out have maturity dates of up to 50 years.

- 6.8 The Council's borrowing is largely to fund the IAS. During the construction stage there is a cost of carry as there is no income from the scheme. For previous developments, such as Weavers, interest was capitalised during the construction against loans made to Reside. As construction is now carried out by the Council, a method to capitalise the interest was identified through advice provided by the fund's Treasury advisors, Link. As a result, interest incurred during the construction phase is capitalised against developments that cost over £10m and that take in excess of two years to build. This approach has reduced the pressure on the Council's interest budget but has increased the overall scheme costs.
- 6.9 Capitalisation of interest starts when the development is agreed at Gateway 2. Where land has been purchased as part of land assembly the capitalisation of interest will be from the later date of either the completion date of the purchase or the date of this accounting policy. Some schemes, such as Temporary Accommodation have been combined as one overall scheme.
- 6.10 Interest is capitalised quarterly and is based on the weighted average of the borrowing costs that are outstanding during the period. Cessation of capitalisation will occur when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete and the property is handed over to Reside.
- 6.11 For 2023/24 the capitalised interest rate was 2.67%. A total of £12.2m was capitalised against developments in 2023/24. It is likely that this will be around the peak of capitalised interest, as schemes complete, and the pipeline of schemes reduces in the short term.

7. Annual Investment Strategy (AIS) 2023/24

- 7.1 All investments were managed in-house and were invested with institutions of high credit standing listed in the Council's approved lending list and specified limits. The Council's investment policy is outlined in the 2023/24 Annual Investment Strategy. The policy sets out the Council's approach for choosing investment counterparties.
- 7.2 Council officers met quarterly with the Treasury Adviser to discuss financial performance, objectives, targets and risk in relation to the Council's investments and borrowing. The Cabinet Member for Finance, Performance and Core Services was briefed regularly on treasury activity by the Section 151 Officer.
- 7.3 **Investments decisions during 2023/24** - When making investment decisions the Council's investment priorities are security of capital; liquidity of its investments; and Yield (after ensuring the above are met). Using the above as the basis for investment decisions does mean that investment returns will be lower than would be possible were yield the only consideration. During 2023/24, the Council ensured that all investments were made with appropriately rated counterparties and that liquidity was maintained. On occasion, short term borrowing was also used to allow the Council to take advantage of investment opportunities.
- 7.4 Treasury made few investments during the year as cash and borrowing was used to fund the IAS developments. The Council held an investment balance of £54.0m at 31 March 2023 and ended the year with a balance of £0.0m.

- 7.5 Treasury investments provided an average return of 4.25% for 2023/24 (1.99% for 2022/23). Although the average return was on a reducing balance, the increase in the average return for the year provided an interest surplus. With rates increasing during the year there was little benefit from investing longer term and most investments were short-term in Money Market Funds.
- 7.6 **Investments held by the Council at 31 March 2024** - As at 31 March 2024 the Council held no treasury investments.
- 7.7 **Income from treasury investments and loans in 2023/24** - The Council earned a return of £11.5m for its loans and treasury investments in 2023/24. Historically most of this income has come from treasury outperformance but with cash being used to fund investments, the overall contribution from treasury investments was £2.1m, with the remaining £9.3m coming from loans to third parties. The treasury return is largely from surplus cash held as part of the Council's short-term borrowing positions and this return has been used to reduce the short-term borrowing costs, which are charged to the IAS commercial strategy.

Provisions of £3.4m against loans to BDTP did decrease the net interest return to £8.0m for 2023/24. Table 6 provides a summary of the interest earned by the Council in 2023/24.

Table 6: Income from treasury investments and loans for 2023/24

Interest Received	£000s	Comments
Treasury Income	(1,720)	Interest from Treasury Investments
HRA	(526)	Interest from HRA Internal Lending
Schools	98	Interest allocated to School Balances
Treasury Investments Income	(2,148)	
Reside Loans	(4,885)	Interest from Loans to Reside
General Fund Loans	(4,439)	Interest from subsidiary & other loans
Loans Income	(9,324)	
BDTP Provision	925	Provision against General Fund Loans
BDTP Provision	2,506	Provision against General Fund Loans
Net Loans & Treasury Income	(8,041)	

8. Investment and Acquisition Strategy Outturn

Council's Growth Strategy

- 8.1 In 2015, the Growth Commission Report – “No-one left behind: in pursuit of growth for the benefit of everyone”, recommended the establishment of a Borough-wide regeneration vehicle that would be an early statement of the Council's intent to increase the pace of regeneration of the borough. Be First was set up to deliver the Council's long-term strategic regeneration objectives, including enhancing economic growth and prosperity for residents. Be First was also charged with delivering financial benefits to the council by bringing forward returns in New Homes Bonus, Council Tax and NNDR and delivering dividends to the Council.
- 8.2 In October 2016, Cabinet agreed the IAS and an Investment Panel was also established and charged with managing an investment portfolio. In 2017 the Council

revised the IAS, with a revised strategy subsequently taken to Cabinet each year, the last one agreed was at the October 2020 Cabinet. The IAS was originally set a target of delivering a net income of £5.13m per annum by 2023/24.

- 8.3 The IAS Return for 2023/24 is provided in table 7 below, split into Residential, Commercial and Other. Other includes the hotel lease and lease back, a return from Abbey Road and a one-off Muller dividend payment. Overall, the IAS provided a return of £4.6m against a budget of £2.9m, providing a surplus of £1.7m, although most of this surplus was due to the one-off dividend from the sale of Muller.

Table 7: IAS Returns 2023/24

IAS Returns 2023/24			
	Budget	Actual	Variance
	£000s	£000s	£000s
IAS Commercial			
Rents		(7,127)	
Direct Cost		2,093	
IAS Interest Received		(1,699)	
Interest Payable on St Borrowing		4,092	
Minimum Debt Provision		1,224	
Commercial Net (Return) / Loss	(1,143)	(1,417)	(274)
IAS Residential			
Reside Scheme Surplus		(2,733)	
Direct Cost - Residential		3,723	
Interest Received		(4,884)	
Interest Payable		17,903	
Capitalised Interest		(10,787)	
MRP		429	
Residential Net (Return) / Loss	50	3,652	3,602
IAS other			
Abbey Road Contribution	(600)	(600)	
CR27 Lease and Leaseback	(862)	(1,061)	(199)
Muller Surplus		(4,839)	(4,839)
Leases and Reserves	(314)	(326)	(12)
IAS Other Net (Return) / Loss	(1,776)	(6,826)	(5,050)
IAS Net (Return) / Loss	(2,869)	(4,591)	(1,722)

IAS Residential 2023/24 Performance

- 8.4 The IAS Residential schemes have provided a loss of £3.65m for 2023/24. A breakdown of the return in table 8 can be found in Appendix 2 of this report.

