Notice of Meeting

CABINET

Tuesday, 23 January 2018 - 7:00 pm
Council Chamber, Town Hall, Barking

Members:  Cllr Darren Rodwell (Chair); Cllr Saima Ashraf (Deputy Chair) and Cllr Dominic Twomey (Deputy Chair); Cllr Sade Bright, Cllr Laila M. Butt, Cllr Evelyn Carpenter, Cllr Cameron Geddes, Cllr Lynda Rice, Cllr Bill Turner and Cllr Maureen Worby

Date of publication: 15 January 2018

Chris Naylor
Chief Executive

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Please note that this meeting will be webcast, which is a transmission of audio and video over the internet. Members of the public who attend the meeting and who do not wish to appear in the webcast will be able to sit in the public gallery on the second floor of the Town Hall, which is not in camera range.

Webcast meetings can be viewed at https://www.lbhd.gov.uk/council/councillors-and-committees/meetings-agendas-and-minutes/overview/.

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 12 December 2017 (Pages 3 - 8)

4. Budget Monitoring 2017/18 - April to November (Month 8) (Pages 9 - 17)

5. Barking and Dagenham Reside - A Reinvigorated Approach (Pages 19 - 28)

7. Pooling of Business Rates (Pages 41 - 58)

8. Council Tax Support Scheme 2018/19 (Pages 59 - 61)

9. Calculation and Setting of the Council Tax Base for 2018/19 (Pages 63 - 68)

10. Essex and Suffolk Water Agreement (Pages 69 - 72)

11. 'Made in Dagenham' Film Studios (Pages 73 - 83)
    Appendix 2 to the report is in the private section of the agenda at Item 15.

12. Purchase of Transport House, 46 - 48 New Road, Dagenham (Pages 85 - 91)
    Appendix 3 to the report is in the private section of the agenda at Item 16.

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

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

    Private Business

    The public and press have a legal right to attend Council meetings such as the Cabinet, except where business is confidential or certain other sensitive information is to be discussed. The items below are in the private part of the agenda as they contain commercially confidential information which is exempt from publication under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

15. Appendix 2: 'Made in Dagenham' Film Studios (Pages 93 - 94)

16. Appendix 3: Purchase of Transport House, 46 - 48 New Road, Dagenham (Page 95)

17. Vicarage Field Financing Proposal (Pages 97 - 124)

18. Any other confidential or exempt items which the Chair decides are urgent
Our Vision for Barking and Dagenham

One borough; one community; London’s growth opportunity

Our Priorities

Encouraging civic pride

- Build pride, respect and cohesion across our borough
- Promote a welcoming, safe, and resilient community
- Build civic responsibility and help residents shape their quality of life
- Promote and protect our green and public open spaces
- Narrow the gap in attainment and realise high aspirations for every child

Enabling social responsibility

- Support residents to take responsibility for themselves, their homes and their community
- Protect the most vulnerable, keeping adults and children healthy and safe
- Ensure everyone can access good quality healthcare when they need it
- Ensure children and young people are well-educated and realise their potential
- Fully integrate services for vulnerable children, young people and families

Growing the borough

- Build high quality homes and a sustainable community
- Develop a local, skilled workforce and improve employment opportunities
- Support investment in housing, leisure, the creative industries and public spaces to enhance our environment
- Work with London partners to deliver homes and jobs across our growth hubs
- Enhance the borough’s image to attract investment and business growth

Well run organisation

- A digital Council, with appropriate services delivered online
- Promote equalities in the workforce and community
- Implement a smarter working programme, making best use of accommodation and IT
- Allow Members and staff to work flexibly to support the community
- Continue to manage finances efficiently, looking for ways to make savings and generate income
- Be innovative in service delivery
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66. Declaration of Members' Interests

There were no declarations of interest.

67. Minutes (14 November 2017)

The minutes of the meeting held on 14 November 2017 were confirmed as correct.

68. Budget Monitoring 2017/18 - April to October (Month 7)

The Cabinet Member for Finance, Growth and Investment presented a report on the Council’s revenue budget monitoring position for the 2017/18 financial year as at 31 October 2017.

The General Fund continued to show a projected year-end overspend of £5.883m against the budget of £145.13m and the Cabinet Member confirmed that the position was unlikely to improve to any significant degree by the end of the financial year.

The Housing Revenue Account (HRA) also showed an unchanged projection from the previous month’s £0.769m deficit position against the budgeted contribution of £39.642m to the HRA Capital Programme, while the reprofiled Capital Programme (excluding HRA-funded projects) was expected to achieve the targeted spend of £166.7m.

The Cabinet resolved to:

(i) Note the forecast outturn position for 2017/18 of the Council’s General Fund revenue budget as detailed in section 2 and Appendix A of the report;

(ii) Note the new financial risks and the suggested mechanisms for resolving them, as detailed in section 3 of the report; and

(iii) Note the overview of the HRA for 2017/18, as detailed in section 4 and Appendix B of the report.

69. Review of School Places and Capital Investment - Update December 2017

Further to Minute 17 (20 June 2017), the Cabinet Member for Educational Attainment and School Improvement presented an update report in respect of the
various school expansion projects aimed at addressing the current and future
demand for places in the Borough, as well as the latest funding issues.

The Cabinet Member advised that nine new forms of entry had been created
during 2017 to accommodate the ongoing rise in pupil numbers in the Borough
across both the primary and secondary sectors. The latest pupil forecast data
suggested that primary age pupil numbers (including nursery) would further
increase from 28,884 (at May 2017) to 34,012 by the 2027/28 academic year while
secondary age pupil numbers (including 6th form) would increase from 14,546 to
24,210 over the same period. Responding to the predicted increase, officers had
been working closely with School Governing Bodies to draw up a programme of
school expansions as well as looking at the areas of the Borough that may need
new school provision as regeneration schemes came to fruition. With regard to
the latter, it was noted that funding of £7.0m was proposed to be set aside for new
school places in Chadwell Heath should new homes be built on existing industrial
sites in the area, although the Cabinet Member pointed out that projects would
only be progressed once the need for additional places was confirmed.

The Cabinet Member also advised on the progress of a number of projects aimed
at enhancing facilities and places for children with special educational needs
(SEN) and increased Early Years provision.

In response to points raised, the Cabinet Member commented that the Council had
a good reputation with the Department for Education (DfE) and the Education
Funding Agency for delivering projects on time and on budget, while it was
testament to the hard work of officers, school staff and pupils that education
attainment levels had been maintained while major expansion projects had been
undertaken at many of the Borough’s schools. The Leader also commented on
Barking and Dagenham’s No. 1 ranking in London for offering first choice
preferences to pupils for the 2017/18 academic year.

The Cabinet **resolved** to:

(i) Approve the Future Planning Programme for Basic Need 2017 to 2027
(revised November 2017) as set out at Appendix 1 to the report;

(ii) Approve the inclusion in the Capital Programme of the various sums and
projects associated with changes to the Programme as detailed in section 5
of the report;

(iii) Delegate authority to the Strategic Director for Service Development and
Integration to approve the final procurement strategies for each project
following their consideration and endorsement by the Procurement Board,
in accordance with the Council’s Contract Rules; and

(iv) Delegate authority to the Strategic Director for Service Development and
Integration, in consultation with the Cabinet Member for Educational
Attainment and School Improvement, the Chief Operating Officer and the
Director of Law and Governance, to carry out the procurement and award
the respective project contracts.
70. Dedicated Schools Budget and School Funding Formula 2018-19

The Cabinet Member for Educational Attainment and School Improvement presented a report on the latest position regarding the Government’s education funding reforms and the proposed allocation of funding to schools for 2018/19.

The Cabinet Member referred to the provisional allocations for 2018/19 across the four funding areas covering the main allocation to schools (Schools block), central costs for core Local Authority education services (Central block), additional costs for SEN pupils (High Needs block) and childcare and pre-school services (Early Years block). It was noted that the overall allocation for 2018/19 would represent another real-term cut in education funding in the Borough and Members spoke of their dismay at the Government for its failure to provide a properly funded education system that was open to all.

The Cabinet Member highlighted the continued under-funding by Government of the High Needs block which had resulted in the local Schools’ Forum agreeing once again to reallocate some funding from the larger Schools block to maintain services to the most vulnerable children. Cabinet Members expressed their support for a lobbying campaign recently discussed at London Councils aimed at securing extra funding from the Government to support the High Needs block.

The Cabinet Member also commented on the significant cuts to the Central block over recent years which impacted on a number of valued services such as the Trewern Outdoor Education Centre and the Community Music Service, and advised that further reports would be presented to Cabinet on the future funding options for those services.

The Schools’ Forum had been consulted on three funding allocation options for 2018/19 and the preferred option was detailed in Appendix A to the report, although it was acknowledged that some adjustments may be necessary as a result of updated census data used by the DfE to determine final allocations.

The Cabinet resolved to:

(i) Note the latest position on the national Education Funding Reform and the expected implications for Barking and Dagenham as set out in section 2 of the report;

(ii) Approve the 2018/19 strategy for the Dedicated Schools Budget as set out in section 3 of the report;

(iii) Agree, in principle, the proposed model for allocating school funding in 2018/19 set out in section 4 and Appendix A of the report; and

(iv) Delegate authority to the Strategic Director for Service Development and Integration, in consultation with the Cabinet Member for Educational Attainment and School Improvement, the Chief Operating Officer and the Schools Forum, to approve the final 2018/19 school funding formula submission to the Education Funding Agency.
71. Allocation of Community Infrastructure Levy Spend

The Cabinet Member for Economic and Social Development presented a report on the proposed allocation of Community Infrastructure Levy (CIL) funding which the Council received from developers as part of the planning approval process.

The CIL could be allocated across two streams, the main element being Strategic CIL which related to major infrastructure projects within the area that the planning application related to while Neighbourhood CIL could be allocated for any type of infrastructure project in the Borough considered to benefit the local community. The Cabinet Member explained that areas of significant regeneration activity, such as Thames ward, would benefit disproportionally if all CIL funding was allocated to strategic projects so it was therefore proposed that, after administrative costs, 15% of CIL should be allocated for neighbourhood projects with the remaining 85% for strategic projects.

The Cabinet Member alluded to the proposed internal arrangements for allocating funding to specific projects and it was also confirmed that CIL charges would be reviewed next year as part of the Local Plan preparations.

The Cabinet resolved to:

(i) Agree the process for determining Strategic CIL spend as set out in paragraph 2.4 of the report;

(ii) Agree that the entire Borough be defined as the neighbourhood for the purposes of allocating the Neighbourhood CIL; and

(iii) Agree the process for determining Neighbourhood CIL spend as set out in paragraph 2.10 of the report.

72. Corporate Plan 2017/18 - Quarter 2 Performance Reporting

The Cabinet Member for Finance, Growth and Investment introduced the corporate performance framework report for the second quarter of the 2017/18 financial year.

The Cabinet Member referred to the Performance Challenge sessions at which portfolio holders and senior managers discussed detailed performance data with the Cabinet Member for Corporate Performance and Delivery and he highlighted several areas of improvement for the latest period, such as staff sickness absence and Members’ Enquiries response rates. Other issues that arose during the discussions included:

- That 57% of Key Performance Indicators (KPIs) were improving;
- The workshop sessions held earlier in the year to consider the issue of young people not in employment, education or training (NEETs) had helped the Borough to improve on a national level from the 4th quartile to the 2nd quartile;
- The recent announcement regarding the devolution of health care in London which would help bring about real health improvements locally;
That the Environment and Street Scene services were meeting all of their KPIs and Barking and Dagenham was now the second highest recycler in the area covered by the East London Waste Authority (ELWA);

That despite the Government’s austerity measures which had taken £130m annual funding from the Council, the residents of Barking and Dagenham continued to receive good quality public services.

The Cabinet **resolved** to:

(i) Note progress against the Key Accountabilities at 30 September 2017 as detailed in Appendix 1 to the report; and

(ii) Note performance against the KPIs at 30 September 2017 as detailed in Appendix 2 to the report.

### 73. Contracts for Supply and Delivery of Fresh Meat, Fruit and Vegetables to Catering Services

The Cabinet Member for Social Care and Health Integration introduced a report on the procurement of contracts for the supply and delivery of fresh meat, fruit and vegetables via the London Contracts and Supplies Group (LCSG) Framework.

The Cabinet Member confirmed that the procurements had followed legally complaint processes and assurances had been received that the suppliers were fully certificated in relation to the supply of halal meats etc..

The Cabinet **resolved** to:

(i) Grant retrospective approval for the procurement of contracts for the supply of fresh meat and fruit and vegetables, as set out in the report; and

(ii) Delegate authority to the Strategic Director for Service Development and Integration, in consultation with the Director of Law and Governance, to formally call-off from the LCSG Framework and enter into the signed call-off contracts.

### 74. Debt Management Performance and Write-Offs 2017/18 (Quarter 2)

The Cabinet Member for Finance, Growth and Investment introduced the performance report for the second quarter of the 2017/18 financial year in respect of the debt management function carried out by the Revenues and Benefits Service within Elevate East London.

The Cabinet Member advised that performance levels remained stable despite the significant challenges brought about by the Government’s austerity programme. In response to the suggestion that the Council could do more to collect recoverable debts, the Cabinet Member commented that he felt that the Council’s current approach struck the right balance as there were arrangements in place to support those that were unable to pay alongside robust collection and enforcement arrangements for those that chose not to pay. Reference was also made to the
Council’s efforts to reduce ‘grime crime’ through effective publicity and enforcement, as well as other positive initiatives such as the Council’s house-building programme aimed at low earners.

The Cabinet **resolved** to:

(i) Note the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of enforcement agents; and

(ii) Note the debt write-offs for the second quarter of 2017/18, as detailed in Appendix A to the report.

### 75. Any other public items which the Chair decides are urgent

The Cabinet Member for Social Care and Health Integration spoke on the Council’s ‘I Care’ campaign which encouraged residents to look out for their elderly neighbours, particularly over the Christmas period. Further information, including the ‘I Care - 12 Days of Christmas’ video, was available on the Council’s website at [www.lbld.gov.uk/icare](http://www.lbld.gov.uk/icare).
**Title:** Budget Monitoring 2017/18 – April to November (Month 8)

**Report of the Cabinet Member for Finance, Growth and Investment**

<table>
<thead>
<tr>
<th>Open Report</th>
<th>For Information</th>
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<tr>
<td>Wards Affected: All</td>
<td>Key Decision: No</td>
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**Report Author:** Katherine Heffernan, Group Manager – Service Finance

**Contact Details:**
Tel: 020 8227 3262  
E-mail: katherine.heffernan@lbbd.gov.uk

**Accountable Director:** Kathy Freeman, Finance Director

**Accountable Strategic Director:** Claire Symonds, Chief Operating Officer

**Summary**

This report provides an update on the revenue budget monitoring position as at the end of November 2017.

The budgetary position has worsened through the Autumn months partly as a result of continued demand pressures in Care and Support. The overall forecast expenditure position is an overspend of £6.878m. By this time of the year it is normally possible to assess the full scale of the pressures being experienced and how far it is realistically possible to mitigate and reduce them in year. However, managers are still likely to be forecasting on a prudent basis and the underspending areas are only now beginning to be identified.

The total service expenditure for the year is expected to be £152.007m against a revenue budget of £145.130m. This results in a forecast overspend position for the full year of £6.878m. Within the overall position there are forecast overspends on Care and Support, Homelessness, Public Realm, Leisure, Enforcement, Customer Services and Growth and Homes Commissioning.

This is based on known factors at this stage of the year and could still change as the result of successful management action or the appearance of new risks and pressures. Early identification of pressures is key to being able to plan and implement successful mitigation and the position will continue to be monitored and reported to Cabinet throughout the year.

There is no change to the forecast on the Housing Revenue Account (HRA) which is forecasting a revenue surplus of £38.873m which will be used as a contribution to the capital programme. This forecast surplus is a reduction of £0.789m from the planned contribution as a result of shortfalls in rent income.

The Capital programme was reprofiled at the end of quarter two which increased the net General Fund programme from £135.7m to £166.7m in 2017-18. Full capital monitoring is reported quarterly with a light touch report in the intervening months, highlighting risks.
and variances. Following the reprofiling there are few variances being forecast. The only significant variance is £2.88m accelerated spend on two Housing General Fund programmes

**Recommendation(s)**

Cabinet is recommended to:

(i) Note the forecast outturn position for 2017/18 of the Council’s General Fund revenue budget as detailed in section 2 and Appendix A of the report;

(ii) Note the new financial risks and the suggested mechanisms for resolving them, as detailed in section 3 of the report;

(iii) Note the overview of the HRA for 2017/18, as detailed in section 4 and Appendix B of the report; and

(iv) Note the update on the Capital Programme as detailed in section 5 of the report.

**Reason(s)**

As a matter of good financial practice, the Members’ should be informed about the Council’s spending performance and its financial position. This will assist in holding managers to account and in making future financial decisions.

1 **Introduction and Background**

1.1 This report provides a summary of the forecast outturn for the Council’s General Fund and HRA.

2 **Overall Position**

2.1 As at the end of October there is a projected General Fund overspend of £6.878m. Full details are shown as an appendix to this report. This is based on current service expenditure and trends and expected future spending.

2.2 If this forecast was still the final position by the end of the financial year it would require a drawdown on the Council’s reserves. Although we do have sufficient funds to cover this amount at this time, a reduction in the reserves would mean less capacity for strategic investment and the management of future risks. For this reason, it is important that action is taken swiftly to mitigate these pressures and any others that arise in the year.

2.3 As previously reported there are overspends predicted for Care and Support, the Homelessness budgets within Community Solutions, Leisure Services, Public Realm, Enforcement, the Customer Access Strategy and Growth and Homes Commissioning

3. **New Financial Pressures and Risks**

3.1 The forecast in **Adults Care and Support** has been rising steadily throughout the
financial year – largely related to pressures on the placement budgets and in-year slippage on the savings programmes. There are particular pressures on Mental Health and on the Crisis Intervention team which works with Adults being discharged from hospital. Performance in avoiding delayed discharge from hospital remains strong but the increased level of demand is leading to budget pressures. This is partly offset by clawback of unused direct payment funding and by staffing underspends and vacancies. However, the pressures have continued to rise over recent months and may not be containable within the overall budget. The service is forecasting a potential overspend of £0.212m.

3.2 The pressures on the Disabilities Care and Support service have also been increasing slowly throughout the year and the net forecast after application of grant funding and before mitigating action stands at £0.887m overspent. This should be possible to bring down through mitigating actions to £0.662m overspent. This service provides care and support to children and adults with a wide range of needs including some people with very complex needs who require high levels of support. The forecast has increased this month as a result of some backdated care packages for two adults living outside of the borough for whom it has been established we have the funding responsibility.

3.3 Additional funding has been provided in the form of the Adult Social Care Grant for Adult services but there are overspends within services for children including SEND transport (£0.433m overspent) and Social Care for Children with Disabilities (£0.337m overspent.) There are also some overspends in staffing especially in the Life Planning team with some offsetting underspends. Additional short time staff have also recently been approved in order to ensure that the Council meets the statutory deadline for ensuring all children who require one have an Education Health and Care plan.

3.4 The Children’s Care and Support forecast began to rise in early summer and now stands at £2.1m overspent. There are demand pressures across the system with an in-year increase in referrals and assessments, Children in Need and also Looked After Children. This increase in demand is contributing to overspends in staffing, legal costs and placement costs.

3.5 A delay in achieving the Customer Access strategy saving has previously been reported to Cabinet. In addition to this there is a risk of further overspending within the One Stop Shop as the expected channel shift has not yet resulted in reduced demand for this service. In the new year, some aspects of the work will pass to Community Solutions. The net forecast in this area as a result of both these factors is £0.544m overspent.

3.6 In addition there is a risk concerning the court income for Council tax recovery activity. In recent years the amount achievable has been below the budgeted figure and there is a risk that this may be the case this year leading to an overspend of £0.428m. This is a recurrent pressure that will be addressed in the MTFS.

3.7 As part of the Council’s transformation programme a new Growth and Homes Commissioning structure has been created to support the Council’s new approach to service delivery and ensure that the strategic outcomes are being achieved. This has resulted in some additional posts being created in Growth and Homes. The in-year impact is around £0.3m overspend. Funding for these posts is being
considered as part of the MTFS but where work is required to be carried out in this financial year it is creating an additional pressure on the budget. However, the work is contributing to the overall delivery of the Transformation programme and the MTFS savings and so cannot be delayed.

3.8 The Enforcement service has been experiencing below target income for some months now resulting in a pressure of around £1.085m. A management plan is in place involving better targeted CCTV and more use of automated number plate recognition systems. However, some aspects of this plan have taken time to implement reducing the in-year impact. The current plan is expected to bring the pressure down to £0.59m overspend although this is subject to some risk.

3.9 These pressures are offset by two identified underspends. There is a net underspend of £0.16m in Children’s Commissioning as a result of staffing underspends across the service and income from the Council’s traded services is expected to be higher than budgeted. There are also a range of staffing underspends within Core services and above target income from the Film Unit.

4. Housing Revenue Account

4.1 The current forecasts for the HRA shows an expected reduction in the surplus/contribution to the capital programme of £0.789m. This mostly relates to under achievement of income. This is unchanged since last month.

5. Capital Programme

5.1 On 13 February 2017 the cabinet approved a 5-year capital programme for the period 2017/18 – 2021/22. This programme was reviewed last month and additions were approved for Land Acquisitions, Street Purchasing and a new build programme at Becontree Heath.

5.2 The Cabinet also reproved a new profile for the Cabinet programme. There are two significant variances against this new profile.

5.3 The Gascoigne West scheme is to be part funded by the GLA who have provided funding of £7.8m (£3m in 2016/17 and £4.8m in 2017/18) as a contribution towards the total costs. The current expenditure relates to costs in respect of decanting existing tenants and completed leaseholder sales. The scheme is progressing well with the additional £1.0m projected spend due to accelerated buy backs.

5.4 The Kingsbridge scheme is also progressing well now despite some initial delays that were experienced with Thames Water in relation to drainage works and the finalisation of designs. Works have now commenced on site without the previously anticipated delays and this has led to a projected £1.897m accelerated spend. Completion is forecast to be at the end of Q3 2018/19.

6. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

6.1 This report details the financial position of the Council.
7. Legal Implications

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

7.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

Public Background Papers Used in the Preparation of the Report:
- Oracle monitoring reports

List of Appendices
- Appendix A – General Fund Revenue budgets and forecasts.
- Appendix B - HRA budgets and Forecasts
# Appendix A

## General Fund Revenue Budgets and Expenditure

<table>
<thead>
<tr>
<th>Service</th>
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<th>Actuals – (P7 October)</th>
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## HOUSING REVENUE ACCOUNT BUDGETS AND EXPENDITURE

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# Summary

This report sets out a refreshed approach for the future strategic direction and operational management of Barking and Dagenham Reside. The proposals have been developed to enhance the role of Reside as a social purpose landlord, strengthen corporate governance arrangements, and improve the quality of service provided through enhanced commissioning processes. As the Council’s programme of housing development brings new properties into Reside’s property portfolio, it is critical that the company is managed effectively to optimise value for money, investment returns and protect assets, while demonstrating the values of a social housing provider. The actions set out in this report will enable Reside to operate on a sound commercial basis within the rented sector, providing a range of housing choices at affordable rents.

In November 2012, Cabinet approved the creation of Barking and Dagenham Reside (Reside) as a structure to hold and manage affordable housing developments. Reside is composed of a number of corporate vehicles structured as special purpose vehicles (SPVs) in line with Cabinet approvals for each project. Currently these vehicles are set up purely as investment vehicles to hold and manage property assets. Reside as an entity has no directly employed staff and the services to residents, such as repairs and tenant relations are delivered under a commissioned contract.

Over the next five years the programme of housing development will bring at least a further 3,000 properties into the Reside portfolio. These developments are central to the council’s ambition to enable greater access to affordable housing across all tenures and incomes, over and above meeting its statutory responsibilities towards those in housing need via HRA accommodation. This increased property portfolio will require Reside to operate a more robust and commercially competitive approach within the private rented sector. This report sets out proposals to:

- Establish appropriate governance
- Recruit a core staff directly employed by Reside.
- Strengthen the business planning and commercial performance of Reside.
- Establish positive collaboration with Be First, the borough’s development company.
• Provide high quality services to tenants of Reside through effective commissioning and rigorous contract monitoring.
• Develop the brand identity of Reside as a private rented sector landlord with a strong social purpose.

This report seeks Cabinet approval to recruit a new Board and refresh the governance arrangements and recruit a proportionate operational resource to take forward the development of Reside as a professional private sector landlord.

**Recommendation(s)**

The Cabinet is recommended to:

(i) Approve the creation of a Reside Management Company;

(ii) Agree that the shareholder role of the Council shall be exercised through Cabinet advised by the Shareholder Panel;

(iii) Delegate authority to the Chief Operating Officer, in consultation with the Director of Law and Governance, to commence the recruitment and selection of a Chair of the Board of Directors; and

(iv) Delegate authority to the Director of Law and Governance to prepare and execute articles of association or partnership agreement, and any relevant legal agreements or documents on behalf of the Council to implement the creation of the new Reside company.

**Reason(s)**

The rational for these proposals is in line with the Council’s ambitions to improve access to affordable housing and encourage strong and resilient communities. The London Borough of Barking and Dagenham has great regeneration potential particularly in relation to housing provision. Through the Investment and Acquisition Strategy the council will be enabling the creation of significant numbers of new properties to meet local housing need as well as providing a sustainable portfolio of assets. Reside is a key vehicle for the management and marketing of the council’s non-HRA property.

1. **Introduction and Background**

1.1 Housing is at the heart of the Council’s drive to improve the quality of life for residents and to create thriving communities and attractive places where people positively choose to live. The Council’s objective is to ensure that residents can find an affordable and high-quality home at a mix of tenures and prices across the borough. Reside as a private sector landlord with a social purpose is the ownership vehicle through which the council will deliver this objective.

1.2 Set up in November 2012, Reside was initially created as a structure to develop and manage affordable housing at William Street Quarter and Thames View East. Originally intended as a single entity with the addition of two further developments at Abbey Road and Gascoigne East, Reside is now formed of a number limited liability partnerships and limited companies as investment vehicles for each
1.3 Although, the Reside companies own property and are the legal landlord, the companies have no staff and all the services are delivered to tenants by the Council, either by commissioned services from My Place or officers within Inclusive Growth.

1.4 Each Reside SPV Board has a common membership and exists to govern special purpose vehicles individually established for each project. They operate in a similar manner to pension funds holding and managing assets. To date this approach has been proportionate given the scale of the property portfolio and enabled a beneficial tax position. However, going forward with an increase in the properties managed by Reside, this structure may need to be revisited, should the creation of a single company entity be demonstrated as more operationally efficient and consistent to discharge the investment and housing management obligations of current and future projects.

1.5 With a significant property portfolio, Reside will need to develop its strategic landlord function in relation to the acquisition of property and effectively maintaining these assets. Whilst this is fundamental to delivering investment returns, it is also vital that the governance arrangements ensure that Reside’s Business Plan and delivery activities remain consistent with the Council’s Manifesto commitments and retain a focus on social purpose.

1.6 The Reside portfolio currently consists of over 600 homes with a further 200 due in early 2018. 80% of these properties are let to working households and 20% to those households on the Housing Register. Over the next five years there is an opportunity to increase this by a further 3,000. The future increase in the portfolio will be dependent of the performance of Be First and decisions of the Investment Panel for the initial identified 44 sites. Reside’s Business Plan will need to evidence how the units will be let, the estimated value of rents against each band (50-65-80 and full market rent), for each property type. Shared Ownership and private sale tenures will also be developed and sold by Reside.

1.7 In addition, the Council and Reside will need to determine how the street acquisition properties and disposals that may be transferred to this structure will be managed. While Reside focuses on branding its homes for working households, it will continue to receive nominations from the Housing Register, estate regeneration activities and other sources. A separate exercise will need to look at how the units let to vulnerable groups will be managed recognising that, aside from rent collection and repairs, they will require a dedicated level of management specifically in tenancy sustainment and controlling the risks arising from Welfare Reform and the roll out of Universal Credit.

1.8 This report, therefore, sets out a direction of travel for Members to consider and agree. It will ensure that as the property portfolio develops and diversifies the new Reside Board and the Council have the flexibility to consider and manage the impact of various inter-dependencies, tax implications and potential advantages of various company structures dependant on the nature of the asset. It will also enable Reside to develop positive relations with key partners such as Barking and Dagenham Renew.
2. Proposal and Issues

2.1 To realise the potential opportunities of Reside as an ethically driven social housing provider there are several key actions which the council is required to undertake as set out below:

- Establish new membership for the Reside Board and redefine the governance relationship with the council as the shareholder.
- Create a single management entity and in collaboration with the Reside Board consider the future optimal company structure(s) to realise the investment objectives of the council.
- Recruit a suitably experienced manager to lead the development of the Reside contracts, standards and brand.
- Agree the Reside Business Plan and collaborative engagement with Be First.
- Charge the Reside Board and manager with the development of robust standards and supporting commissioning arrangements to provide a high-quality service to Reside tenants.

Roles and Responsibilities of the Board and Executive functions

2.2 It is recommended that a new Board with an independent Chair is created that will drive the change in Reside. This will mean that Reside will be an arms-length organisation, not dissimilar to Be First and Barking and Dagenham Trading Partnership, where the Council will retain control through a shareholder agreement, which will include the approval of the business plan which brings together all the relevant factors to enable the company to thrive and deliver the Council’s key requirements. The Board will be responsible for:

- Setting strategic direction and longer-term planning,
- Setting and maintaining control of the business plan,
- Ensuring, through the Executive team, that the company has the adequate resources to implement the business plan,
- Establishing policy and procedures to ensure compliance with all regulations,
- Control and oversight of financial affairs of the company(s),
- Monitoring performance of the company, resident satisfaction, and improvement plans,
- Managing risk.

2.3 The Council and Board of Directors will need to consider the resources required and staffing appropriate for to carry out the following functions:

- Governance, relationships, and financial conduct compliance
- Contract Management: service standards, improvement, monitoring, cost management
- Asset management, valuations, and agreement of specifications for pipeline development.

2.4 It is proposed that the Shareholder Panel will include the Reside structure as one of its responsibilities and that the Investment Panel will make key recommendations and decisions in relation to proposals brought forward by Be First in relation to property, banking and corporate matters to maximise investment returns.
Relationship with the Council

2.5 It is recommended that the Cabinet, advised by the Shareholder Panel, has control of the strategic direction of the company through the approval of the business plan on an annual basis. It is recommended that the Chief Operating Officer be delegated authority to commence the recruitment of Chair of the Board of the new Reside company, in a similar manner to the process followed for Be First and the Barking & Dagenham Trading Partnership. It will be for the Chair thereafter to recruit to the Board and any other position. The Investment Panel and Shareholder Panel (as appropriate) will have operational oversight of existing and new vehicles which fulfil investment and asset holding functions as well as the financial performance of the portfolio.

2.6 The Council as shareholder will hold the Reside Board to account through properly defined parameters. Reside will require a small team of professionals to manage its affairs and contract manage the relationship with its contractors. It will be responsible for ensuring that tenants receive the services they pay for and ensuring that all legal landlord requirements are met. It will also be a key consultee for future investment schemes delivered by Be First to ensure that its portfolio is balanced and can perform well in the market, delivering the Council’s investment returns. Inclusive Growth will be the commissioning body for Reside ensuring that there is a co-ordinated approach to delivery of outcomes.

Creating a Reside Management Company

2.7 The current Reside structures has been dictated by the Council’s investment objectives and regulatory environment. This report makes no proposed changes to how the stock is currently held in investment vehicles on terms agreed by the Council. There is however a requirement to bring more consistency and recognised standards to the property management functions under the control of a single managing entity. Creating more robust management will enable a focus on ensuring that the Council’s investment pipeline fits within its operating model, the specifications and branding requirements, and that the profile of the stock is balanced and continues to meet its marketing, operational and financial requirements. Sufficient staff resources are currently not in place and this report recommends the recruitment of a Contracts Manager for Reside to undertake this key role. This post will initially be supported by administrative resource from the council but over time it would be for Reside to determine its own staff requirements with the parameters of delivering their business plan and financial objectives.