Table 8: IAS Residential 2023/24 Performance

IAS Residential Outturn 2023/24											
Spend Type	Loan / Net Spend	Reside Rental Surplus	Costs	Net Operating Income	Total Interest Costs	Cap Ave. Rate: 2.67%	Net Interest Costs	Interest Income	Interest Margin	MRP	Total net (return) / loss
	£'000s	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Affordable Rent - Reside Weavers	150,925	(1,465)	5	(1,460)	3,213	(565)	2,648	(3,658)	(1,010)		(2,470)
Social Rents - BD Homes	75,768		294	294	1,740	(523)	1,217	(1,089)	128	96	518
Private Rents & SO - Reside Regen	174,566	(762)	478	(284)	3,733	(931)	2,802	(124)	2,678	71	2,465
Reside Limited			1,618	1,618							1,618
Abbey Road	22,374	(506)	221	(285)	443		443		443	248	406
Other Residential Costs	317		1,109	1,109	6		6	(13)	(7)		1,102
Assets Under Construction	511,194				8,769	(8,769)				14	14
Total Residential Return	935,144	(2,733)	3,725	992	17,904	(10,788)	7,116	(4,884)	2,232	429	3,653

8.5 The IAS Residential has been negatively impacted by delays in letting PRS and SO units. The table below shows the interest cost and other holding costs for each scheme for 2023/24 and then compared to the surplus to be paid by Reside, showing a shortfall of £2.5m, as outlined in the table below:

Table 9: Impact of delays in letting PRS and SO schemes in 2023/24

Project Name	Total Spend	Cost and Income
	£'000	£'000
Interest Cost - Gascoigne PH2 E2	31,243	619
Interest Cost - Gascoigne East F1	44,906	517
Interest Cost - Gascoigne West 1 (Forge)	33,349	660
Interest Cost - Weavers	4,756	94
Interest Cost - Becontree Heath B	10,811	214
Interest Cost - Kingsbridge	7,592	150
Interest Cost - Sebastian Court (Bobby Moore)	7,880	156
Interest Cost - Gascoigne East F1 (Ewars Marsh)	34,030	392
Energy, Security and MRP		549
Interest Income		(124)
Regen LLP Loss / (Surplus)		(547)
Regen Ltd Loss / (Surplus)		(216)
Total for PRS and SO (Completed)	174,567	2,464

8.6 Reside Ltd (Atlantic Income Strip) was also a major contributor towards the overall loss as £1.6m of costs were charged to the IAS to cover costs to management, energy and security. A review of Reside Ltd is essential to improve performance as it will continue to lose money as the lease payment to the funder increases each year by RPI and lifecycle costs will need to be funded in the next few years as the properties are all around 12 years old.

8.7 Energy costs were also a significant cost to Residential schemes through charges from the BD Energy, with £550k charged in 2023/24.

8.8 The Reside company surpluses, although forecast to be £2.2m, are lower than originally forecast due to higher costs in MyPlace and an increase in bad debts.

Minimum Revenue Provisions (MRP) costs are now being charged as Reside starts to repay some of the principal on its loans from the Council.

Residential Property Loan

- 8.9 The Council has several loans and leases to Reside for properties it has developed. In 2022/23 733 properties were completed, including 176 social housing homes, 228 affordable rent homes, 79 shared ownership homes and 250 private rental.
- 8.10 Although there have been issues with the speed at which the properties have been let, once let the properties should provide a steady income stream to the Council, through the loans to Reside and to Reside through careful management. On all loans, debt repayment is factored into all the cashflows and assumptions, with the properties paid off over a 52-year period.
- 8.11 Appendix 3 provides a list of the loans to Reside at 31 March 2024, with each loan against a specific property, having a 52-year debt repayment period and an interest rate charged based on the tenure within each scheme.
- 8.12 The table below provides the scheme, property name, number of homes and the tenure type of IAS schemes that completed in 2023/24.

Scheme Name	Property Name(s)	No. of homes	Tenure Type
Gascoigne East Block F	Sailor Court and Palomar Court	48	Affordable Rent
<i>Gascoigne East Block J</i>	<i>Farrimond House, King Edwards Road & St Mary's Road</i>	58	<i>Affordable Rent</i>
<i>Gascoigne West Phase 2</i>	<i>Fishmonger House & Gilderson Hse</i>	122	<i>Affordable Rent</i>
	Total Affordable Rent	228	
Gascoigne East Block F2	Mizzen Street	4	London Affordable Rent
<i>Gascoigne East Block J</i>	<i>Farrimond House, St Mary's Road & Fisherman Street</i>	66	<i>London Affordable Rent</i>
<i>Gascoigne West Phase 2</i>	<i>1 - 15 Plaice House & Townhouses</i>	46	<i>London Affordable Rent</i>
<i>Gascoigne West Phase 2</i>	<i>16 - 75 Plaice House</i>	60	<i>Target Rent</i>
	Total Social Rent	176	
Gascoigne East Block F1	Fifeshire Court and Cutter Court	92	Market Rent
<i>Gascoigne West Phase 2</i>	<i>Trawler House and Chand House</i>	158	<i>Market Rent</i>
	Total Private Rent	250	
Gascoigne East Block F1	Ewars Marsh Court	79	Shared Ownership
	Total Shared Ownership	79	
Total Properties Completed in 2023/24		733	

Commercial Property Holdings

- 8.13 Table 10 provides a summary of the commercial property return in 2023/24.

Table 10: IAS Commercial Property Returns 2023/24

Project Name	Rent	Costs	Bad Debts	Net Operating	MRP	Average Interest For Year 4.88%	Net (return) / loss
Thames Road	(1,635)	692	207	(736)	454	2,838	2,556
Other Regeneration	(1,692)	218	82	(1,392)	251	1,410	268
Other Commercial	(3,563)	696		(2,867)	519	3,006	659
Capitalised Interest						(3,162)	(3,162)
Other Commercial	(237)	198		(39)		(1,699)	(1,737)
Total IAS Commercial	(7,127)	1,804	289	(5,034)	1,224	2,394	(1,417)

- 8.14 A more detailed summary of the commercial holdings and performance is included in appendix 2 of this report.
- 8.15 High interest rates impacted the Commercial property holdings as short-term borrowing is used to fund all the commercial property, apart from Industria and 12 Thames Road, where a fixed long-term borrowing rate is used.
- 8.16 The IAS commercial property portfolio is largely held as part of land assembly for future regeneration of a number of areas including Thames Road and Barking Town Centre. A review of the Council's IAS commercial holdings, as well as non-IAS commercial holdings, is currently being undertaken with a report likely to be taken to Cabinet for consideration later in 2024/25.
- 8.17 For all IAS commercial property, MRP is charged, with a total of £1.2m charged as in 2023/24 2024.