2.8 The creation of a single point of reference for all governance and strategic management will assist Reside develop its own brand. The new Reside company would operate as an overarching management company funded from a portion of the current and future rental income or a short term working capital loan. Further legal and tax advice will be required to ensure that current and future structures are not compromised or new unforeseen liabilities emerge.

2.9 The management company will be formally constituted and will discharge all the functions of a landlord as agent of property owning entities and hold its contractors to account using contracts, compliance monitoring tools, and ability to make decisions that are in the best interests of the company and its tenants.
2.10 Should, over time an alternative model for the holding of the existing and new investments provide a more suitable structure for these assets, the Council in collaboration with the Reside Board will consider these options.

**Reside Business Plan**

2.11 The Reside Business Plan will be considered by the Council and the Board on an annual basis. The plan will set out how Reside will deliver the council’s aims of increasing access to well-managed, affordable homes; ensuring a sustainable return on the level of capital investment and effective stewardship of public assets. The business plan will be set in the context of Reside’s role as a social purpose landlord.

2.12 Key issues that will need to be addressed within the business plan are outlined in the following paragraphs:

**The Brand**

2.13 The private rented sector is a highly competitive market, with an increasing number of institutional investors now entering the borough. Reside will require a strong brand image and product to distinguish itself as landlord with a social purpose. The foundation for this brand will be the unique offer of excellent quality homes and stability of tenure at a rent that is affordable to working households.

2.14 The Council will enable Reside to expand and develop its portfolio through the funding of a balance of property types and sizes that are marketable, sustain their rental value and can be maintained cost effectively. Choice, affordability and high standards are the elements of the brand that Reside will need to demonstrate in their business objectives and plans. There will be an on-going dialogue with Be First to ensure that investment proposals brought to Investment Panel by Be First for approval can be effectively managed by Reside to deliver long-term value and investment returns for the Council.

**Existing projects and Pipeline projects**

2.15 The Reside portfolio currently consists of over 600 homes with a further 200 due in early 2018. Over the next five years there is an opportunity to increase this by a further 3,000. The future increase in the portfolio will be dependent on Be First delivering new units and decisions of the Investment Panel for the initial identified 44 sites. However, Reside’s Business Plan will need to evidence how the units will be let, the estimated value of rents against each band (50-65-80 and full market rent), for each property type. This will also be considered by Investment Panel.

**Standard Property Specifications**

2.16 Reside will manage homes that the Council has decided to fund following scrutiny by the Investment Panel, and having passed the Council’s criteria for investment, Reside will need to be able to influence those decisions through an agreed methodology with Be First. Consultation with My Place has already established the need to standardise specifications across developments - for example lifts, M&E items, kitchen and bathrooms – through a single set of design and technical
performance specifications. This will enable more effective commissioning of management services and consistency in marketing.

**Landlord Services, costs and service charges**

2.17 This is the area that will require the greatest attention. My Place is still preparing itself for trading and will bring together all the property management functions that are currently delivered by the Council. Reside and My Place have commenced a new relationship which will lead to a clear, defined and costed contract for the delivery of services. This will enable evidence based reporting and monitoring. As the portfolio grows, Reside and My Place will be able to drive down costs. My Place and Reside are already focusing on establishing a good management standard.

**Financial strategy**

2.18 The key financial drivers for Reside will be scrutinised by the Investment Panel and ultimately determined by the Cabinet through agreement of the Business Plan. The Investment Panel will determine funding conditions, it will also oversee the financial management of the company(s) and how improvements to its management can further increase its base. Reside will have a key role in the Be First Gateway process to ensure the design of new housing units are fit for purpose. In addition, Reside will need to state its own financial position against key requirements, rent collection, void and bad debt, management costs etc. It will track the performance of property types and size in relation to market demand to ensure that there is no disproportionate impact on its future performance.

3. **Options appraisal**

3.1 The alterative option would be to continue with the current management arrangements, with staff capacity for Reside provided by council staff. However, with the growth in the number of properties within the portfolio, this is not a sustainable approach. To fully realise the potential of Reside and deliver the required improvement in the commissioning and contract management a more formally constituted management company is required.

4. **Consultation**

4.1 Officer from Inclusive Growth have produced this report and included findings and feedback from officers across the Council and Members. The report has been discussed at officer level in line with the agreed governance arrangements.

5. **Financial Implications**

Implications completed by: Kathy Freeman, Finance Director

5.1 At present, there are currently very little overheads or costs charged to the various Reside special purpose vehicles (SPV). The structures are operating on a very lean and efficient basis. There are currently c600 units across the various Reside SPVs.

5.2 Cabinet approved the Investment Strategy in September 2017, setting out the Council’s ambitious plans to build and fund 7,400 units directly so there will be a
need to scale up the current Reside Housing management functions to be able to effectively deal with a significant number of units going forward.

5.3 A Housing Management company has been proposed which has financial implications. The functions set out in section 2.2 will require resourcing. The number of posts has yet to be determined, as have the grades of the posts. It is the intention that the company will also recruit to a Board, and appoint a Chair and two directors who will provide strategic direction to the company. Until the company proposed manages over 2,000 properties, the staffing costs of the company are unlikely to be self-financing unless efficiencies and savings through effective contract management can be made.

5.4 It should be proposed that salaries for the Board are kept minimal, and to mirror the salaries of Board members for Registered Social Landlords and Housing Associations (between £3k to £6k). The cost of the Manager is yet to be costed. There is no existing funding for this function so this cost, alongside the cost of the Board will be funded from the existing income generated from the current SPVs and could reduce the income from the £5.125m investment strategy target until the company manages over 2,000 units – the estimated breakeven point. An effective housing management company will reduce costs at the design/planning stage and support the delivery of lower cost yet good quality housing. Another objective for the company will be to drive down the costs of management and maintenance, further increasing the net profit from the SPVs.

5.5 The form of the vehicle will require careful consideration as it will determine the implications on corporation tax and VAT. If the company is set up as a limited company guaranteed by shares, it will be subject to corporation tax. Legal advice will need to be sought for tax planning purposes.

5.6 If there are existing staff who may qualify for TUPE to the Housing Management company, consideration needs to be given to Pension matters and approval sought from the Pension Panel before admission to the LB Barking and Dagenham fund.

6. Legal Implications

Implications completed by: Suzan Yildiz, Deputy Head of Legal Services and Paul Field, Senior Governance Lawyer

6.1 As set out in the report there are a number of legal formalities which will be necessary to ensure Reside has a fit for purpose and future proof structure to ensure the success of its business plan and effective management of housing stock.

6.2 Whilst Reside differs from the Council’s other Special Purpose Vehicles, in that it has been extant and operational for some years, for reasons of simplicity, transparency and sound management, the governance arrangements are best designed to broadly conform with the design for Be First, with similar structures for strategic oversight by the Shareholder Panel and the Investment Panel. However, there are a number of complexities which are under consideration and may shape the emergent structures of Reside, and will be addressed in due course, namely:

i. The impact of any new structural changes upon existing special purpose
vehicles and the role of LLPs in the Reside structure;

ii. The impacts of the imminent Green Paper on Social Housing and the role of a registered provider company within the Reside structure; and

iii. The ability of the Council, Be First and/or Reside to be able to access grant funding for schemes (for example in the Housing Zones) by utilising a registered provider in the Reside structure.

6.3 The power to establish a group of companies such as Reside is available through the exercise of the “general power of competence” under Section 1 of the Localism Act 2011, which gives the local authority the power “…to do anything that individuals generally may do”. The power is not limited either by the need to evidence a benefit accruing to the local authority’s area, or in geographical scope. However, existing and future restrictions contained in the legislation continue to apply.

6.4 The legal status of Reside (which is effectively a group of companies created for special purposes) is a Teckal company, that is a specific entity for the purposes of European law which is a wholly owned company of the Council and accountable to the Council, as shareholder, for delivery of its socio-economic, regeneration or housing objectives. A Teckal company is not subject to the European Procurement regime in so far as it can award contracts to the Council as its parent body and vice versa. As a Teckal company, Reside has some degree of autonomy in how it goes about its business. However, it is ultimately answerable to the Council for its strategic direction and performance. As a Teckal company Reside is required to conduct 80% or more of its activities for the Council.

6.5 The suite of contractual and governance documents including the Articles of Association together with Shareholder and Service Level Agreement regulate the relationship between Reside and the Council and seek to ensure that the company’s strategic direction and activities accord with the Council’s corporate objectives for growth and regeneration.

6.6 The Teckal arrangement creates an exemption from procurement requirements and enables the Council’s own services to be provided to Reside without extensive and expensive tendering obligations. Furthermore, it enables a seamless working with other Council controlled companies such as Be First.

6.7 Observance will be taken with the Local Government Act 2003 enables the Council to finance Reside its work and projects subject to complying with the Treasury guidance and State Aid rules.

6.8 As identified in the report there are no specific staffing implications at this point but in any event if such should emerge then the Transfer of Undertaking Regulations and required consultation would apply, together with the necessary protection to terms and conditions and pension provisions of any affected staff.

6.9 The following documentation will be necessary once the optimum structure is settled:
• **Shareholder Agreement** - The Shareholder Agreement sets out the relationship by which the Council will participate in the Reside Company as its shareholder. It defines the business of the company, how it will conduct its affairs, the composition of the Reside Board of Directors, how it will be financed, what matters will need to be referred to the Council, and how it will produce its accounts. It also includes provisions, rights to information, anticorruption, duration and termination, payment of dividends, confidentiality and assignment.

• **Articles of Association** - The Articles of Association form the Reside Constitution. They define the Directors’ powers and responsibilities, and meeting arrangements. They include provisions covering conflicts of interest, appointment and termination of directors, remuneration of directors, shares, dividends, capitalisation of profits, decision-making by Shareholders, general meetings, administrative arrangements, and directors’ indemnity and insurance.

• **Service Agreement** - The Service Agreement defines all the terms and conditions relating to the provision of services by Reside to the Council. This will include Key Performance Indicators, fees and financial information including audit. This could be a services concession contract for an initial period to be agreed under which Reside is granted a ‘concession’ to deliver a range of services to the Council under agreed terms.

• **Council Service Level Agreement** detailing the services that Reside will buy back from the Council (including IT, HR, payroll, procurement, and legal) and the commercial and performance terms for those agreements.

• **Financial Arrangements** – detailing any loans, security and reporting of risks

7. **Other Issues**

7.1 **Risk Management** – A risk management section will be included in the Business Plan.

7.2 **Contractual Issues** – These have been addressed in the body of the report

7.3 **Staffing Issues** – None at this stage but, subject to further activities, TUPE may be a relevant issue for which any affected staff will be consulted.

7.4 **Corporate Policy and Customer Impact** – Providing good customer services to Reside Tenants is a key theme of the Business Plan, but no specific changes are being recommended at this stage.

7.5 **Property / Asset Issues** – Reside is a holding and management property company. Key issues are addressed in the Business Plan and any decisions will be taken following the Council’s governance arrangements.

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

**List of appendices:** None
Title: B&D Energy - ‘White Label’ Energy Supplier

Report of the Cabinet Member for Finance, Growth and Investment

Open Report

Wards Affected: All

Report Authors:
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Andrew Sivess, Head of Assets and Investment

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Accountable Strategic Director: Claire Symonds, Chief Operating Officer

Summary

Recent government estimates suggest that 10% of Barking and Dagenham households suffer from fuel poverty. These are generally vulnerable households which have incomes below the national poverty line with higher than average fuel bills than a typical household. The Council’s own independent fuel poverty assessments found that on some estates this was as high as 38%. Set against a borough backdrop of unprecedented levels of personal debt and insolvency, squeezed household budgets will continue to be pressed by energy costs.

Despite the Council’s best efforts to provide affordable warmth through insulation projects and on-line fuel switching, the impact of rising price inflation and the expiry of 77 cheap fixed energy deals this year will leave many households facing an average £200 increase in fuel bills.

In response, the Council has appraised various options which could provide residents with the opportunity of competitive, cheaper fuel tariffs while allowing the Council to generate a modest commission to reinvest in services and fuel debt projects. Numerous models for delivering an independent stand-alone energy supply company have been considered but the conclusion is that a ‘white label’ partnership with a reputable energy supplier which can deliver bespoke, locally-branded, competitive energy tariffs is the most appropriate option at the present time.

Recommendation(s)

The Cabinet is recommended to:

(i) To approve the proposed ‘white label’ approach to deliver a branded energy supply to the residents of Barking and Dagenham; and

(ii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Economic and Social Development and the Director of Law and
Governance, to develop and register the intellectual property rights in the trademarks and branding for the energy products to be delivered through the white label option, and enter into the contracts and all other necessary or ancillary agreements with the successful bidder in accordance with the strategy set out in the report.

Reason(s)
To tackle fuel poverty, fuel debt and provide affordable warmth through bespoke localised energy tariffs.

1. Introduction and Background

1.1 Tackling fuel poverty has become a prominent focus of government policy. The 2014 Competition and Markets Authority (CMA) report into the domestic energy market widely acknowledged weak consumer interaction in the energy retail market which contributed to distorted competition, particularly with regard to standard variable tariffs. The CMA indicated this year that families are paying £1.4bn more in energy bills than they should be, simply by failing to switch supplier to find a cheaper tariff.

1.2 The latest affordable warmth statistics from the Department for Business, Energy and Industrial Strategy, suggest that 335,000 households in the capital are suffering from fuel poverty and the average gap between what households pay and what they can afford amounts to £333 per year.

1.3 In April 2017 the industry regulator, Ofgem, introduced temporary price caps until 2020, for the country’s 4.3m prepayment meter customers. The watchdog also announced a new cap on standard variable tariffs for the 3m most vulnerable households from February 2018. The average dual fuel cost for these households is £1,031 per year.

1.4 In October 2017 the Government unveiled the Draft Domestic Gas & Electricity (Tariff Cap) Bill which aims to give Ofgem powers to regulate until 2023 the most expensive standard variable and default tariffs which affect two thirds of UK energy consumers. The mechanism to regulate prices is yet to be decided and realistically will not be in place until 2019. In response several energy companies, including British Gas and E.On have recently announced long-term plans to end standard variable tariffs.

1.5 However, there are no guarantees of incentivising greater switching to more competitive tariffs. British Gas plans will also only apply to new customers while those on current tariffs will be advised they can switch to other deals. E.On’s proposals affect smart meter households only. While the caps will help to contain cost increases for Barking and Dagenham residents they will do nothing to encourage people to gravitate towards more affordable and competitive fuel tariffs.

1.6 From a local perspective, despite the Council’s best efforts to provide affordable warmth and encourage on-line collective fuel switching, resident take up of opportunities to reduce fuel bills has been low. This needs to be reviewed against the impact of rising price inflation and the expiry of 77 fixed energy deals leaving
many households facing an average £200 increase in their fuel costs if they fail to find a competitive deal.

1.7 As a result the Council has explored several models for providing cheaper, competitive Barking and Dagenham branded gas and electricity tariffs for residents. Energy supply companies, joint ventures and alternative strategic partnerships have been examined. Judging by the performance of such models in other local authorities this could reduce the energy bills of residents with an average household energy consumption by anything between £75 and £250 per year. The options considered are:

- Establishing a ‘white label’ energy partnership with a fully licensed energy supplier (examples include Sainsbury’s Energy, M&S energy, Liverpool LECCy)
- Establishing a wholly Council-owned independent and fully licensed energy supply company (examples include British Gas, Bristol Energy, Robin Hood Energy)

2. Issues and Proposals

2.1 Year-on-year price increases for domestic energy over the last decade have created significant numbers of fuel poor households in Barking and Dagenham. In 2009/10 the borough was ranked as having the highest fuel poverty level in London but with a proactive programme of energy efficiency and thermal comfort works this was reduced to seventh by 2013 and thirteenth by 2014.

2.2 Despite this progress several wards continue to suffer from higher levels of fuel poverty (Appendix 1). While there is no specific data for fuel debt in Barking and Dagenham 1.1m households UK wide were in gas and electricity arrears in 2016 and with historically poor levels of switching to cheaper energy suppliers and rising cases of insolvency and personal debt in the borough, these numbers are expected to rise.

2.3 To tackle current levels of fuel poverty and debt the Council has evaluated the following energy supply models:

2.4 Option 1: Fully licensed operator

2.4.1 To establish an independent energy company, the local authority nominee company would have to apply to Ofgem for the right to hold an electricity and gas license to become a fully licensed operator abiding by stringent statutory industry codes of compliance.

2.4.2 The two most significant municipal suppliers currently in the market are Nottingham City Council’s Robin Hood Energy (RHE) and the Mayor of Bristol’s Bristol Energy.

2.4.3 After four years of planning, RHE was launched in 2015 as the UK’s first local authority owned, not for profit, energy company. The Council provided £2m in set-up costs, with access to a further £15m loan facility, to develop the company as a fully licensed supplier. The company plans to reinvest its eventual profits to keep
customer tariffs low. In-house Council staff were used to establish the mechanics of the company with the support of a single energy consultant.

2.4.4 RHE currently employs 120 staff running a full energy company operation covering regulatory compliance, spot-purchasing and trading of gas and electricity, marketing and communication, finance, customer services, debt recovery and billing. It expects to break-even in 2018, based on attracting between 100,000 and 150,000 customers which requires pitching to consumers well beyond Nottingham’s municipal boundaries.

2.4.5 Conversely, Bristol Energy began trading in 2016, after five years of planning, and adopted a business plan which aimed to make a profit by 2019 which also requires pitching for a customer base beyond the city. Bristol City Council is the sole shareholder and has injected £15.3m capital into the business. It is yet to make a profit.

2.5 **Option 2: White label provider**

2.5.1 Under this model the local authority is not required to hold a license. Ofgem’s liberalisation of white label arrangements in 2015 allows the Council to create an energy partnership with an existing licensed supplier to offer gas and electricity through localised branding, potentially at bespoke tariffs. This would be achieved by appointing a trusted and reputable supplier through a contracted energy partnership. The Council acts purely in a marketing capacity with the supplier acting as a wholesaler providing the fuel at a competitive tariff. The supplier will carry the risk and burden of all fuel purchasing, demand matching, regulatory compliance and customer service functions.

2.5.2 This emerging ‘white label’ energy market is a policy response to rising prices and to the domination of the energy supply by the Big Six. Some providers have adopted an arrangement with large suppliers – Sainsburys Energy works with British Gas while M&S Energy and Ebico are white label partners of Scottish and Southern Electric. Others have collaborated with greener or more market ethical suppliers - White Rose Energy is a white label arrangement with Robin Hood Energy; additionally, several councils in East Anglia have collaborated with OVO Energy.

2.5.3 The Council’s soft market testing of the few existing white label energy firms have resulted in positive responses. Should the Council wish to start offering residents lower energy tariffs under the B&D Energy brand this is considered to be the most appropriate arrangement. This option is considered capable of achieving a launch and to start recruiting customers by May 2018.

2.5.4 A white label arrangement could provide:

- Competitive bespoke B&D Energy tariffs, aiming to be consistently in the top 15% best offers in the energy market
- A 3-5-year supply contract with potential resident savings of £163 per year
- A guaranteed UK based customer service team, branded digital information, bills and phone numbers
2.5.5 The Council would be expected to develop and fund an effective communications strategy to generate enough interest for a solid customer base of at least 3,000 over the first year of the contract. The Council makes no profit but would receive a nominal fee for each household that switches and for every year it remains with B&D Energy. Based on existing examples, this could earn an average commission of £36,000 in the first year which could then be reinvested in fuel debt initiatives and future marketing.

2.5.6 A priority will be to encourage those residents who can to move away from pre-payment meters (PPMs) and onto direct debit tariffs and those who use PPMs to budget properly to seek a more competitive PPM tariff. Where there is evidence that households are in fuel debt we will work with voluntary sector partners to help alleviate the debt through the commissions generated by the project. While the rise in prepayment tariffs has been transitionally capped, such households are still estimated to be paying £226 a year more than those on the cheapest direct debit tariff.

2.5.7 It is assumed that the arrangement will be supported by existing resources to support the marketing, contract management, legal and financial aspects of such a scheme. An additional £30,000 from an external grant for supporting affordable warmth initiatives can be utilised for marketing in the first year.

2.6 Considering the lack of internal expertise to develop a fully independent energy supply company and the significant market and investment risks of such a venture the Council's best option for entry into the energy supply market is considered to be a white label partnership.

2.7 The Council may enter such a partnership through its general powers of competence under s.11 Localism Act 2011 and it may charge for the marketing costs it incurs through the commissioning mechanism.

2.8 There are no expected state aid implications and the proposed arrangement is not expected to fall within the scope of the Public Contracts Regulations 2015 as the Council will not be receiving or purchasing services or supplies from any appointed partner. In these circumstances a competitive procurement exercise is not required. However, in the interests of transparency, the Council will advertise for expressions of interest on Contract Finder for one month following the approval of this proposal by Cabinet.

2.9 Should the Council be minded to establish a stand-alone energy company in the future its business viability will be tested through the duration of the white label partnership. If a sufficiently strong enough customer base can be established such a venture may become a viable proposition.
3. **Options Appraisal**

3.1 **Do Nothing and Light-touch approach**

Should the Council do nothing to support affordable warmth, fuel poverty levels will remain at existing levels or continue to rise. Residents will be left to navigate the energy market of their own accord with many remaining on costly prepayment meter tariffs and expensive standard variable packages if they fail to switch.

Between 2013/15 the Council committed to the promotion of on-line collective fuel switching campaigns such as the Big Community Switch. While officer resources were minimal and the Council obtained a nominal commission from switchers through the LBBD website, experience has demonstrated very low-switching with about 3,000 registrants over 3 years and only 15% of them actually changing tariff.

3.2 **GLA Energy for Londoners Scheme**

The Mayor of London’s Fuel Poverty Action Plan and Draft Environment Strategy sets out ambitions to tender for a fully licensed energy supply company through Energy for Londoners. The objectives include tackling fuel poverty and generating supply through microgeneration and renewables. There is long-term potential for Barking and Dagenham to join a pan-London approach to affordable warmth through the GLA, however at present the Mayor has only announced a soft testing of the market to gauge interest from suppliers and boroughs. Barking and Dagenham is in a position to negotiate bespoke tariffs for the locality based on its priorities.

3.3 **Wholly-owned independent fully licensed energy supply company**

Establishing a wholly-owned independent energy company is associated with significant commercial risk and upfront investment. There are few local authority-led energy companies in the market at present because initial set-up costs are on average £3.5m with additional onerous credit lines in excess of £15m and parent company guarantee requirements. Staff resourcing is intensive and infrastructure development and effective marketing is essential in building-up the required customer volumes to begin to pay back initial investment costs. It could take a minimum of 18 months to two years from concept to market and would require a customer base of 150,000 and more to start seeing returns on investment. Profit margins are slim at around 1%-4% but with all companies at present reporting significant trading losses and debt servicing. The Council would therefore be trading in a volatile wholesale energy market with fluid regulatory interventions.

To illustrate the trading risks, Bristol Energy recently announced the revision of its business plan due to lower than expected customer take-up. It currently has 80,000 customers and was expecting to generate a surplus in 2019 but is now not expected to break-even until 2021.

Taking a ‘going it alone’ approach to developing a Barking and Dagenham model for energy supply in the same way as Bristol and RHE would require significant access to specialist skills and finance to set-up and front fund costs of sales with no guaranteed return on investment. Expertise in energy trading and sales would require head-hunting personnel with the relevant experience of the industry. In the
present circumstances the investment risk posed by this market entry model is not appropriate for Barking and Dagenham.

4. Consultation

4.1 The options appraisal was presented to the Barking & Dagenham Delivery Partnership board and Commission Watch. Comments were broadly supportive of the proposals, mainly because partners had direct contact with clients who suffered from fuel debt and struggled with energy costs. The appointment of a supplier who works with fuel debt charities and installs smart metering for customers was considered an essential element of any partnership.

5. Financial Implications

Implications completed by: Katherine Heffernan – Finance Group Manager

5.1 The proposal is for the Council test the market for a strategic energy supplier with a view to entering into a ‘white label’ partnership which can deliver bespoke, locally-branded, competitive energy tariffs for local residents. This is in preference to establishing a wholly-owned independent energy company which would create significant commercial risk and require a substantial amount of upfront investment.

5.2 Under the proposed arrangement the Council would act purely in a marketing capacity with the energy supplier acting as a wholesaler providing the fuel at a competitive tariff. The supplier will carry the risk and burden of all fuel purchasing, demand matching, regulatory compliance and customer service functions.

5.3 If a white label partnership was established, it is anticipated that the Council would be expected to develop and fund an effective communications strategy to generate enough interest for a solid customer base. It is assumed that the arrangement would be supported by existing resources to support the marketing, contract management, legal and financial aspects of such a scheme, however, £30,000 from an external grant for supporting affordable warmth initiatives can be utilised to fund these costs in the first year.

5.4 The Council would receive a nominal fee for each household that switches and for every year it remains with B&D Energy. This could earn an average commission of £36,000 in the first year based on the sign-up of an average 3,000 customers. This income would cover ongoing costs and any surpluses could then be reinvested in fuel debt initiatives.

5.5 Once the market testing exercise has been completed and there is more certainty with respect to the likely costs and income, it will be necessary to undertake a full financial analysis of the preferred proposal to ensure the scheme will be viable.

6. Legal Implications

Implications completed by: Derron Jarell, Regeneration Project Lawyer

6.1 Section 1 Localism Act 2011 (the general power of competence) provides the Council with the power to do anything that an individual may generally do.
6.2 Under the gas Act 1986 and Electricity Act 1989, an organisation supplying gas and electricity to any premises is committing an offence unless authorised to do so by a supply license.

6.3 A white label partnership is an organisation that does not hold a supply licence but instead works with a licenced partner supplier to offer gas and electricity using its own brand.

6.4 The body of the report sets out the case for Cabinet approving the delegation of authority to delegate to the Chief Operating Officer, in consultation with the Cabinet Member for Economic and Social Development and the Director of Law and Governance to conduct an competitive procurement exercise to enable the identification of a suitable licensed energy supplier, with which to enter into partnership; under a formal contract, and to conduct the procurement up to and including selection of the preferred partner in compliance with the Council's Contract Rules (“CR”) and the Utilities Contract Regulations 2016. The partner will be responsible for the supply of energy to the end users of the service of the white label partnership and the partner provider will be obligated to comply with the supply licence conditions.

6.5 The domestic Retail Market Review (“RMR”) rules set by OFGEM recognises that white label partnerships have the potential to deliver greater consumer choice; however, the white label partnership must comply with the RMR rules.

6.6 Potential for State Aid – it is unclear at this stage whether or not this will be an issue. According to the report the Council will perform marketing and promotional activities. These activities have not been fully costed at this stage of the process; however, if the costs are below €200,000.00 (de minimis threshold level) which a private enterprise can receive aid aggregated from all public bodies over a three (3) year period then State Aid should not be triggered. The Council may have to require its partner to monitor the costs associated with the partnership, and received from all other sources to ensure that the de minimis threshold is not met during the first three years of the partnership.

6.7 The report states that the proposed arrangement will not fall within the scope of the Public Contracts Regulations 2015, as the Council will not be receiving or purchasing services or supplies directly from the preferred partner.

7. **Procurement Implications**

   Implications completed by: Euan Beales, Head of Procurement

7.1 The recommendations made within the paper are to advertise for expressions of interest on Contracts Finder to ensure a transparent opportunity is conducted.

7.2 From research conducted it appears that the requirements are not covered under the PCR 2015 and as such are not required to be procured under the terms as laid out. Evidence to support this can be taken from the report of the Executive Member for Environment and Transport at Islington Council titled “Angel Energy – Islington’s “White Label” energy supplier. In the report the legal view outlined was that the process did not fall under PCR 2015, and I can see no other evidence to discredit the statement made, I would recommend that LBBD Legal offer a formal view.
8. Other Implications

8.1 Risk Management – such enterprises will always be subject to fluctuation in energy prices and regulatory interventions, but the Council will work with its appointed partner to mitigate the risks. There is a financial risk in that insufficient numbers of customers are generated to support the expected agreement over the 3 or 5-year period or to cover the branding costs incurred by the Council. However, this would be mitigated against by robust business planning, negotiating a suitably lower tariff to make switching worthwhile and a marketing strategy which draws on the market expertise of the company appointed.

The Council’s reputation is the key risk element. By lending its trusted brand to energy tariffs, the Council is at the mercy of prices which can fluctuate. It must be mindful in its promotional material that it cannot be certain its offers will always remain the most competitive. Inevitably there will also be residents who will get into fuel debt.

However, the potential partners identified by the Council also continue to be well established as ethical leaders in competitive fuel tariff pricing. The white label partnership will seek to mitigate against the risks outlined above by transferring the burden of fuel purchasing, demand matching, regulatory compliance, customer services, billing and debt recovery to the partner. Commission proceeds will also be used to support fuel debt initiatives with the local voluntary sector, particular assisting those households who have been in debt for more than a month and cannot switch to a cheaper provider.

It should also be noted that if the chosen supplier ceases to trade at any point the industry regulator will use its powers to ensure customers are transferred to a different supplier.

8.2 Contractual Issues – A white label partnership would not provide for any direct payment for services to the Council nor a profit guarantee both of which would likely give rise to state aid. The Council will not be purchasing or receiving services from the supplier, so such an arrangement is not anticipated to fall within the scope of the Public Contracts Regulations 2015.

8.3 Staffing Issues – There are no staffing issues beyond the assumption that the arrangement will be supported by existing resources to support the marketing, contract management, legal and financial aspects of the scheme.

8.4 Corporate Policy and Customer Impact – In formulating this policy due regard has been given to the protected characteristics under the Equality Act 2010 and that the policy proposals to support households alleviate fuel poverty and debt will have a positive outcome for all residents and especially so for more vulnerable households.

8.5 Safeguarding Children and Health Issues – Lowering energy bills will help residents manage the cost of living and allow for warmer homes helping to reduce the impacts of cold, damp homes and improving the health and quality of life for all types of households including families and those with cold-related illnesses.
8.6 **Crime and Disorder Issues** – There are no crime and disorder issues.

8.7 **Property / Asset Issues** – There are no property and asset issues.

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

**List of appendices:**

- **Appendix 1** – Fuel poverty ward map of Barking and Dagenham 2015
% Households within LBBD in fuel poverty - 2014

% Households in Fuel Poverty
per ward 2014
- 8.7% to 9.1%
- 9.1% to 10.5%
- 10.5% to 11.5%
- 11.5% to 12.5%

Showing all areas at LSOA level
- 1.7% to 5.9%
- 6.0% to 8.8%
- 8.9% to 10.7%
- 10.7% to 13.8%
- 13.8% to 40.2%
The Government has indicated its desire for a business rates pilot pool to be established in April 2018 for London as part of its devolution agenda. The Leaders’ Committee at London Councils has indicated an in-principle agreement to an application to Government for such a pool, subject to the individual approval of all London authorities.

For the proposals to proceed and for them to be reflected in the provisional finance settlement due in mid-December, it was necessary for all London authorities to indicate an in-principle intention to proceed before the Autumn budget (22 November).

The Government announced in its Autumn statement that it had agreed a pilot of 100% business rates retention in London in 2018-19.

Formal and final decisions will need to be taken by all London authorities by mid-January 2018, in order to be reflected in the final local government settlement in February 2018.

This report sets out the issues and the proposed timetable.

Recommendation(s)

Cabinet is recommended to:

i) Approve and accept the designation by the Secretary of State as an authority within the London Business Rates Pilot Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988;

(ii) Delegate the Council’s administrative functions as a billing authority to the appropriate lead authority / joint committee;

(iii) Delegate authority to the Leader and the Chief Operating Officer to agree the operational details of the pooling arrangements with the participating authorities;
(iv) Authorise the Chief Operating Officer, in consultation with the Director of Law and Governance, to enter into such agreement(s) as may be necessary to implement the Pool and to negotiate, finalise and execute the same on behalf of the Council; and

(v) Appoint the Leader as the Council’s representative at meetings to consider the allocation of the Strategic Investment Pot and to authorise the Leader, in consultation with the Cabinet Member for Finance, Growth and Investment, the Chief Executive and the Chief Operating Officer, to take decisions on behalf of the Council in respect of Strategic Investment Pot allocations.

Reason(s)
Entering the London Business Rates pilot will support the London Devolution agenda, and the benefits deriving from being in the London pool will directly support the Council’s vision of being London’s Growth Opportunity.