IAS Leases

- 8.18 The IAS has a number of leases, including legacy holdings such as Reside Limited, and two hotels through Aviva. The Council is also considering completion on a further lease and lease back arrangement with RailPen for Trocoll House.
- 8.19 The Council also leases properties to Reside to manage, such as the Bobby Moore building and Forge. Each lease has a long-term repayment period and represent an obligation by the Council and in some cases Reside to make regular lease payments back to the lessor.
- 8.20 Most leases are performing well or have only just started, however there is significant pressure on the Reside Limited lease between the Council and M&G / Long Harbour. The lease with M&G / Long Harbour has an RPI inflation linked lease which was structured to match the increase expected in rents and provide a surplus to the Council. However recent below inflation rent increases have resulted in the Reside Ltd lease incurring losses, with these losses expected to increase unless mitigating action is taken. To prevent the Council incurring losses on this lease, rents can be increased by above inflation, there can be a renegotiation of the lease or savings around management and maintenance costs can be implemented. Currently meetings are being arranged with M&G / Long Harbour to discuss the impact of the lease on these properties.

- 8.21 Additional reporting on all the Council's leases will be provided in future reports, which will include the returns, maintenance of the asset, the performance of the operator, which will include Reside in some instances, and a forecast.
- 8.22 Lease and lease back arrangements are a form of borrowing for the Council and have increased the Council's debt position and CFR by a significant amount, with this likely to reach half a billion pounds when Trocoll and other lease arrangement with Reside are completed. These leases have an effective variable rate and are reliant on the lease between the Council and the operator matching or exceeding the lease arrangement with the funder.
- 8.23 Lease and lease back arrangements have now been removed from the IAS for future schemes.

Other Commercial Loans Outturn

- 8.24 In addition to loans to Reside, the Council has several loans including working capital loans. These are outlined in Appendix 3:
- 8.25 Commercial loans durations vary with most of the loans having a maximum duration of 15 years. Each loan has a state aid compliant interest rate and have been agreed at Cabinet. A number of loans are linked to the Bank of England base rate and these will provide an increased return for 2023/24 due to the increase in base rate to 4.5%. The equity investment in BD Muller Developments was repaid in 2023/24.

Loan Impairment

- 8.26 The Council has loaned one of its subsidiary companies, BDTP to purchase a company, London East UK (LEUK). The loan is secured against the land held by LEUK and BDTP. Included in the loan agreement is a breach clause, whereby a breach occurs if the combined value of LEUK and BDTP is below the outstanding loan balance. Since the purchase, BDTP has sold two parcels of land and has used the proceeds from the sale to fund losses incurred by BDTP over the past two years. In 2022/23 the valuation of the land held by LEUK has reduced to £21.7m, which is below the outstanding loan value of £24.9m. A provision of £2.4m was made against the loan.
- 8.27 In 2023/24 a working capital loan of £3.5m was made to BDTP, in addition to a working capital loan of £1.5m made in 2022/23. As at 31 March 2023 the loan plus interest accrued totalled £5.34m. BDTP is a subsidiary of the Council but has been significantly impacted by the impact of Covid and is currently going through a restructure. A provision of £5.0m for the loan was charged in 2023/24 as, although the loan was not being written off, there was still a significant amount of work required within the business to restructure and be able to generate sufficient income from its business operations to repay the loan.

Further Loan Provisions

- 8.28 The £2.4m provision from 2022/23 was funded by the IAS, with both provisions in 2023/24 (£2.4m and £5.0m) being put against £8m from the Travelodge lease and lease back deal.

- 8.29 In 2023/24 the loan to BDTP for the purchase of LEUK increased from £26.5m to £29m due to capitalised interest being added to the loan, now significantly higher than the asset value of £21.7m. A further provision of £2.5m was made against the loan, taking the total provision to £9.6m.
- 8.30 In addition, as the likelihood of BDTP repaying the working capital loan and interest remains low, a further provision for the 2022/23 interest and 2023/24 interest, totalling £0.9m was made, taking the total provision to £5.9m. Overall, the total provision against BDTP is £15.5m.

IAS Capital Spend 2023/24

- 8.31 In 2023/24 a total of £275.2m (£316.1m in 2022/23) was spent on IAS investments, £15.7m more than the budgeted £242.15m. The higher spend was due to acceleration of Gascoigne East 3b. Of this total spend, £14.1m was spent on commercial, including £3.5m on Industria and £8.8m on purchasing Edwards Waste.

Table 7: IAS Capital Spend 2023/24

IAS	Budget	Actual	Variance
Residential Developments	242,017	261,126	19,109
Commercial Investments	17,450	14,078	(3,372)
Investments Total	259,467	275,204	15,737

- 8.32 Appendix 1 contains a more detailed breakdown of the capital spend for both the IAS and the Council's General Fund.

9. Compliance with Treasury limits and Prudential Indicators

- 9.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordable limits) are included in the approved Treasury Management Strategy (TMSS).
- 9.2 During the financial year to date the Council has operated within and complied with the treasury limits and Prudential Indicators set out in the Council's annual TMSS. The Council's prudential indicators are set out in Appendix 1 to this report. In 2023/24, the Council did not breach its authorised limit on borrowing of £1.95bn or its Operational limit of £1.85bn.

10. Options Appraisal

- 10.1 There is no legal requirement to prepare a Treasury Management Annual Report, however, it is good governance to do so and meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

11. Consultation

- 11.1 The Section 151 officer has been informed of the approach, data and commentary in this report.

12. Financial Implications

Implications completed by: Michael Bate, Interim Director of Financial Services (Deputy S151 Officer)

- 12.1 This report sets out the outturn position on the Council's treasury management position and is concerned with the returns on the Council's investments as well as its short- and long-term borrowing positions. The net impact of the position is reflected in the Council's overall outturn position and the impacts into future years from borrowing and investment decisions will be incorporated into its MTFS.

13. Legal Implications

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

- 13.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor its budget during the financial year and its expenditure and income against the budget calculations. The Council sets out its treasury strategy for borrowing and an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 13.2 The Council is legally obliged to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act. Furthermore, the Prudential Code emphasises that authorities can set their own prudential indicators beyond that specified in the Code where it will assist their own management processes.

14. Risk Management

- 14.1 The whole report concerns itself with the management of risks relating to the Council's cash flow. The report mostly contains information on how the Treasury Management Strategy has been used to maximise income throughout the past year.
- 14.2 EIB funded urban regeneration programme - The urban regeneration programme will be governed by a programme delivery board established in the Regeneration department. A programme manager will be identified within the Council who will be responsible for delivering each scheme within the investment programme.