1.0 Introduction and Background

1.1 The Government has now indicated its renewed desire to see a business rate pilot pool established in London in April 2018, as indicated in the previous Memorandum of Understanding (MoU) between the Government and London signed in March 2017. At the London Councils Leaders’ Committee on 10 October, it was agreed to support an application for the pool in principle, subject to the agreement of all individual participating authorities. This report sets out how the pool might work and the associated governance and timetabling issues.

1.2 London Councils has provided a prospectus of how a London pool might operate, and how the potential financial benefits might be shared among London Authorities (The GLA, the City and the 32 London Boroughs). A summary of the final prospectus is provided in Appendix 1 for information.

1.3 The Council is currently within a pool with LB Havering, Thurrock Council, and Basildon Council which was agreed by Cabinet in October 2013. The original pool was estimated to generate savings of £13.2m across four boroughs. However, due the large number of appeals both Basildon and Thurrock have faced in recent years, there has been little gain to date from the pool. 2017/18 will be the first year that the Council stands to gain from the current pool; the amount will be known at year end. The Council has informed DCLG of the intention to leave this current pool.

2.0 Pooling Mechanism

2.1 From 1 April 2018 the London authorities will retain 100% of their non-domestic rating income. London will not retain 100% of total rates collected, as it will continue to pay an aggregate tariff to government. The London pool will retain 100% of any growth in business rate income above baselines, and will pay no levy on that growth.

2.2 London authorities will also receive section 31 grants in respect of Government changes to the business rates system which reduce the level of business rates income. Section 31 grant will amount to 100% of the value of the lost income.
2.3 No “new burdens” will be transferred to London and participation in the pilot will not affect the development or implementation of the Fair Funding Review.

2.4 In the event that London’s business rates income fell, the pool will have a higher “safety net” threshold – 97% rather than 92.5% of the overall baseline funding level – than in the existing system, reflecting the greater reliance local authorities will have on business rates within the pilot.

2.5 The prospectus identifies two founding principles that are envisaged to be the basis for agreement whereby:

1. no authority participating in the pool could be worse off than they would otherwise be under the 50% scheme; and
2. all members would receive some share of any net financial benefits arising from the pilot pool.
3. the pool in 2018-19 would not bind boroughs or the Mayor indefinitely

2.6 In addition, four objectives are proposed to inform the distribution of an aggregate financial benefit that may accrue from being in a pool:

- **incentivising growth** (by allowing those boroughs where growth occurs to keep some proportion of the additional resources retained as a result of the pool)
- **recognising the contribution of all boroughs** (through a per capita allocation)
- **recognising need** (through the needs assessment formula); and
- **facilitating collective investment** (through an investment pot designed to promote economic growth and lever additional investment funding from other sources).

2.7 The prospectus had put forward four options which weighted the four objectives above and is outlined below:

- Option A: weights each pot at 25%
- Option B: Incentives (30%), Needs/Population (30% each) and Investment (10%)
- Option C: Incentives (40%), Needs/Population (20% each) and Investment (20%)
- Option D: Incentives (20%), Needs/Population (30% each) and Investment (20%)

Exemplification of the four weightings for LBBD and our neighbouring boroughs:

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<th>Borough</th>
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<td><strong>TOTAL SHARE</strong></td>
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2.8 The Leaders' Committee delegated further negotiations on detailed matters (including the proposed distribution methods) to be then put to individual authorities and the Mayor of London for agreement to the Chief Executive of London Councils, in consultation with London Councils' Chair, Deputy Chair and Vice Chairs.

2.9 Following lengthy discussions, a new distribution weighting has been agreed. On 10 November 2017, the Chair of London Councils wrote to Borough Leaders advising them of the updated position, with the agreement of the new option that weighted the distribution at 15% rates growth; 35% to needs; 35% to population and 15% to an investment pot. This new distribution is in LB Barking and Dagenham’s favour, and the estimated share of the £240m under this option is £2.8m (higher than under any of the original options above).

2.10 The financial gains are based on estimates using forecasts from London Boroughs and therefore the figures are largely illustrative, and a lower set of figures is entirely possible. London Councils have used an ambitious growth rate of 6% across London; the average growth rate since the introduction of the business rates retention scheme across London has been 3%. For Barking and Dagenham, the average growth rate has been -3.5%.

3.0 Governance and Timetabling

3.1 The Pilot Pool will operate from 1 April 2018 to 31 March 2019.

3.2 The pool in 2018-19 would not bind Councils or the Mayor indefinitely – the founding agreement includes notice provisions for authorities to withdraw provided notice is given by 31 August each year. Were the pool to continue beyond 2018/19, unanimous agreement would be required to reconfirm a pool from 2020/21.

3.3 Bringing a pilot pool into effect requires two separate, but inter-related strands of decision-making:

- between the London local authorities, the Mayor, and the Government by which the Government designates the pool; and

- between the London local authorities and the Mayor of London by which London Government collectively decides how to operate the pool and distribute any financial benefits.

3.4 A 2018/19 pilot requires in principle agreement to be achieved between the authorities and the government before the Autumn Budget for inclusion in the Provisional Local Government Finance Settlement in mid-December. The Government announced in its Autumn Statement that the application for a further London business rates pilot will go ahead for 2018/19. Following the Provisional Settlement, any authority that did not want to proceed on the agreed terms would have 28 days to inform the government. If this happened, the pilot pool would no longer be viable.

3.5 The agreement between the authorities on the framework for operating the pool, will be progressed in parallel. To facilitate this process London Councils has procured legal advice on behalf of all the London local authorities (working in collaboration with the GLA) which will inform detailed guidance and frame the required decisions for
member authorities to adopt and/or adapt to reflect their individual constitutional arrangements to give effect to the proposals.

3.6 As in other existing pools, it is a statutory requirement that a “lead authority” acts as the accountable body to government and is responsible for the administration of the pooled fund. The City of London has agreed to be the lead authority for the London business rates pool.

The lead authority’s standard responsibilities will include, but not be limited, to:
- all accounting for the finances of the pool including payments to and from the Government;
- management of the pool's collection fund;
- all audit requirements in relation to the pool;
- production of an annual report of the pool's activity following final allocation of funds for the year;
- the administration of the dissolution of the pool;
- all communications with the DCLG including year-end reconciliations; and
- the collation and submission of information required for planning and monitoring purposes.

3.7 **Governance of the strategic investment pot:** The pot (15%) would be dedicated to projects that contribute to the sustainable growth of London’s economy, and which attract match funding from other private or public sources. Following legal advice, decisions would be taken formally by a lead authority in consultation with all member authorities, reflecting the principles set out in our draft prospectus and reported to Leaders’ Committee in October.

The governance of the SIP should permit the Lead Authority to make decisions on the use of resources within the SIP where both the GLA and at least two thirds of the London Boroughs are in favour (subject to no participating authorities in one sub-region unanimously disagreeing with the decision).

The lead authority will oversee the methodology for the allocation of resources and prepare reports on proposals for the SIP, supported by London Councils and the GLA, in accordance with the agreed criteria. Decisions on allocating the strategic investment pot will be taken bi-annually with the lead authority reporting back on decisions, following consultation with all participating authorities, at each meeting of the Congress of Leaders and the Mayor of London.

The Lead Authority will prepare reports with proposed recommendations as to SIP allocations and shall circulate the reports to the Participating Authorities for consultation in advance of Congress meetings and each Participating Authority will decide, in accordance with its own governance process and scheme of delegation, whether that Participating Authority wishes to recommend to the lead authority that a strategic investment project is supported or rejected and if rejected together with its reasons for such recommendation.

The Council is required to nominate an elected member representative (e.g. the Leader) to attend twice yearly meetings to be informed on the Lead Authority's decision(s) regarding the allocation of the Strategic Investment Pot. It is anticipated that this will be incorporated within the existing system of meetings of the Congress of Leaders and the Mayor of London.
3.8 If a final agreement is achieved, the Government would prepare a “designation order” establishing a London pilot pool and would reflect this in the Provisional Local Government Finance Settlement in December. If any authority were then to decide to opt out within the following 28 days – that is, by mid-January – the pool would not proceed.

4.0 Financial Implications

Implications completed by Zaber Ahmed, Principal Accountant

4.1 The net one-off financial gain in 2018/19 from participating in the pool is estimated at £240m for all London Boroughs and Greater London Authority. On current estimates the choice of distribution would give Barking & Dagenham a one-off financial benefit of £2.8m.

4.2 The financial gains are based on estimates using forecasts from London Boroughs and therefore the figures are largely illustrative, and a lower set of figures is entirely possible. However, the example serves to illustrate the potential direct financial benefit of joining a pool on the pilot basis being offered. The Council has therefore set aside £1.1m for 2018/19 in the latest MTFS which was reported to Cabinet in November 2017.

5.0 Legal Implications

Implications completed by Dr Paul Feild, Corporate Governance Lawyer

5.1 As set out in the report legal advice has been sought by London Councils as the options and lawfulness of the arrangements proposed. Pooling arrangements have been used by the Council in the past and to good effect. As outlined above there has been estimated a sizable benefit from participating in the pool in 2018/19. A lead Authority will manage the pool, it being proposed to be the City of London.

5.2 The foundation for the pool’s operation by virtue of Schedule 7B of the Local Government Finance Act 1988. A memorandum of understanding with a commitment that no London Council will be worse off from joining the pool and can opt out if it so chooses at a later stage providing appropriate notice is given. There will be a need to enter into legal agreements and this report seeks such authority. All documentation will be reviewed in due course to ensure that they are in the Council’s best interest. The pilot is for one year. Going forward such arrangements will be kept under review and advice given as required.

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

List of appendices

Appendix 1 – Local Council’s prospectus on how the Pilot Pool would operate
Appendix 1

London Business Rates Pilot Pool 2018-19
Final Prospectus – November 2017

Introduction

1. Earlier draft versions of this prospectus were circulated to Leaders in July and September asking all boroughs, the City of London and the GLA to consider the issues involved in establishing a pilot pool ahead of the Leaders’ Committee and Congress of Leaders and the Mayor on 10 October.

2. At that meeting Leaders’ Committee and the Mayor agreed in principle to pool business rates in a London pilot of 100% retention in 2018-19. Leaders’ Committee delegated authority to the 5 elected officers of London Councils (the Chair, Deputy Chair, and three Vice Chairs) to take the in principle agreement forward to arrive at a core proposition for the operation of the pool and to continue discussions with both the Mayor and ministers on this. The elected officers discussed this in October and agreed a final distribution option on 1 November following discussions via the party groups, which was subsequently taken forward.

3. The Government formally confirmed its commitment to establishing a 100% business rate retention pilot in London in April 2018 in the Autumn Budget. This was agreed by a memorandum of understanding (MOU) signed by the Chair of London Councils, the Mayor of London, the Minister for London and the Secretary of State for Communities and Local Government.

4. This final prospectus sets out how the London Business Rates pilot pool will work in practice, were the 32 boroughs, the City of London Corporation and the Mayor of London to form a pool in 2018-19.

Pilot principles

5. The MOU between London Government and the Government on the London 100% business rates retention pilot agrees that:

- The 100% business rates retention pilot in London will be voluntary, but will be a pool comprising all 32 London boroughs, the Corporation of the City of London and the Greater London Authority.

- From 1 April 2018 the London authorities will retain 100% of their non-domestic rating income. London will not retain 100% of total rates collected, as it will continue to pay an aggregate tariff to government. The overall level of collected rates that will be retained is around 64% after the tariff is paid.

- London authorities will also receive section 31 grants in respect of Government changes to the business rates system which reduce the level of business rates income. Section 31 grant will amount to 100% of the value of the lost income. Tariffs and top-ups will be adjusted to ensure cost neutrality.

- The London pool will retain 100% of any growth in business rate income above baselines, and will pay no levy on that growth.

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1 As defined by DCLG.
• In moving to 100% rates retention, the Department for Communities and Local Government will no longer pay Revenue Support Grant (RSG) to the London authorities in 2018/19. Funding baselines will be increased by the equivalent amount to reflect this transfer of RSG, which overall amounts to £775 million in 2018/19 (the full boroughs breakdown can be found at Appendix A).

• London authorities will not be subject to more onerous rules or constraints under the 100% rates retention pilot, than they would have been if they had remained subject to the existing “67% scheme” in place in 2017/18.

• No “new burdens” will be transferred to London and participation in the pilot will not affect the development or implementation of the Fair Funding Review.

• In the event that London’s business rates income fell, the pool will have a higher “safety net” threshold – 97% rather than 92.5% of the overall baseline funding level – than in the existing system, reflecting the greater reliance local authorities will have on business rates within the pilot.

• The piloted approach is to be without detriment to the resources that would have been available collectively to the 34 London authorities under the current local government finance regime, over the four year settlement period2. This “no detriment” guarantee will ensure that the pool, as a whole, cannot be worse off than the participating authorities would have been collectively if they had not entered the pilot pool. In the unlikely event of this arising (the current forecast is for collected rates to 6% above baselines), the government would intervene to provide additional resources.

Pooling principles

6. The MOU with the Government establishes the terms of the 100% retention pilot, but the London business rates pool must be set up following the same process as all other business rates pools. Following legal advice, the detailed pooling agreement that establishes the terms by which the pool will operate will be by an MOU between the 34 pooling authorities – as is the case for the vast majority of business rates pools.

7. The key principles that underpin the London pooling agreement are that:

• The pool in 2018-19 would not bind boroughs or the Mayor indefinitely – the founding agreement includes notice provisions for authorities to withdraw provided notice is given by 31 August each year. Were the pool to continue beyond 2018/19, unanimous agreement would be required to reconfirm a pool from 2020/21 onwards (the expected year in which funding baselines will be update as a result of the Fair Funding Review).

• No authority can be worse off as a result of participating - where authorities anticipate a decline in business rates, the first call on any additional resources generated by the pool would be used to ensure each borough and the GLA receives at least the same amount as it would have without entering the pool (this would include the equivalent of a safety net payment were it eligible for one individually under the current 67% system). Where authorities expect to grow, they will continue to retain at

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2 This includes current 67% scheme growth retained under the retention pilot, and reflects Enterprise Zones and “designated areas” where the designations made by the Secretary of State came into force on or before 1 April 2018, along with other special arrangements, such as the statutory provision to reflect the unique circumstances of the City of London Corporation.
least as much of that income as they would under the current system, plus a potential share of the aggregate benefits of pooling assuming the pools grows (see paragraphs 14 and 18). Where the pool overall has less income than would have been available collectively under the 67% system, the funding provided by the Government as part of the “no detriment” guarantee would be used to ensure that no individual authority is worse off than it would have been otherwise. Existing Enterprise Zones and “designated areas”, along with other special arrangements, such as the statutory provision to reflect the unique circumstances of the City of London Corporation, will be taken into account in calculating the level of resources below which the guarantee would operate. For boroughs in an existing pool, DCLG have also indicated that the basis of comparison would include the income due from that pool.

- **All members will receive some share of any net benefits arising from the pilot pool** – recognising that growing London’s economy is a collective endeavour in which all boroughs make some contribution to the success of the whole, all members of the pool will receive at least some financial benefit, were the pool to generate additional resources.

**Lead authority**

8. As in other existing pools, it is a statutory requirement that a “lead authority” acts as the accountable body to government and is responsible for the administration of the pooled fund. The City of London has agreed to be the lead authority for the London business rates pool.

9. The lead authority’s standard responsibilities will include, but not be limited, to:
   - all accounting for the finances of the pool including payments to and from the Government;
   - management of the pool’s collection fund;
   - all audit requirements in relation to the pool;
   - production of an annual report of the pool’s activity following final allocation of funds for the year;
   - the administration of the dissolution of the pool;
   - all communications with the DCLG including year-end reconciliations; and
   - the collation and submission of information required for planning and monitoring purposes.

10. It will be for the Lead Authority for the pool to determine the distribution of revenues between members of the pool and also pay the net tariff payment to the Government during the year. In practice, this will mean some authorities will receive net payments from the pool in instalments during the 2018-19 financial year and others will make net payments into the pool depending on their top up and tariff positions and estimated business rates income. These transfers through the pool will also incorporate the GLA’s share.

11. Under a delegation arrangement, the GLA will manage treasury management issues and monetary transfers between billing authorities on behalf of the lead authority. This reflects the fact that the GLA already has the systems in place to manage payment flows to and from billing authorities for business rates retention as well as council tax and the BRS.

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3 Of the 33 London authorities in 2017-18 this includes Barking & Dagenham, Havering and Croydon
12. It is likely that the resources required to perform this function would be 1 FTE post, which would likely be a senior accountant with considerable experience and understanding of collection fund accounting and the business rates retention scheme.

13. In the case of the London pilot pool, the lead authority will have an additional role in formally taking decisions over the allocation of the Strategic Investment Pot following consultation with all participating authorities (as described in paragraphs 21 to 23 below).

**Distributing the benefits of pooling**

14. The net financial benefit of pooling consists of retaining 100% of growth (rather than 67% across London under the current scheme), and in not paying a levy on that growth (which tariff authorities and tariff pools currently pay). The principle would mean that *any aggregate growth* in the pool overall – because of the increased retention level – would generate additional resources to share, with each pooling member to benefit to some extent.

15. The net financial benefit to participating in the pool in 2018-19 is currently estimated to be in the region of £240 million, based on London Councils’ modelling using boroughs’ own forecasts. A more accurate forecast will be expected in February 2018 following the completion of individual forecasts for 2018-19.

16. The pooling agreement sets out the principles and method for distributing any net financial benefits that may be generated. The principles are based on four objectives agreed by Leaders and the Mayor:

- *incentivising growth* (by allowing those boroughs where growth occurs to keep some proportion of the additional resources retained as a result of the pool)
- *recognising the contribution of all boroughs* (through a per capita allocation)
- *recognising need* (through the needs assessment formula); and
- *facilitating collective investment* (through an investment pot designed to promote economic growth and lever additional investment funding from other sources).

17. The final agreed distribution method recognises all four of these objectives with 15% of any net financial benefit set aside as a “Strategic Investment Pot” (see paragraphs 19 to 23 below); and the resources not top-sliced for the investment pot being shared between the GLA and the 33 billing authorities (the 32 boroughs and the Corporation of London) in the ratio 36:64, in accordance with the principle previously agreed by London Councils and the GLA in the joint business rate devolution proposals to Government in September 2016. Estimated boroughs shares of the estimated £240 million net benefit to the pool and the above distribution weightings are set out in Appendix B.

18. The Mayor of London has committed that the GLA’s share of any additional net financial benefit from the pilot will be spent on strategic investment projects. It is therefore anticipated that approximately 50% of net additional benefits arising from the pilot pool will be spent on strategic investment projects. Decisions on the allocation of the GLA’s share will be made by the Mayor of London. Examples of the kinds of projects the Mayor will seek to support with the GLA’s share include supporting the delivery of housing through infrastructure investment and the provision of skills and training to further support housing delivery.
**Strategic investment pot and pool governance**

19. The joint Strategic Investment Pot (SIP) - representing 15% of the total additional net benefit - will be spent on projects that meet each of the following requirements:

- contribute to the sustainable growth of London’s economy and an increase in business rates income either directly or as a result of the wider economic benefits anticipated;
- leverage additional investment funding from other private or public sources; and
- have broad support across London government in accordance with the proposed governance process.

20. For these purposes, “strategic investment” is defined as projects that will contribute to the sustainable growth of London’s economy which lead to an increase in London’s overall business rate income.

21. Following legal advice regarding the form of the governance mechanism for taking decisions regarding the SIP, decisions will be taken formally by the City of London - as the lead authority - in consultation with all member authorities, reflecting voting principles designed to protect Mayoral, borough and sub-regional interests, previously endorsed by Leaders and the Mayor in the London Finance Commission (both 2013 and 2017), and set out in London Government’s detailed proposition on 100% business rates in September 2016. These are that:

- both the Mayor and a clear majority of the boroughs would have to agree;
- a majority would be defined as two-thirds of the 33 billing authorities (the 32 boroughs and the City of London), subject to the caveat that where all boroughs in a given sub-region disagreed, the decision would not be approved; and
- if no decisions on allocation can be reached, the available resources would be rolled forward within the pot for future consideration at the next decision making round.

22. The lead authority will oversee the methodology for the allocation of resources and prepare reports on proposals for the SIP, supported by London Councils and the GLA, in accordance with the agreed criteria. Decisions on allocating the strategic investment pot will be taken bi-annually with the lead authority reporting back on decisions, following consultation with all participating authorities, at each meeting of the Congress of Leaders and the Mayor of London.

23. The Lead Authority will prepare reports with proposed recommendations as to SIP allocations and shall circulate the reports to the Participating Authorities for consultation in advance of Congress meetings and each Participating Authority will decide, in accordance with its own governance process and scheme of delegation, whether that Participating Authority wishes to recommend to the lead authority that a strategic investment project is supported or rejected and if rejected together with its reasons for such recommendation.

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4 For these purposes, the sub-regions would be defined as the Central, West, South and Local London sub-regions as defined for devolved employment support arrangements and illustrated in the map at Appendix C. If in the future, boroughs wished to change the initial groupings that could be achieved by agreement of the pool member authorities.
Future of the pilot

24. The Government will undertake a qualitative evaluation of the progress of the pilot based on the current research programme for the existing business rate retention pilots, with additional focus on the governance mechanism and decision-making process, and the scale of resources dedicated to strategic investment.

25. The MOU between London Government and the Government only commits to the pilot operating for one year. However, subject to the evaluation of the pilot, it also commits the Government to working with London authorities to explore: future options for grants including, but not limited to, Public Health Grant and the Improved Better Care Fund; the potential for transferring properties on the central list in London to the local list where appropriate; and legislative changes needed to develop a Joint Committee model for future governance of a London pool.

Designated areas

26. Enterprise Zones and “designated areas” effectively hypothecate future business rate revenues to support investment. Under current arrangements, these are subject to agreement between the government and the boroughs directly involved, in consultation with the GLA, whose revenues are also affected.

27. The Government is not actively encouraging further such arrangements. However, if, during the lifetime of a pilot pool, new “designated areas” or Enterprise Zones were to be created, this could – depending on the nature of the individual scheme – impact on the potential future revenues of all members of the pool and will need to be considered in establishing the pool and framework.

28. It is not proposed that consideration or decision-making in respect of new designated areas be a matter for the pool. However, depending on the nature of individual schemes, such decisions would have to be taken by the relevant local authority after appropriate consultation with those affected.

Accounting and reporting

29. In order that the lead authority can fulfil its functions and meet its obligations as the accountable body, each member authority will need to provide timely information to the lead authority as well as making timely payments to an agreed schedule.

30. Forecast (NNDR1) and outturn (NNDR3) figures will still be required as per the existing NDR Regulations 2013, in order to enable budget processes to be complete and for the schedule of payments from the lead authority and to government to be determined during the course of the year. The pool would use NNDR1 returns to establish the schedule of payments to be made to the lead authority and for the calculation of any notional levy savings to be made. However, it would not be until the outturn position is known (the NNDR3 form) that actual reconciliation would be made and the final growth/decline for the pool as a whole, and individual pool members, would be known. This will be in September 2019 after accounts have been audited for the financial year 2018-19.
31. The forecast NDR income figures in the NNDR1 forms determine the growth/decline for that year and it is this figure that would determine the amount to be shared between pool members or between local authorities and central government in the current system.

32. Variances against forecast in the non-domestic rating income are reflected in the forecast surplus or deficit of the collection fund at the start of the following year (information which is collected as part of NNDR1). Appeals provisions impact each year on the calculation of the NNDR income figure: a higher provision in a year, everything else being equal, reduces the NNDR income figure determining growth/decline for that year.

33. A separate pooled collection fund would be required to be established that would sit with the lead authority. A key issue will be the treatment of Collection Fund surpluses and appeals provisions within the pool. The key principle pooling authorities would have to agree is that the benefits (or costs) of actions undertaken by the authorities prior to entering the pool should remain with the authority so that no authority can be worse off than they would have been under the 67% scheme. So – for example – if a provision established in 2013-14 proves not to be necessary and is released during 2018-19, the authority should receive at least as much as it would have under the existing 67% scheme, plus its share of any additional retained revenues.

34. The pool’s collection fund account would have to continue beyond the life of the pool until all appeals relating to the pool period were resolved. Provisions released after the operation of the pilot would be distributed on the basis of the pool’s founding agreement — i.e. the authority where the provisions originated would receive at least as much as it would under the 67% retention system, with any additional resources being shared according to the pool’s agreed distribution mechanism. There would therefore be no “gaming” benefits to individual authorities of setting higher (or lower) provisions. The lead authority would be responsible for administering this.

35. Further work is being undertaken to set out how the accounting and reporting requirements would work in practice, which may require an additional “London pool” form to be administered by the lead authority. This will be confirmed following the Provisional Local Government Finance Settlement in December.

**Next steps - Local decisions required to establish the pool**

36. Establishing a pilot pool will require two separate decisions to be made by each participating authority:

- the agreement to accept the designation order by government to form the pool; and
- agreement between the boroughs, the City of London and the GLA by which London Government collectively decides how to operate the pool and distribute the financial benefits (the pooling MOU).

37. With regard to the former, the Government has prepared a draft “designation order” establishing a London pilot pool that will be sent out by DCLG alongside in the Provisional Local Government Finance Settlement in December (a draft of the designation order letter will be circulated alongside this final prospectus). If any authority decides to opt out within the following 28 days – that is, by 28 days after the Provisional Local Government Finance Settlement – the pool would not proceed.
38. The pooling agreement MOU between the 34 London authorities will be circulated by Friday 1 December, to be signed by each Leader of the 32 London boroughs, the Chairman of the Policy and Resources Committee of the City of London and the Mayor of London, and.

39. Each authority will need to take the relevant decisions regarding the pooling agreement and designation order, through its own constitutional decision-making arrangements in time for the resulting business rate and funding baselines to be incorporated within the Final Local Government Finance Report in February.

40. In order to facilitate and support authorities in taking these decisions, advice on the legal framework and governance options for the pool has been circulated to Chief Executives and Finance Directors, along with other supporting material to help facilities those local decisions including:

- draft resolutions to support boroughs in drafting any cabinet/committee/council reports
- an FAQs document to answer any legal queries in relation to the pool
- a further legal note on executive decisions
- this final prospectus.

41. The timeline to make the pool operational is as follows:

- Government publishing draft baseline figures in the provisional settlement (Mid-December).
- Boroughs taking formal decisions to participate in the pool and the framework for its operation within 28 days of the Provisional Settlement (by mid-January 2018).
- Final baselines published in final LGF Settlement (February 2018).
- Pool goes live (April 1 2018).
Appendix A – Revenue Support Grant amounts to be rolled in to the funding baselines as part of the London 100% BRR pilot

The amount of Revenue Support Grant (RSG) to be ‘rolled-in’ to 100% rates retention for 2018/19 for each authority is set out below. This is in addition to the sums rolled in in 2017-18 in respect of the Transport for London investment grant and the Greater London Authority’s RSG under the GLA’s partial pilot.

<table>
<thead>
<tr>
<th>Amount (£m) for 2018/19</th>
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<tbody>
<tr>
<td>Barking &amp; Dagenham</td>
</tr>
<tr>
<td>Barnet</td>
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<tr>
<td>Bexley</td>
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<tr>
<td>Brent</td>
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<tr>
<td>Bromley</td>
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<tr>
<td>Camden</td>
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<tr>
<td>City of London</td>
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<tr>
<td>Croydon</td>
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<tr>
<td>Ealing</td>
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<tr>
<td>Enfield</td>
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<tr>
<td>Greenwich</td>
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<tr>
<td>Hackney</td>
</tr>
<tr>
<td>Hammersmith &amp; Fulham</td>
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<tr>
<td>Haringey</td>
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<tr>
<td>Harrow</td>
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<tr>
<td>Havering</td>
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<tr>
<td>Hillingdon</td>
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<tr>
<td>Hounslow</td>
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<tr>
<td>Islington</td>
</tr>
<tr>
<td>Kensington &amp; Chelsea</td>
</tr>
<tr>
<td>Kingston upon Thames</td>
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<tr>
<td>Lambeth</td>
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<tr>
<td>Lewisham</td>
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<tr>
<td>Merton</td>
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<tr>
<td>Newham</td>
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<tr>
<td>Redbridge</td>
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<tr>
<td>Richmond upon Thames</td>
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<tr>
<td>Southwark</td>
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<tr>
<td>Sutton</td>
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<tr>
<td>Tower Hamlets</td>
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<tr>
<td>Waltham Forest</td>
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<tr>
<td>Wandsworth</td>
</tr>
<tr>
<td>Westminster</td>
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</table>

NB: Provisional baselines and tariffs and top-ups will be circulated following the Provisional Local Government Finance Settlement in December.
Appendix B – Forecast shares of net financial benefit in 2018/19 based on £240 million estimate

The figures below represent the estimated shares of the overall net financial benefit currently forecast from the London pool in 2018/19 (£240m), applying the distribution methodology set out in paragraph 17, which applies the following weightings (15% incentives: 35% population; 35% SFA; 15% Strategic Investment Pot).

Table B1 - Breakdown of estimated total net benefit

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentives pot (boroughs’ share)</td>
<td>23.0</td>
<td>9.6%</td>
</tr>
<tr>
<td>SFA pot (boroughs’ share)</td>
<td>53.7</td>
<td>22.3%</td>
</tr>
<tr>
<td>Population pot (boroughs’ share)</td>
<td>53.7</td>
<td>22.3%</td>
</tr>
<tr>
<td>London Boroughs total</td>
<td>130.3</td>
<td>54.2%</td>
</tr>
<tr>
<td>GLA total</td>
<td>73.9</td>
<td>30.8%</td>
</tr>
<tr>
<td>Boroughs/GLA total</td>
<td>204.3</td>
<td>85.0%</td>
</tr>
<tr>
<td>Strategic Investment Pot</td>
<td>36.0</td>
<td>15.0%</td>
</tr>
<tr>
<td><strong>London Total</strong></td>
<td>240.3</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Note: The GLA’s total is comprised of 36% of each of the incentives, SFA and population pots.

Table B2 – Borough breakdown of estimated net benefit in 2018/19

<table>
<thead>
<tr>
<th>Borough</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barking &amp; Dagenham</td>
<td>2.8</td>
</tr>
<tr>
<td>Barnet</td>
<td>3.7</td>
</tr>
<tr>
<td>Bexley</td>
<td>2.8</td>
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<tr>
<td>Brent</td>
<td>4.9</td>
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<td>Bromley</td>
<td>2.9</td>
</tr>
<tr>
<td>Camden</td>
<td>5.7</td>
</tr>
<tr>
<td>City of London</td>
<td>8.2</td>
</tr>
<tr>
<td>Croydon</td>
<td>4.3</td>
</tr>
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<td>Ealing</td>
<td>4.4</td>
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<tr>
<td>Enfield</td>
<td>4.2</td>
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<tr>
<td>Greenwich</td>
<td>3.9</td>
</tr>
<tr>
<td>Hackney</td>
<td>4.6</td>
</tr>
<tr>
<td>Hammersmith &amp; Fulham</td>
<td>2.6</td>
</tr>
<tr>
<td>Haringey</td>
<td>3.7</td>
</tr>
<tr>
<td>Harrow</td>
<td>2.4</td>
</tr>
<tr>
<td>Havering</td>
<td>2.5</td>
</tr>
<tr>
<td>Hillingdon</td>
<td>5.4</td>
</tr>
<tr>
<td>Hounslow</td>
<td>3.4</td>
</tr>
<tr>
<td>Islington</td>
<td>3.8</td>
</tr>
<tr>
<td>Kensington &amp; Chelsea</td>
<td>2.2</td>
</tr>
<tr>
<td>Kingston upon Thames</td>
<td>1.7</td>
</tr>
<tr>
<td>Lambeth</td>
<td>5.3</td>
</tr>
<tr>
<td>Lewisham</td>
<td>4.3</td>
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<tr>
<td>Merton</td>
<td>2.4</td>
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<td>Newham</td>
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<td>Redbridge</td>
<td>3.2</td>
</tr>
<tr>
<td>Richmond upon Thames</td>
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<td>Southwark</td>
<td>6.0</td>
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<td>Sutton</td>
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</tr>
<tr>
<td>Borough</td>
<td>Amount</td>
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<td>-------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Tower Hamlets</td>
<td>8.0</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>3.4</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>3.9</td>
</tr>
<tr>
<td>Westminster</td>
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<td><strong>London Boroughs total</strong></td>
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<td><strong>Strategic Investment Pot</strong></td>
<td><strong>36.0</strong></td>
</tr>
<tr>
<td><strong>London Boroughs total</strong></td>
<td><strong>240.3</strong></td>
</tr>
</tbody>
</table>

Note: These figures should be treated with caution and are only indicative. They are based on modelling which uses boroughs’ own estimates from a survey of London Treasurers in May 2017. Where boroughs did not respond, the 2017-18 forecast figures were used.
Appendix C - Illustrative sub-regional groupings for the purposes of the “sub-regional veto” in respective of Strategic Investment Pot decisions
Title: Council Tax Support Scheme 2018/19

Report of the Cabinet Member for Finance, Growth and Investment

<table>
<thead>
<tr>
<th>Open Report</th>
<th>For Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wards Affected: All</td>
<td>Key Decision: Yes</td>
</tr>
<tr>
<td>Report Author: Donna Radley, Head of Benefits</td>
<td>Contact Details: E-mail: <a href="mailto:donna.radley@elevateeastlondon.co.uk">donna.radley@elevateeastlondon.co.uk</a></td>
</tr>
<tr>
<td>Accountable Director: Kathy Freeman, Finance Director</td>
<td></td>
</tr>
</tbody>
</table>

Accountable Strategic Director: Claire Symonds, Chief Operating Officer

Summary

The Council has a statutory duty to consider annually whether to revise its Local Council Tax Support Scheme (CTSS) or replace it with another scheme. This report recommends keeping the current scheme for use in 2018/19. The Assembly has a legal duty to approve the CTSS by 31 January 2018.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to agree that the Council Tax Support Scheme implemented for 2017/18 be retained for 2018/19.