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

List of appendices:

- **Appendix 1** - The Prudential Code for Capital Investment in Local Authorities
- **Appendix 2** - IAS Residential and Commercial Outturn and Treasury Outturn 2023/24
- **Appendix 3** - Loans, Debts and Investments held as at 31 March 2024
- **Appendix 4** - The Economy and Interest Rates

This page is intentionally left blank

The Prudential Code for Capital Investment in Local Authorities

1. Introduction

- 1.1 There are a number of treasury indicators which previously formed part of the Prudential Code, but which are now more appropriately linked to the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). Local authorities are still required to “have regard” to these treasury indicators.
- 1.2 The key treasury indicators which are still part of the Prudential Code are:
- Authorised limit for external debt;
 - Operational boundary for external debt; and
 - Actual external debt.

2. Net borrowing and the Capital Financing Requirement

- 2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council’s borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need;
- 2.2 To ensure that borrowing levels are prudent over the medium term the Council’s external borrowing, net of investments, must only be for a capital purpose. This means that the Council is not borrowing to support revenue expenditure.
- 2.3 Net borrowing must not, except short term, exceeded the Capital Financing Requirement (“CFR”) for 2023/24 plus the expected changes to the CFR over 2023/24 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24.
- 2.4 The Council uses borrowing to fund its Investment and Acquisition Strategy (IAS), which is predominantly focused on the regeneration of the borough and the provision of affordable housing. Prior to any investment a scheme is appraised to ensure that it is financially viable and provides a contribution to the Council that will, at a minimum, cover its interest costs and Minimum Revenue Provision (MRP) contribution, as well as pay for its management and maintenance costs. The IAS will result in a significant increase in the Council’s borrowing, but this will be supported by an asset of a similar value being built and cash flows into the Council to support the increased borrowing.
- 2.5 Once a scheme is agreed and after development starts, treasury will seek to secure the borrowing to fund the scheme at a competitive rate. As such, from time to time, the Council may hold a higher than average cash balance as it holds the borrowed amount until it is required for the investment. It also means that decisions

made on future schemes may have different borrowing rate assumptions, depending on borrowing rates at the time.

- 2.6 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.
- 2.7 **The authorised limit** – This sets the maximum level of external borrowing on a gross basis (i.e. Not net of investments) and is the statutory limit determined under Section 3 (1) of the Local Government Act 2003 (referred to in the legislation as Affordable Limit).
- 2.8 **The operational limit** – This links directly to the Council’s estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limits reflecting the most likely prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit for future known capital needs now. It should act as a monitor indicator to ensure the authorised limit is not breached.
- 2.9 **Total external borrowing**, including PFI and Finance Leases at 31 March 2024 was £1.59bn, which is lower than the Approved Authorised Limit of £1.95bn and Operational Boundary of £1.85bn. During 2023/24 there were no breaches of these limits.

3. Capital Outturn and Capital Finance Requirement for 2023/24

- 3.1 The capital budget for 2023/24 was £336.7m and consists of £44.4m for the General Fund, £16.9m for HRA, £275.2m for the IAS and £0.2m for PFI lifecycle costs. The total revised budget was £340.4m, with the overall delivery at 99.0%. Several IAS schemes completed in 2023/24 and grant was allocated to the schemes as they completed and were handed over to Reside, which reflects the high level of grant. A number of projects will be reprofiled in 2024/25 to take into account the carry forward amounts.
- 3.2 The HRA programme is self-financed using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms servicing the cost of borrowing. The HRA spend was a small underspend for stock investment, however this is against a much reduced, revised budget. Estate renewal, including buybacks underspent by £0.5m and this will be carried forward to 202/24.

3.3 The 2023/24 outturn position is detailed below:

Capital Expenditure by Service	Outturn 2023-24	Revised Budget 2023-24	Variance
	£000s	£000s	£000s
CARE & SUPPORT	2,972	3,719	(747)
INCLUSIVE GROWTH	1,604	6,785	(5,181)
CIL	141	761	(620)
TFL	3,224	5,134	(1,910)
COMMUNITY SOLUTIONS	2	6	(4)
IT	2,798	3,615	(817)

CULTURE & HERITAGE	62	1121	(1,059)
MY PLACE	1,632	3,853	(2,221)
ENFORCEMENT	18	173	(155)
PUBLIC REALM	5,853	8,510	(2,657)
PARKS COMMISSIONING	6,926	13,009	(6,083)
EDUCATION, YOUTH & CHILD	17,569	15,559	2,010
SALIX	51	130	(79)
SCHOOLS CAPITAL DFC	1,508	0	1,508
General Fund	44,359	62,375	(18,016)
HRA			
STOCK INVESTMENT	13,085	14,000	(915)
ESTATE RENEWAL	3,526	4,000	(474)
NEW BUILD SCHEMES	294	544	(250)
HRA Total	16,905	18,544	(1,639)
IAS			
RESIDENTIAL	261,116	242,017	19,099
COMMERCIAL	14,079	17,450	(3,371)
IAS Total	275,195	259,467	15,728
Add: PFI Lifecycle costs	198		
Approved Capital Programme	336,656	340,386	(3,928)
Financed by:			
Grants	(27,465)	(103,391)	
s106 / CIL	(4,426)	(726)	
Capital Receipts	(17,808)		
MRR	(17,987)	(27,181)	
RCCO (GF)	(2,280)	(3,654)	
RCCO (HRA)	-		
Sub-Total	(69,965)	(134,952)	0
Net borrowing requirement for the year	266,691	205,434	(3,928)
Prudential Indicator – Capital Financing Requirement			
Opening CFR at 31 March 2023	1,707,121	1,707,121*	0
CFR – General Fund	178,921	140,434	38,487
CFR – Housing	0	0	-
Net movement in CFR	178,921	290,953	(112,032)
Total CFR as at 31 March 2024	1,886,042	1,847,555	38,487
Net financing need for the year	266,691	205,434	61,257
Less: MRP*	(15,616)		(15,616)
Less: Capital Receipts and Grant Adjustments	(72,155)	(65,000)	(7,155)
Movement in CFR	178,921	140,434	38,487
Long & Short-Term Borrowing	1,321,652	1,352,000	(30,348)
PFI and finance lease liabilities	271,068	271,068	0
Total debt 31 March 2022	1,592,720	1,623,068	(30,348)

(Under) / Over Borrowing	(293,322)	(224,487)	(68,835)
Operational Boundary	1,850,000	1,850,000	0
Authorised Limit	1,950,000	1,950,000	0

*total adjusted to match 2022/23 outturn

4. Affordability Prudential Indicators.

- 4.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.
- 4.2 The ratio of financing costs to net revenue stream. This indicator identifies the cost of capital (borrowing and MRP net of investment income) against the net revenue stream. For 2023/24 this was 3.61%, with most of the cost being MRP. In future the interest payable will increase significantly as the Council continues to borrow and the treasury income is likely to reduce as cash balances are reduced but there will be a significant increase in interest income from loans. There is forecast to be a significant increase in investment income.