Reason

It is proposed that the Council continues with the scheme it implemented last year to avoid further financial pressures and an increase in its budget gap.

1. **Introduction and Background**

1.1. As part of the 2010 Comprehensive Spending Review, the Government announced that it would localise support for Council Tax from April 2013. The proposals are part of a wider policy of localism which aims to give local authorities increased financial autonomy and be part of the reform of the Welfare System to improve incentives to work whilst protecting the most vulnerable in society.

1.2. The Welfare Reform Act in 2012 abolished Council Tax Benefit (CTB) from April 2013 and, in its place, support took the form of a local Council Tax Support Scheme (CTSS). The scheme is now in its second year and helps low income households by reducing the amount of Council Tax that they have to pay.

1.3. CTSS has been funded by a fixed grant for the years 2013/14 and 2014/15. The funding has been based on expenditure in 2012/13 but with a factored reduction of 10%.
1.4. The Local Government Finance Act 2012 contains provisions for the setting up of local support schemes. The current scheme in Barking & Dagenham has been based on the Default Council Tax Reduction Scheme and has been ratified by Assembly. The scheme has included and replicated annual uprating of social security rates for Housing Benefit. This will continue in 2018/19.

1.5. The current scheme in operation ensures that:

- The scheme is means tested
- Pensioners are protected, i.e. they must be able to receive up to a 100% reduction (a provision of the national pension age scheme).
- Everyone of working age contributes something towards their Council Tax. A “minimum payment” of 25%. There is a 75% maximum on which any entitlement to CTSS is based.
- Those who are not pensioners and with capital in excess of £6,000 are not eligible for a Council Tax reduction under this scheme.

2. Proposals and Issues

2.1. Like many local authorities, the Council has faced unprecedented financial challenges and it is proposed to continue with the scheme implemented last year to avoid any additional financial pressures.

3. Financial Implications

Implications completed by: Lance Porteous, Finance Business Partner (Corporate Finance)

3.1. Keeping the Council Tax Support Scheme will have no impact on the amount of collectable Council Tax.

3.2. The Council has set aside a discretionary fund for those in circumstances of exceptional hardship of £50,000. This is monitored and reviewed quarterly, although case law does suggest that if exceptional hardship is shown the Council must grant a discretionary reduction and cannot refuse due to a “depleted budget”. Therefore, a clear policy has been implemented with the Council setting its own criteria of who qualifies for a discretionary reduction. The cost of the discretionary fund will reduce the overall Council Tax collected by £50,000.

4. Legal Implications

Implications completed by Dr. Paul Feild, Senior Governance Lawyer

4.1 The CTSS is a continuation of the scheme as approved by the Assembly last year following consultations as required by the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012. Maintaining the current scheme will bring no specific legal implications.
5. Other Implications

5.1 Risk Management - It is considered likely that keeping the current scheme will continue to make it difficult to collect Council Tax from those entitled to a reduction under the scheme. Presently there are 74,877 properties with a Council Tax Charge in this borough, as of 30th November 2016, and 18,212 Council Tax Support claims against these properties.

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

List of appendices: None
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Title: Calculation and Setting of the Council Tax Base for 2018/19

Report of the Cabinet Member for Finance

Open Report | For Decision
---|---
Wards Affected: All | Key Decision: Yes

Report Author: Zaber Ahmed, Principal Accountant (Budgets)  
Contact Details:  
Tel: 0208 227 3341  
E-mail: Zaber.Ahmed@lbdd.gov.uk

Accountable Director: Kathy Freeman, Finance Director

Accountable Strategic Director: Claire Symonds, Chief Operating Officer

Summary

The Council has a duty to set a Tax Base for Council Tax purposes by 31 January each year under Section 67 of the Local Government Finance Act 1992.

This report seeks approval of the Authority’s Council Tax Base for 2018/19.

Recommendation(s)

The Cabinet is recommended to agree that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Barking and Dagenham Council as its Tax Base for the year 2018/19 shall be 48,782.31 Band ‘D’ properties;

Reason(s)

To meet the Council’s statutory duties under the Local Government Finance Act 1992.

1. Introduction and Background

1.1 The Tax Base must be conveyed to the major precepting Authorities by 31 January prior to the start of the financial year.

1.2 The Tax Base must be calculated in accordance with regulations made by the Secretary of State under Section 33(5) of the Local Government Finance Act 1992 and The Local Authorities (Calculation of Tax Base) (England) Regulations 2012.

1.3 The regulations set a prescribed period for the calculation of the tax, which is between the 1 December and 31 January in the financial year preceding that for which the calculation of the council tax base is made. The data used in the calculation must be that held by the Council as at 30 November.
2. **Proposal and Issues**

2.1 The valuation of properties for Council Tax purposes is carried out by the Valuation Office Agency.

2.2 For Council Tax purposes each property is placed in a band based on its open market value as at 1 April 1991. The bands are as follows:

<table>
<thead>
<tr>
<th>Range of Values Band</th>
<th>Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values not exceeding £40,000</td>
<td>A</td>
</tr>
<tr>
<td>Values exceeding £40,000 but not exceeding £52,000</td>
<td>B</td>
</tr>
<tr>
<td>Values exceeding £52,000 but not exceeding £68,000</td>
<td>C</td>
</tr>
<tr>
<td>Values exceeding £68,000 but not exceeding £88,000</td>
<td>D</td>
</tr>
<tr>
<td>Values exceeding £88,000 but not exceeding £120,000</td>
<td>E</td>
</tr>
<tr>
<td>Values exceeding £120,000 but not exceeding £160,000</td>
<td>F</td>
</tr>
<tr>
<td>Values exceeding £160,000 but not exceeding £320,000</td>
<td>G</td>
</tr>
<tr>
<td>Values exceeding £320,000</td>
<td>H</td>
</tr>
</tbody>
</table>

2.3 The Tax Base is calculated in terms of the equivalent number of Band 'D' properties after discounts and exemptions have been taken into account. There are statutory ratios which determine the proportion of the band D charge that will be charged for a property in each band. The ratios are as follows:

<table>
<thead>
<tr>
<th>Band</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>6/9ths</td>
</tr>
<tr>
<td>B</td>
<td>7/9ths</td>
</tr>
<tr>
<td>C</td>
<td>8/9ths</td>
</tr>
<tr>
<td>D</td>
<td>1</td>
</tr>
<tr>
<td>E</td>
<td>11/9ths</td>
</tr>
<tr>
<td>F</td>
<td>13/9ths</td>
</tr>
<tr>
<td>G</td>
<td>15/9ths</td>
</tr>
<tr>
<td>H</td>
<td>18/9ths</td>
</tr>
</tbody>
</table>

2.4 The standard Council Tax is set in relation to Band 'D' properties, this will mean that somebody living in a Band 'A' property pays 2/3rds of the standard amount whilst somebody in a Band 'H' property pays twice the standard amount.

2.5 The full Council Tax charge is based on the assumption that the property is occupied by two or more adults. However, some properties are exempt from any charge, and others qualify for a discount. In determining the Tax Base the relevant discounts and exemptions are taken into account:

2.6 The following table shows the number of chargeable properties at 30 November after all discounts and exemptions have been applied.
<table>
<thead>
<tr>
<th>Last Year Totals</th>
<th>Band ‘D’ Equivalents</th>
<th>Band Equivalent</th>
<th>Total</th>
<th>Band ‘D’ Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.18</td>
<td>0.10</td>
<td>A*</td>
<td>0.19</td>
<td>0.10</td>
</tr>
<tr>
<td>3,660.56</td>
<td>2,440.37</td>
<td>A</td>
<td>3,776.06</td>
<td>2,517.38</td>
</tr>
<tr>
<td>7,547.34</td>
<td>5,870.15</td>
<td>B</td>
<td>7,870.36</td>
<td>6,121.39</td>
</tr>
<tr>
<td>34,466.83</td>
<td>30,637.18</td>
<td>C</td>
<td>35,461.07</td>
<td>31,520.95</td>
</tr>
<tr>
<td>7,730.18</td>
<td>7,730.18</td>
<td>D</td>
<td>7,960.13</td>
<td>7,960.13</td>
</tr>
<tr>
<td>1,472.12</td>
<td>1,799.26</td>
<td>E</td>
<td>1,525.21</td>
<td>1,864.15</td>
</tr>
<tr>
<td>301.05</td>
<td>434.86</td>
<td>F</td>
<td>304.77</td>
<td>440.23</td>
</tr>
<tr>
<td>40.77</td>
<td>67.95</td>
<td>G</td>
<td>40.29</td>
<td>67.15</td>
</tr>
<tr>
<td>3.00</td>
<td>6.00</td>
<td>H</td>
<td>3.00</td>
<td>6.00</td>
</tr>
<tr>
<td><strong>55,222.04</strong></td>
<td><strong>48,986.06</strong></td>
<td><strong>56,941.08</strong></td>
<td><strong>50,497.47</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Disabled person’s reductions

2.7 When determining the tax base for the purpose of setting the Council Tax an allowance has been made for non-collection. The losses on collection allowance for 2018/19 has been assessed as 6.5%. A further adjustment has been made for arrears collection to reflect the recovery of debt in future years.

2.8 The adjustment, expressed as band D equivalents, is shown below.

<table>
<thead>
<tr>
<th>Band D equivalent at 30 November 2017</th>
<th>50,497.47</th>
</tr>
</thead>
<tbody>
<tr>
<td>In year losses in collection allowance of 6.5%</td>
<td>(3,282.34)</td>
</tr>
<tr>
<td>Estimated arrears collection</td>
<td>1,567.17</td>
</tr>
<tr>
<td><strong>Council Tax Base for 2018/19</strong></td>
<td>48,782.31</td>
</tr>
</tbody>
</table>

2.9 A fully detailed calculation of the tax base is contained in Appendix 1.

3. **Consultation**

3.1 The calculation of the council tax base follows a prescribed process and, as such, does not require consultation.

4. **Financial Implications**

4.1 The Council Tax Base has increased by 1509.18 band D equivalent properties from 2017/18 (47,273.13). At the current Council Tax charge of £1,131.83 this would
generate an additional £1.7m of income for the Council compared to the previous year.

4.2 The current Medium Term Financial Strategy had assumed an increase in the Council Tax base of 1.25%. The actual increase actual on the Council Tax base is 3.2%, which generates an additional £1.1m over and above the MTFS assumptions for 2018/19.

4.3 The Council Tax collection rate is a significant factor in determining the level of income and will affect the actual amount of Council Tax collected in 2018/19. For every 1% change in the collection rate, income would increase/decrease by £0.572m for the Council.

5. Legal Implications

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

5.1 As observed above there is a legal requirement that the Council as a billing authority must set it’s Council Tax base before 31 January 2018 for the following financial year starting 1 April 2017. Section 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, imposes a duty on the Council as a billing authority, to calculate its Council Tax by applying a formula which as set out in the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012. The formula involves a figure for the Council Tax Base for the year, which must itself be calculated. The basis of liability for Council Tax is the valuation band to which a dwelling has been assigned. Valuation bands range from A to H, and the relative liabilities of each band are expressed in terms of proportions of Band D.

5.2 The calculation to establish the relevant basic amount of council tax by is done by dividing the council tax requirement for the financial year by the billing authorities council tax base. In brief, the council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority’s estimated collection rate for the year. The estimated collection rate is the percentage of council tax payable which the authority actually expects to be paid i.e. the difference between what it ought to be paid in council tax and certain fund transfers and what it is likely to be paid.

5.3 The Council is under an obligation to notify major precepting authorities of the calculation.

5.4 For this Council the setting of the Council Tax Base is a Cabinet function. This is because Section 67 Local Government Finance Act 1992 as amended by section 84 of the Local Government Act 2003, (and more recently the Localism Act 2011), enabled the Assembly to delegate the power to set the tax base to the Cabinet. This is reflected in the Constitution at Part 2 Chapter 6 Responsibility for functions at paragraph 2.1(ii).

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

List of appendices:

- Appendix 1 – Calculation of the 2018/19 Council Tax Base
### APPENDIX 1 - CALCULATION OF THE COUNCIL TAX BASE 2018/19