Table 2: Ratio of financing costs to net revenue stream 2023/24

General Fund Cost of Capital	2023/24 Outturn	2023/24 Revised Budget	Over / (Under) spend
	£000s	£000s	£000s
Net Cost of Services	200,115	194,460	5,655
Cost of Capital			
<i>General Fund Return</i>	10,308	10,874	(566)
<i>IAS Residential and Commercial Return</i>	(1,093)	(2,604)	(1,511)
<i>IAS Other Return</i>	(1,987)	(1,776)	(212)
Net Cost of Capital	7,228	6,494	(2,289)
Financing Cost to Net Revenue	3.61%	3.34%	

5. Limits for Fixed and Variable Interest Exposure

- 5.1 The following prudential indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure is set to ensure the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The Council's existing level of fixed interest rate exposure is 100.0% and variable rate exposure is 0.0%. The high fixed interest rate is as a result of locking in low long-term rates for the HRA borrowing and for the IAS, which invests in property, which requires certainty over the cost of borrowing.

Table 3: Fixed and variable rate exposure 2023/24 to 2024/25

Interest rate exposures	2023/24	2023/24	2024/25
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates:			
• Debt only	100%	100%	100%
• Investments only	90%	90%	90%
Limits on variable interest rates			
• Debt only	70%	70%	70%
• Investments only	80%	80%	80%

6. Maturity Structure of Fixed Rate Borrowing

- 6.1 This prudential indicator deals with projected borrowing over the period and the rates that they will mature over the period. The majority of GF borrowing is either equal instalment repayment or annuity repayment, which means that each year a part of the loan is repaid. Table 4 summarises the borrowing structure based on £895.2m GF and £295.9m HRA Borrowing long and short-term borrowing.

Table 4: HRA Borrowing as at 31 March 2024

Maturity structure of HRA fixed interest rate borrowing 2023/24				
	Actual Position £000s	Lower	Lower	Upper
Under 12 months	-	0%	0%	50%
12 months to 2 years	-	0%	0%	60%
2 years to 10 years	-	0%	0%	70%
10 years to 20 years	50,000.00	16.9%	0%	70%
20 years to 30 years	50,000.00	16.9%	0%	100%
30 years to 40 years	185,912.00	62.8%	0%	100%
40 years to 50 years	-	0.0%	0%	100%
50 years and above	10,000.00	3.4%	0%	100%
Total Borrowing	295,912.00	100.0%	0%	100%

Table 4: GF Borrowing as at 31 March 2024

Maturity structure of General Fund fixed interest rate borrowing 2023/24				
	Actual Position £000s	Lower	Lower	Upper
Under 12 months	323,900	36.18%	0%	50%
12 months to 2 years	20,000	2.23%	0%	60%
2 years to 10 years	20,000	2.23%	0%	70%
10 years to 20 years	269,500	30.10%	0%	70%
20 years to 30 years	112,340	12.55%	0%	100%
30 years to 40 years	90,000	10.05%	0%	100%
40 years to 50 years	180,000	20.11%	0%	100%
50 years and above	10,000	1.12%	0%	100%
Total Borrowing	895,205	100.00%	0%	100%

7. Investments over 364 days

7.1 The overriding objective of the investment strategy is to ensure that funds are available on a daily basis to meet the Council’s liabilities. Taking into account the current level of investments, and future projections of capital expenditure, the following limits will be applied to sums invested:

Maximum principal sums invested > 364 days £'000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Principal sums invested > 364 days	300,000	250,000	220,000

8.1 Summary Assessment

- 8.1 The outturn position is set out above in respect of the Prudential Indicators approved by Assembly in February 2022.
- 8.2 The outturn figures confirm that the limits and controls set for 2023/24 were applied throughout the year, and that the treasury management function adhered to the key principles of the CIPFA Prudential Code of prudence, affordability and sustainability. The treasury management indicators were regularly monitored throughout 2023/24.

IAS Residential and Commercial Outturn and Treasury Outturn 2023/24

1.1 IAS Residential Outturn 2023/24

IAS Residential Outturn 2023/24										
	Loan / Net Spend £000s	Reside Rental Surplus £000s	Costs £000s	Total Interest Costs	Capitalised Interest Average Rate: 2.67% £000s	Net Interest Costs £000s	Interest Income £000s	Interest Margin £000s	MRP £000s	Total £000s
Spend Type	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
Affordable Rent - Reside Weavers	150,925	(1,465)	5	3,213	(565)	2,648	(3,658)	(1,010)	-	(2,471)
Social Rents - BD Homes	75,767	-	294	1,740	(523)	1,217	(1,089)	128	96	518
Private Rents and SO - Reside Regen	174,566	(762)	478	3,733	(931)	2,802	(124)	2,679	71	2,465
Reside Limited	-	-	1,618	-	-	-	-	-	-	1,618
Abbey Road	22,374	(506)	221	443	-	443	-	443	248	406
Other Residential Costs	317	-	1,109	6	-	6	(13)	(7)	-	1,102
Total Completed Schemes	423,950	(2,733)	3,725	9,135	(2,019)	7,116	(4,884)	2,232	415	3,638
Assets Under Construction	511,194	-	-	8,769	(8,769)	-	-	-	14	14
Total Residential Return	935,144	(2,733)	3,725	17,904	(10,788)	7,116	(4,884)	2,232	429	3,652
Individual Scheme Returns										
796-806 Dagenham Road (Elmtree)	2,181	-	-	43	-	43	(66)	(23)	-	(23)
Weavers	35,897	-	0	711	-	710	(1,076)	(366)	-	(366)
200 Becontree Avenue	4,348	-	-	86	-	86	(91)	(5)	-	(5)
A House for Artists	2,844	-	-	56	-	56	(60)	(3)	-	(3)
Challingsworth (Crown House)	26,036	-	-	516	-	516	(716)	(200)	-	(200)
Chequers	10,716	-	-	212	-	212	(295)	(83)	-	(83)
Convent Court	8,169	-	-	162	-	162	(184)	(22)	-	(22)
Gascoigne East PH2 C	6,491	-	-	129	-	129	(179)	(50)	-	(50)

Gascoigne East Phase 2 Block E2	1,871	-	38		38	(53)	(15)		(15)	
Gascoigne East Phase 3aJ	12,916	5	431	409	23	(18)	4		9	
Gascoigne East Phase F1	13,715		319	156	163	(212)	(49)		(49)	
Gascoigne West Phase 1	20,355	-	403		403	(560)	(157)		(157)	
Sebastian Court	5,386	-	107		107	(148)	(41)		(41)	
Weavers LLP Loss / (Surplus)	(1,465)		-		-				(1,465)	
Total for AR (Completed)	150,925	(1,465)	5	3,213	565	2,648	(3,658)	(1,010)	-	(2,471)
Becontree Heath Block A	6,451		128		128	(176)	(49)	96	47	
Chequers	5,365	-	106		106	(56)	50		50	
Gascoigne East PH2 C	4,859	-	96		96	(102)	(6)		(6)	
Gascoigne East PH2 E2	12,331	-	244		244	(271)	(27)		(27)	
Gascoigne East Phase 3aJ	14,609	-	527	501	26	(30)	(4)		(4)	
Gascoigne East Phase F1	1,932		40	22	18	(11)	8		8	
Gascoigne West Phase 1	3,653	-	72		72	(77)	(4)		(4)	
Sebastian Court	2,992	-	59		59	(67)	(8)		(8)	
Challingsworth (Crown House)	16,801	294	333		333	(157)	176		470	
Gascoigne West Phase 1	6,776	-	134	-	134	(142)	(8)	-	(8)	
Total for LAR and TR (Completed)	75,767	-	294	1,740	523	1,217	(1,089)	128	96	518
Gascoigne East Phase 2 Block E2	31,243		347	619	620	-	620		967	
Gascoigne East Phase F1	44,906		1,027	510	516	-	516		516	
Gascoigne West Phase 1 (Block Forge)	33,349	59	660		660	-	660		720	
Weavers	4,756		94		94	(124)	(29)		(29)	
Becontree Heath Block B	10,811		214		214	-	214		214	
Kingsbridge	7,592		150		150	-	150	71	222	
Sebastian Court (Bobby Moore)	7,880		156		156	-	156		156	
Gascoigne East Phase F1 (Ewars Marsh)	34,030	71	813	421	391	-	391		462	
Regen LLP and Ltd Loss / (Surplus)	(762)		-	-	-	-	-	-	(762)	
Total for PRS and SO (Completed)	174,566	(762)	478	3,733	931	2,802	(124)	2,679	71	2,465
Reside Limited	-	1,618	-	-	-	-	-	-	1,618	
Abbey Road	22,374	(506)	221	443	443	443	443	248	406	
Other Costs	317	-	1,109	6	-	6	(13)	(7)	1,102	
Total for Completed Schemes	423,950	(2,733)	3,723	9,135	2,019	7,116	(4,884)	2,232	415	3,638

Assets Under Construction Capitalised Interest Costs									
Brocklebank Lodge	1,104		29	29					-
Town Quay Wharf	8,651		46	46					-
Padnall Lake Phase 3	2,357		61	61					-
Royal British Legion	2,631		70	70			14		14
Gascoigne East 3B	22,894		156	156					-
Gascoigne East Phase 2 Block E1	6,657		167	167					-
Roxwell Road	16,093		273	273					-
Padnall Lake	14,610		278	278					-
Transport House	24,358		365	365					-
Oxlow Lane	18,554		401	401					-
Padnall Lake Phase 2	17,638		502	502					-
Woodward Road	21,521		539	539					-
Beam Park	56,415		612	612					-
Gascoigne East Phase 3A Plot I	45,359		893	893					-
12 Thames Road	67,270		838	838					-
Gascoigne West Phase 2	147,605		3,540	3,540					-
Industria	37,476								-
Total for Assets Under Construction	511,194	-	8,769	8,769	-	-	-	14	14

1.2 IAS Commercial Outturn 2023/24

Project Name	Rent £'000	Costs £'000	Bad Debts £'000	Net Operating £'000	MRP £'000	Average Interest For Year 4.88%	Net (return) / loss £'000	Asset Net Purchase cost (after MRP) £'000
7 Cromwell	(103)	2	(23)	(124)	10	61	(53)	1,239
47 Thames	(5)	7		2	1	8	11	132
9 Thames		5		5	4	25	34	466
3 Gallions	(265)	8		(257)	45	249	37	5,080
27 Thames	8	7		15	6	29	50	601
1-4 Riverside		10		10	12	59	81	1,257
23 Thames	(164)	20		(144)	53	280	189	5,721
14-16 Thames	(15)	284		269	18	98	385	1,994
Edwards Waste		1		1	7	434	442	9,668
BBC	(1,091)	68	230	(793)	254	1,359	820	27,564
26 Thames		280		280	44	236	560	4,825
Total Thames Road	(1,635)	692	207	(736)	454	2,838	2,556	58,547
Dagenham Trades Hall	(90)			(90)		30	(60)	1,464
Maritime	(1,077)	53	31	(993)	184	1,016	207	20,712
Heathway	(525)	165	51	(309)	67	364	122	7,273
Total Other Regeneration	(1,692)	218	82	(1,392)	251	1,410	269	29,449
Welbeck	(1,800)	95		(1,705)	243	1,266	(196)	25,425
Restore	(879)	20		(859)	118	616	(125)	12,358
Travelodge (Dagenham)	(470)	33		(437)	69	356	(12)	7,131
Travelodge (Pianoworks)	(414)			(414)	89	464	139	9,307
Industria		548		548		304	852	37,463
Total Other Commercial	(3,563)	696		(2,867)	519	3,006	658	91,684
Capitalised Interest						(3,162)	(3,162)	
Total IAS Commercial	(6,890)	1,606	289	(4,995)	1,224	4,092	321	179,680
Other Costs / (Income)	(237)	7		(230)			(230)	
Treasury						(1,699)	(1,699)	
Brokerage Costs		191		191			191	
Grand Total	(7,127)	1,804	289	(5,034)	1,224	2,393	(1,417)	179,680
IAS Other				(1,339)			(1,339)	
Muller Final Distribution				(3,500)			(3,500)	
Return with Muller							(6,256)	

1.3 Treasury Outturn 2023/24

General Fund Return Against Budget

Interest Payable	£000s	£000s	£000s
L1 Renewables		231	
Short-term Borrowing		2,064	
Capitalised interest		(3,305)	
Total Interest Payable	7,678	(1,010)	(5,383)
Interest Received			
BD ENERGY		(462)	
BDTP		(3,096)	
BEC		(4)	
Be First		(431)	
Barking Riverside		(443)	
Care City		10	
Dagenham and Redbridge Football Club		(4)	
Gascoigne School		(1)	
Grafton School		(1)	
Make It London		(9)	
Studio 3 Arts		1	
TPFL		(14)	
Other Interest		(7)	
HRA		(526)	
Schools		98	
Total Interest Received	(6,503)	(4,888)	1,615
Bad Debt Provisions			
BDTP	0	3,340	3,430
MRP			
MRP	9,700	9,470	(229)
General Fund Return	10,875	3,572	(567)

This page is intentionally left blank

Loans, Debts and Investments held as at 31 March 2024

Type of Loan, Borrowing or Investment	Amount £000s	Start Date	End Date	Rate %
HRA Borrowing				
HRA – PWLB				
PUBLIC WORKS LOAN BOARD	50,000.00	28/03/2012	28/03/2042	3.50
PUBLIC WORKS LOAN BOARD	65,912.00	28/03/2012	28/03/2062	3.48
PUBLIC WORKS LOAN BOARD	50,000.00	28/03/2012	28/03/2061	3.49
PUBLIC WORKS LOAN BOARD	50,000.00	28/03/2012	28/03/2052	3.52
PUBLIC WORKS LOAN BOARD	50,000.00	28/03/2012	28/03/2060	3.49
Total HRA – PWLB	265,912.00			
HRA – Market				
BARCLAYS BANK PLC	10,000.00	30/05/2008	30/05/2078	3.98
Phoenix Life Ltd	10,000.00	06/10/2021	26/03/2060	4.07
Phoenix Life Ltd	10,000.00	06/10/2021	26/03/2059	4.05
Total HRA – Market	30,000.00			
Total HRA Borrowing	295,912.00			
General Fund and IAS Borrowing				
GF – PWLB				
PUBLIC WORKS LOAN BOARD	20,000.00	09/06/2016	09/06/2066	2.72
PUBLIC WORKS LOAN BOARD	10,000.00	14/06/2016	15/12/2059	2.65
PUBLIC WORKS LOAN BOARD	10,000.00	28/06/2016	29/12/2059	2.49
PUBLIC WORKS LOAN BOARD	10,000.00	29/06/2016	29/06/2062	2.38
PUBLIC WORKS LOAN BOARD	10,000.00	07/07/2016	06/01/2062	2.14
PUBLIC WORKS LOAN BOARD	20,000.00	05/04/2017	05/04/2067	2.36
PUBLIC WORKS LOAN BOARD	14,347.83	12/09/2017	12/09/2040	1.98
PUBLIC WORKS LOAN BOARD	30,000.00	19/12/2017	19/06/2058	2.36
PUBLIC WORKS LOAN BOARD	13,333.33	21/02/2018	21/02/2036	2.38
PUBLIC WORKS LOAN BOARD	6,470.59	07/03/2018	07/03/2035	2.20
PUBLIC WORKS LOAN BOARD	14,000.00	19/03/2018	19/03/2038	2.31
PUBLIC WORKS LOAN BOARD	15,600.00	31/05/2018	29/05/2043	2.27
PUBLIC WORKS LOAN BOARD	30,476.19	01/10/2018	01/10/2039	2.38
PUBLIC WORKS LOAN BOARD	14,444.44	30/10/2018	30/10/2036	2.14
PUBLIC WORKS LOAN BOARD	16,000.00	10/12/2018	10/12/2043	2.28
PUBLIC WORKS LOAN BOARD	15,652.17	04/02/2019	04/02/2042	2.17
PUBLIC WORKS LOAN BOARD	31,304.35	26/03/2019	26/03/2042	1.99
PUBLIC WORKS LOAN BOARD	16,666.67	04/06/2019	04/06/2046	1.97
PUBLIC WORKS LOAN BOARD	15,500.00	08/08/2019	08/08/2039	1.39
PUBLIC WORKS LOAN BOARD	16,086.96	05/09/2019	05/09/2042	1.23
PUBLIC WORKS LOAN BOARD	16,229.83	28/02/2020	28/02/2038	2.27
PUBLIC WORKS LOAN BOARD	16,204.35	03/03/2020	03/03/2038	2.18
PUBLIC WORKS LOAN BOARD	16,627.59	10/03/2020	10/03/2040	2.06
PUBLIC WORKS LOAN BOARD	17,423.47	11/03/2020	11/03/2045	1.98
PUBLIC WORKS LOAN BOARD	20,000.00	15/12/2020	15/12/2070	1.33
PUBLIC WORKS LOAN BOARD	20,000.00	23/12/2020	23/12/2030	1.02
PUBLIC WORKS LOAN BOARD	20,000.00	23/12/2020	23/12/2055	1.50
PUBLIC WORKS LOAN BOARD	17,222.22	12/07/2021	12/07/2039	1.38
PUBLIC WORKS LOAN BOARD	20,000.00	12/07/2021	13/07/2071	1.71
PUBLIC WORKS LOAN BOARD	20,000.00	17/11/2021	17/11/2071	1.51
PUBLIC WORKS LOAN BOARD	30,000.00	07/12/2021	07/12/2071	1.37
PUBLIC WORKS LOAN BOARD	30,000.00	16/12/2021	16/12/2066	1.31
PUBLIC WORKS LOAN BOARD	20,000.00	16/12/2021	16/12/2071	1.25

Total GF PWLB Borrowing	593,589.99			
GF - Market				
DEXIA PUBLIC FINANCE BANK	10,000.00	30/06/2008	30/06/2077	3.98
European Investment Bank	71,563.24	30/01/2015	31/03/2044	2.21
L1 RENEWABLES	6,686.97	15/12/2016	01/10/2046	3.44
Total GF - Market	88,250.21			
GF – ST Borrowing				
Arun District Council	2,000.00	08/01/2024	04/04/2024	5.60
Arun District Council	2,000.00	17/01/2024	05/04/2024	5.55
BLAENAU GWENT BOROUGH COUNCIL	1,500.00	19/03/2024	19/04/2024	6.50
CORNWALL COUNTY COUNCIL	10,000.00	14/03/2024	16/12/2024	6.00
COVENTRY UNIVERSITY	10,000.00	27/11/2023	05/04/2024	5.80
EAST DEVON DISTRICT COUNCIL	3,000.00	01/12/2023	02/09/2024	5.65
East London Waste Authority	2,000.00	05/03/2024	05/06/2024	6.20
EXETER CITY COUNCIL	5,000.00	03/01/2024	03/07/2024	5.55
HALTON BOROUGH COUNCIL	10,000.00	19/01/2024	19/04/2024	5.55
HUMBER BRIDGE BOARD	3,000.00	15/01/2024	15/05/2024	5.50
L B CROYDON	10,000.00	10/01/2024	10/04/2024	5.55
LBBD Pension Fund	16,900.00	02/04/2019	01/04/2024	5.25
LEICESTER CITY COUNCIL	10,000.00	14/04/2022	15/04/2024	1.00
LEICESTER CITY COUNCIL	10,000.00	05/05/2022	03/05/2024	1.00
MALDON DISTRICT COUNCIL	2,000.00	21/12/2023	21/06/2024	5.65
MANCHESTER COMBINED AUTHORITY	5,000.00	18/03/2024	18/06/2024	6.60
MANSFIELD DISTRICT COUNCIL	2,000.00	07/03/2024	19/04/2024	6.15
MIDDLESBROUGH TEESIDE PENSION FUND	2,000.00	18/03/2024	09/05/2024	6.50
NORTH WARWICKSHIRE BOROUGH COUNCIL	1,500.00	20/03/2024	20/06/2024	6.50
NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL	5,000.00	15/12/2023	17/06/2024	5.70
Police & Crime Commissioner for Humberside	4,000.00	11/01/2024	11/04/2024	5.50
PRESTON CITY COUNCIL	4,000.00	26/03/2024	26/06/2024	6.80
PUBLIC WORKS LOAN BOARD	20,000.00	29/12/2023	29/12/2024	5.25
PUBLIC WORKS LOAN BOARD	60,000.00	27/02/2024	27/02/2025	5.45
PUBLIC WORKS LOAN BOARD	70,000.00	20/03/2024	20/03/2025	5.40
Royal Borough of Kingston upon Thames	5,000.00	18/01/2024	18/07/2024	5.55
Rutland County Council	2,000.00	05/02/2024	07/05/2024	5.65
SOUTH DOWNS NATIONAL PARK AUTHORITY	2,000.00	16/02/2024	18/11/2024	6.00
SOUTH OXFORDSHIRE DC	5,000.00	14/04/2022	14/04/2025	0.50
TAMWORTH BOROUGH COUNCIL	5,000.00	15/01/2024	15/07/2024	5.60
TENDRING DISTRICT COUNCIL	4,000.00	29/02/2024	30/08/2024	5.55
Vale of White Horse District Council	5,000.00	14/04/2022	14/04/2025	0.50
Vale of White Horse District Council	5,000.00	30/01/2024	30/07/2024	5.50
Warwickshire County Council	10,000.00	19/06/2023	19/06/2025	4.35
WEALDEN DISTRICT COUNCIL	5,000.00	14/03/2024	16/09/2024	6.00
WEST YORKSHIRE COMBINED AUTHORITY	15,000.00	04/12/2023	30/09/2024	5.55
WILTSHIRE COUNCIL	10,000.00	12/03/2024	12/06/2024	6.45
Total GF – ST Borrowing	343,900.00			
Total GF Borrowing	1,025,740.20			
Total Borrowing	1,321,652.20			
Loans				
Loans to Reside				
B&D Homes Ltd	(6,451)	23/08/2020	23/08/2025	2.75

B&D Homes Ltd - Gascoigne West 1 , Cargo & Carrier	(3,250)	21/11/2022	31/12/2024	2.10
B&D Homes Ltd - GE F - Mizen Street - LAR	(1,932)	07/12/2023	31/12/2025	2.20
BD Homes Ltd - Chequers Lane , Kerwin LAR	(5,365)	15/02/2023	31/03/2025	2.10
BD Homes Ltd - Crown House Challingsworth SO	(12,358)	01/01/2023	31/03/2025	2.50
BD Homes Ltd - Gascoigne East C - LAR	(4,859)	19/12/2022	31/12/2024	2.10
BD Homes Ltd - Gascoigne East Phase 2 Block E2 LAR	(12,331)	20/03/2023	31/03/2025	2.75
BD Homes Ltd - Gascoigne West 1 Cargo LAR	(3,653)	08/11/2022	31/12/2024	2.10
Reside Abbey Roding LLP PSL Loan	(8)	31/03/2020	30/09/2024	3.50
Reside Ltd - PSL Loan	(53)	31/03/2020	30/09/2024	3.50
Reside Regeneration LLP - GE Phase 2	(4,756)	31/03/2020	31/03/2025	2.75
Reside Regeneration Ltd	(179)	31/03/2020	31/03/2025	3.00
Reside Weavers - 10 Units 798-806 Dag rd	(2,181)	01/10/2019	31/03/2025	3.00
Reside Weavers - 200 Becontree Ave RM8 2TR	(4,348)	03/08/2022	30/09/2024	2.10
Reside Weavers - A House for Artists	(2,844)	01/04/2022	31/03/2027	2.10
Reside Weavers - Chequers Lane , Kerwin AR	(10,716)	14/11/2022	31/12/2024	2.75
Reside Weavers - Convent Court	(8,169)	16/05/2022	30/06/2024	2.25
Reside Weavers - Crown House, Challingsworth - AR	(26,036)	08/11/2022	31/12/2024	2.75
Reside Weavers - Gascoigne East C - AR	(6,491)	05/12/2022	31/12/2024	2.75
Reside Weavers - Gascoigne East Phase 2	(34,553)	31/03/2020	31/03/2025	3.00
Reside Weavers - Gascoigne West 1 Cargo & Carrier	(3,525)	21/11/2022	31/12/2024	2.10
Reside Weavers - Gascoigne West 1 Carrier - AF	(20,355)	15/08/2022	30/09/2024	2.20
Reside Weavers - Gascoigne East Phase 2 Block E2AR	(1,871)	20/03/2023	31/03/2025	2.75
Reside Weavers - PSL Loan	(12)	31/03/2020	29/07/2024	3.50
Reside Weavers - Sailor Court & Palomar - AR	(13,715)	11/09/2023	30/09/2025	2.75
Reside Weavers - Seb Ct Alf Ramsey AR	(5,386)	16/05/2022	30/06/2024	2.75
Reside Weavers - Seb Ct Martin Peters LAR	(2,992)	31/01/2023	31/12/2024	2.25
Reside Weavers Block J - AR	(12,916)	13/03/2024	31/03/2026	2.75
Reside Weavers Block J - LAR	(14,609)	05/03/2024	31/03/2026	2.75
Reside Weavers LLP	(1,344)	31/03/2020	31/03/2025	3.00
TPFL Regeneration Ltd	(64)	31/03/2020	31/03/2025	3.00
Total Loans to Reside	(227,322)			
General Fund Loans				
Barking Enterprise Centre CIC	(116)	12/08/2021	12/08/2031	3.50
BARKING RIVERSIDE LTD	(5,500)	01/04/2020	31/03/2025	8.25
BD ENERGY LTD	(1,086)	31/03/2020	31/03/2025	8.25
BD ENERGY LTD	(2,222)	31/03/2020	31/03/2027	8.25
BD ENERGY LTD	(10,413)	25/02/2022	31/03/2047	4.50
BD TRADING PARTNERSHIP LEUK	(28,981)	01/04/2020	01/04/2025	9.31
BD TRADING PARTNERSHIP LEUK	(5,925)	22/12/2021	31/07/2024	11.25
BE-FIRST LTD	(5,478)	31/03/2020	31/03/2025	8.75
Dagenham & Redbridge Football Club	(71)	01/04/2020	31/01/2028	3.75
Gascoigne Primary School	(20)	01/05/2020	03/03/2036	4.50
Grafton Primary School	(26)	01/11/2019	02/03/2026	4.50
Make IT Bow Ltd	(213)	18/07/2022	30/06/2032	4.00
Total General Fund Loans	(60,052)			
Total Loans	(287,374)			

This page is intentionally left blank

The Economy and Interest Rates

UK Economy

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (-0.2%/y/y)	+0.0%q/q Q4 (0.1%/y/y)	2.0% Q1 Annualised
Inflation	3.4%/y/y (Feb)	2.4%/y/y (Mar)	3.2%/y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 - is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact

of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

USA Economy.

Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Fed will want to shrink its swollen \$16 trillion balance sheet at some point. Just because the \$ is the world's foremost reserve currency (China owns over \$1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025...but how many and when?

Euro-Zone Economy.

Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.