<table>
<thead>
<tr>
<th></th>
<th>Band A disa</th>
<th>Band A</th>
<th>Band B</th>
<th>Band C</th>
<th>Band D</th>
<th>Band E</th>
<th>Band F</th>
<th>Band G</th>
<th>Band H</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total number of dwellings on the Valuation List</td>
<td>6,496</td>
<td>11,633</td>
<td>45,256</td>
<td>9,548</td>
<td>1,752</td>
<td>343</td>
<td>44</td>
<td>15</td>
<td>75,087</td>
</tr>
<tr>
<td>2</td>
<td>Number of dwellings on the valuation list exempt</td>
<td>431</td>
<td>355</td>
<td>624</td>
<td>120</td>
<td>19</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>1,556</td>
</tr>
<tr>
<td>3</td>
<td>Number of demolished dwellings</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Number of chargeable properties</td>
<td>6,065</td>
<td>11,278</td>
<td>44,632</td>
<td>9,428</td>
<td>1,733</td>
<td>337</td>
<td>43</td>
<td>15</td>
<td>73,531</td>
</tr>
<tr>
<td>5</td>
<td>Number of chargeable dwellings in line 4 subject to disabled reduction</td>
<td>0</td>
<td>1</td>
<td>20</td>
<td>152</td>
<td>77</td>
<td>21</td>
<td>4</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Number of dwellings effectively subject to council tax for this band by virtue of disabled relief</td>
<td>1</td>
<td>20</td>
<td>152</td>
<td>77</td>
<td>21</td>
<td>4</td>
<td>2</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Number of dwellings adjusted in accordance with lines 5 and 6</td>
<td>1</td>
<td>6,084</td>
<td>11,410</td>
<td>44,557</td>
<td>9,372</td>
<td>1,716</td>
<td>335</td>
<td>52</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Single adult household - 25% discount</td>
<td>1</td>
<td>3,370</td>
<td>4,877</td>
<td>11,789</td>
<td>1,750</td>
<td>279</td>
<td>40</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Grant percentage (0.75)</td>
<td>0.75</td>
<td>2,527.50</td>
<td>3,657.75</td>
<td>8,841.75</td>
<td>1,312.50</td>
<td>209.25</td>
<td>30.00</td>
<td>2.25</td>
<td>0.00</td>
</tr>
<tr>
<td>8a</td>
<td>25% discount all but one resident disregarded</td>
<td>0.00</td>
<td>37.50</td>
<td>121.50</td>
<td>471.00</td>
<td>81.00</td>
<td>9.75</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>9</td>
<td>75% of all but one resident disregarded</td>
<td>0</td>
<td>4</td>
<td>12</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>48</td>
</tr>
<tr>
<td>9a</td>
<td>50% all residents disregarded</td>
<td>0</td>
<td>8</td>
<td>10</td>
<td>42</td>
<td>16</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>Second homes</td>
<td>0</td>
<td>8</td>
<td>10</td>
<td>42</td>
<td>16</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Empty 0% discount</td>
<td>0</td>
<td>57</td>
<td>38</td>
<td>54</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Empty receiving a discount</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>13</td>
<td>Empty homes premium</td>
<td>0</td>
<td>9</td>
<td>11</td>
<td>12</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>14</td>
<td>Total empty properties</td>
<td>0</td>
<td>66</td>
<td>49</td>
<td>66</td>
<td>16</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>15</td>
<td>Empty more than 6 months</td>
<td>0</td>
<td>44</td>
<td>24</td>
<td>31</td>
<td>11</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>16</td>
<td>Number properties empty due to flood</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>16a</td>
<td>Empty longer than 6 months (prev class a)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>17</td>
<td>empty home class D</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>18</td>
<td>New homes bonus</td>
<td>0</td>
<td>44</td>
<td>24</td>
<td>31</td>
<td>11</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>19</td>
<td>Dwellings liable for 100% council tax before family annex discount</td>
<td>0</td>
<td>2,651</td>
<td>6,355</td>
<td>32,116</td>
<td>7,504</td>
<td>1,422</td>
<td>294</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>20</td>
<td>Dwellings subject to a discount</td>
<td>3,433</td>
<td>5,055</td>
<td>12,441</td>
<td>1,868</td>
<td>294</td>
<td>41</td>
<td>22</td>
<td>2</td>
<td>23,157</td>
</tr>
<tr>
<td></td>
<td>Reduction in taxbase as a result of family annexe discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>---</td>
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</tr>
<tr>
<td>21</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>22</td>
<td>Total equivalent number of dwellings after discounts</td>
<td>0.75</td>
<td>5,231.5</td>
<td>10,153.3</td>
<td>41,452.8</td>
<td>8,908.5</td>
<td>1,643.0</td>
<td>324.5</td>
<td>41.8</td>
<td>3.0</td>
</tr>
<tr>
<td>23</td>
<td>Ratio to band D</td>
<td>0.56</td>
<td>0.67</td>
<td>0.78</td>
<td>0.89</td>
<td>1.00</td>
<td>1.22</td>
<td>1.44</td>
<td>1.67</td>
<td>2.00</td>
</tr>
<tr>
<td>24</td>
<td>Total band D equivalents</td>
<td>0.4</td>
<td>3,487.7</td>
<td>7,897.0</td>
<td>36,846.9</td>
<td>8,908.5</td>
<td>2,008.1</td>
<td>468.7</td>
<td>69.6</td>
<td>6.0</td>
</tr>
<tr>
<td>25</td>
<td>Class O</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>26</td>
<td>Taxbase</td>
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<td>27</td>
<td>Number of dwellings after applying discounts and premiums to calculate tax base</td>
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<td>5,231.5</td>
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<td>1,455.4</td>
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<td>29</td>
<td>Number of dwellings after discounts, premiums and council tax support</td>
<td>0.2</td>
<td>3,776.1</td>
<td>7,870.4</td>
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<td>30</td>
<td>Ratio to band D</td>
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<td>0.67</td>
<td>0.78</td>
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<td>1.44</td>
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<td>31</td>
<td>Total number of band D equivalents after allowance for CTS</td>
<td>0.1</td>
<td>2,517.4</td>
<td>6,121.4</td>
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<td>1,864.1</td>
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<td>33</td>
<td>In year losses in collection at 6.5%</td>
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<td>34</td>
<td>Estimated arrears collection</td>
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Title: Essex and Suffolk Water Agreement

Report of the Cabinet Member for Finance, Growth and Investment

Open Report For Decision

Wards Affected: None Key Decision: Yes

Report Author: Thomas Hart – Head of Business Development and Improvement (My Place)

Accountable Director: Robert Overall, Director of My Place

Accountable Strategic Director: Claire Symonds, Chief Operating Officer

Summary:
The Council collects water and sewerage charges from its social housing tenants on behalf of Essex and Suffolk Water (ESW) who trade as Northumbrian Water. In return for providing this service, the Council receives an administration recoupment payment from ESW which is paid into the Housing Revenue Account (HRA).

During 2017, Council officers were in negotiations with ESW to enter into a new contract. These negotiations have resulted in changes to the contract with an administration recoupment rate of 15% of the charges from ESW plus a 2% void allowance.

The report presents the proposal to enter into a formal three-year contract with ESW on the revised terms, which will be effective from 1st April 2017. It is estimated that over the three-year term of the contract the Council could be collecting in the region of £21m on behalf of ESW and obtaining a total administration and voids allowance in the region of £3.6m (17%), subject to price inflation and stock loss adjustments.

In accordance with the Council's procurement policy any contract in excess of £500,000 requires Cabinet approval.

Recommendation(s)
The Cabinet is recommended to agree that the Council enters into the revised three-year agreement with Essex and Suffolk Water, effective from 1 April 2017, on the terms set out in the report.

Reason(s)
To assist in achieving the Council’s vision of ‘a well-run organisation’ through the provision of an efficient and cost-effective Housing Management service to tenants and leaseholders.
1. **Introduction and Background**

1.1. The Council collects water and sewerage charges from its social housing tenants on behalf of Essex and Suffolk Water (ESW) who trade as Northumbrian Water. In return for providing this service the Council receives an administration recoupment payment from ESW which is paid into the Housing Revenue Account (HRA).

1.2. During 2017 Council officers have been in negotiations with ESW to obtain a higher percentage level of admin fee and void allowance. These negotiations have resulted in an increase in the administration recoupment rate from 15% to 17% of the charges from ESW.

2. **Proposal and Issues**

2.1. The report presents the proposal to enter into a formal three-year contract with ESW on the revised terms, which will be backdated to 1st April 2017.

2.2. The Council’s fee for collection of water charges currently stands at 15%. The ending of the current three-year term presented an opportunity to renegotiate. Under the terms of the proposed agreement, the Council will receive a 17% fee.

2.3. Whilst the current contract was for two years with a notice period of one year the new contract is for three years.

2.4. In 2016/17 the HRA paid Essex and Suffolk Water £7.1m in respect of water and sewerage charges and received an income of £1.1k based upon a 15% (13% Admin and 2% Voids).

2.5. Based on the proposed fee of 17%, and an estimated water and sewerage payment of £7.1m in 2017/18, it is expected that the level of income will increase to £1.2k. The water and sewerage charge and fee may both reduce in future years due to stock loss but this will be partially offset by any price inflation. Over the course of the contract the Council could be collecting in the region of £21m on behalf of ESW and obtaining a fee in the region of £3.6m.

2.6. The contract is proposed to be effective from 1st April 2017 for a period of three years with either party having the right to cancel the agreement after two years by serving notice on the other party no less than 12 months prior to the commencement of a financial year (1st April).

3. **Options Appraisal**

3.1 The structure of the water supply industry in the UK is such that the council has no choice in who provides the service. Hence, use of the negotiated process as opposed to the usual competitive tendering process.

4. **Consultation**

4.1 The Cabinet Member has been kept informed of the negotiations and colleagues in finance have been directly involved in the negotiations with ESW. The Procurement Board has also been appraised of the current position.
5. Financial Implications

Implications completed by: Martin Sharp, Principal Accountant

5.1 In 2016/17 the HRA paid Essex and Suffolk Water £7.1m in respect of water and sewerage charges and received a fee of £1.1m, based upon 15%.

5.2 Based on the proposed fee of 17% and an estimated water and sewerage payment of £7.1m in 2017/18 it is expected that the level of income will increase to £1,2m. The water and sewerage charge and fee may both reduce in future years due to stock loss but this will be partially offset by price inflation.

5.3 The fee includes a 2% void allowance which covers our current void level. Confirmation of actual performance is required by ESW from LBBD Housing.

5.4 The arrangement places the risk of non-collection with the council, and the introduction of welfare reform potentially increases this risk. Non-collection would have to be absorbed within the wider HRA.

5.5 The increase in fee will be been factored into the 2018/19 HRA budget.

5.6 Under the revised contract a gross payment will be required to ESW with an invoice to be issued and sent by LBBD Housing to ESW to request payment of the Admin fee and Void Allowance, this will ensure clear separation of the two elements.

6. Legal Implications

Implications completed by: Martin Hall, Legal Team Leader, Commercial Housing

6.1 The Council’s Contract Rules, rule 28.8, requires that all procurements of contracts above £500,000 in value must be submitted to Cabinet for approval.

6.2 Under the proposed arrangement, the Council will not be procuring services but will be providing services to Essex and Suffolk Water. As such the Public Contracts Regulations 2006 are not applicable. Under this arrangement the Council can generate income through commission earned on money collected on behalf of Essex and Suffolk Water.

6.3 Contract rule 49.2 requires that all contracts with a total contract value of £100,000 or more must be sealed by Legal services.

6.4 Legal Services will be available to assist and advise in relation to any queries which may arise.

7. Other Implications

7.1 Risk Management - The Council will retain the risk of non-collection. Whilst 2% void allowance has been built into negotiations, any additional losses will have to be absorbed within the remaining 15%. The additional risk relating to the impact of changes to welfare benefits where tenants may withhold rent payments in favour of other personal expenses has also been considered. The impact of welfare reform
was one of the primary negotiation points used by the Council in its discussions with ESW. The reduced contract period will enable the Council to reconsider its position prior to the planned roll out of Universal Credits.

7.2 **Contractual Issues** - The contract is proposed to be effective from 1\textsuperscript{st} April 2017 for a period of two years with either party having the right to cancel the agreement after two years by serving notice on the other party no less than 12 months prior to the commencement of a financial year (1\textsuperscript{st} April).

7.3 **Corporate Policy and Customer Impact** - There will be no direct impact on council tenants as the agreement is a continuation of existing arrangements, albeit on better terms which will benefit the HRA.

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

**List of appendices:** None
CABINET

23 January 2018

Title: ‘Made in Dagenham’ Film Studios

Report of the Cabinet Member for Finance, Growth and Investment and Cabinet Member for Economic and Social Development

Open Report with Exempt Appendix 2 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended) For Decision

Wards Affected: Eastbrook

Key Decision: Yes

Report Authors:
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Andrew Sivess, Head of Assets and Investments

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E-mail: david.harley@befirst.london
andrew.sivess@lbbd.gov.uk

Accountable Strategic Director: Claire Symonds, Chief Operating Officer

Summary

By Minute 74 (15 November 2016), the Cabinet approved the purchase of 9 acres of land from Sainsbury’s on part of the former Sanofi site at Dagenham East with a view to bringing forward development of TV/film studios as part of a mixed used development.

The Greater London Authority (GLA) and the Council jointly funded a Content and Capacity study for the film studios, appointing consultancy firm SQW working with BBP. The study looked in detail at the film/TV industry market and what mix of facilities should be delivered and the benefits it would bring both locally and for the Capital. That report was finalised and launched on 30 October 2017. It concluded that “Dagenham East represents a rare chance to build a world-class film studio within the boundaries of Greater London.” As part of the first stage of their work, the study considered different options in relation to the scale of the ambition for the site looking at demand and supply issues and what could be delivered at Dagenham East. It identified that just using the Council’s recently purchased 9 acres would not deliver the scale of ambition and quantum of space needed to deliver London’s largest studios for 25 years, and that additional land was required.

The Council land can deliver the ‘public face’ element of the studios - a destination studio facility including ‘shiny floor’ TV studios where audiences attend shows plus creative workspace and associated food and beverage offer. Being adjacent to a tube station means the site is ideal for such a facility and this element is critical to the high profile, perception changing elements of the studios. The site could also include residential development (around 500 apartments on upper levels) and a hotel as part of a flagship development. The SQW report acknowledges the Council land alone could not deliver the extent of film stages required to achieve the ambition as there is a need for large warehouse film stage sets serving the industry as a key element of the mix of facilities.
The adjacent land is owned by Baytree Logistics (part of Axa) who have planning approval for a scheme of three large warehouse buildings, two of which have been built. Axa has confirmed it has entered into a deal with a major international datacentre provider who would like to build London’s largest data centre on the rear proportion of its site. There are potentially beneficial synergies between screen studios and a data centre with potential for Dagenham to lead the way in modern data led studios supporting the growth sectors of animation, graphics and gaming. The data centre would require a new planning permission which is due to be submitted in late January. London’s largest data centre (‘Digital Dagenham’) and London’s largest screen studios for 25 years (‘Made in Dagenham’) would collectively transform Dagenham unlocking employment opportunities, changing perceptions and driving inspiration.

After extensive discussions, rather than purchasing a lease with an annual rent, Baytree/Axa have put forward a proposal to the Council for the sale of the freehold of all their landholdings not taken by the data centre. This would provide the land required to achieve the full vision set out in the SQW report and deliver London’s largest studios in 25 years. Freehold ownership also gives the Council much greater flexibilities and significantly reduces risks compared to the rental proposal. There is also scope to purchase some surplus, undeveloped Londoneast-uk land to ensure the Council benefits from the uplift in land values the studios will deliver - Appendix 1 shows all the land elements on a single plan. It is proposed the Baytree land would consists of stage sets and workshops leased out by film/tv production companies to install stage sets and film productions. This part of the site would need to be secure to ensure people could not reveal plot lines etc. The Council’s land could deliver the ‘public face’ elements with ‘shiny floor’ studios (studios with audiences) as part of a mixed use development with associated facilities. This gives the opportunity for Dagenham to become a ‘destination’ facility with associated food and beverage offer more in line with US studios. Together the Council and Baytree land would deliver the full scheme with the wide range of benefits set out in the SQW report.

The negotiated proposal from Baytree is included in Appendix 2, which is in the exempt section of the agenda. The price aligns with an independent report from Lambert Smith Hampton (LSH) assessing the land value evidencing that the Council would not be paying above market value. LSH’s figure is based on general employment land values, not specifically looking at film studio values which are much more specialist.

The SQW study identified that there is substantial unmet demand for film stages with recent announcements of closure of a number of Central London locations due to the much higher residential redevelopment values. Whilst the SQW study highlighted the demand for studios, the critical current stage is talking to the screen industry market. Alongside the high profile publicity on 30 October, Be First launched the expression of interest call with a brochure and short film together with an OJEU Prior Information Notice (PIN) to get interested parties to discuss proposals and how they align with the Council’s objectives.

Be First is aware of interest in running film studios but wants to determine the best means of selecting a partner(s) to work with and a firmer mix of facilities. This exercise will ensure the market is tested and determine the best means of selection of organisations who are able to deliver the Council’s vision for the site whilst offering the best financial return. The Council’s objectives are set out in this report. The market testing stage will inform decision making on whether an OJEU process is needed (ie. we are wanting to select a development partner) or whether leases are entered into with Be First taking the developer role and a partner leasing and operating the commercial space.
Following the results of the market testing stage, the process for selecting a partner will be determined and the process commenced. Cabinet approval is now sought for the additional land acquisition required to ensure the full extent of the aspirations for the site can be delivered.

**Recommendation(s)**

The Cabinet is recommended to:

(i) Authorise the Chief Operating Officer, in consultation with the Director of Law and Governance and the Cabinet Members for Finance, Growth and Investment and Economic and Social Development, to enter into all necessary agreements to complete the freehold purchase of the Baytree land, as identified in Appendix 1 to the report, on the terms set out in paragraphs 2.1 to 2.3 and Appendix 2 of the report;

(ii) Authorise the Chief Operating Officer, in consultation with the Director of Law and Governance and the Cabinet Member for Finance, Growth and Investment, to enter into all necessary agreements to complete the freehold purchase of the Londoneast-uk surplus land site and the lease of The Cube site, as identified in Appendix 1 to the report, on the terms set out in the paragraphs 2.4 to 2.5 and Appendix 2 of the report;

(iii) Note that a further report shall be presented to Cabinet on the possible purchase of The Cube site at the expiry of the lease arrangement in December 2022; and

(iv) Agree the Council’s objectives for the film studio site as set out in paragraphs 2.6 to 2.8 of the report and that Be First commence a process to select the partner(s) who best delivers the objectives.

**Reason(s)**

The initiative will contribute significantly to the Council Priority of ‘Growing the Borough.’ The project would have a major impact on changing perceptions of the Borough and ensuring Dagenham is focussed on new employment opportunities which raise aspirations of local residents and help deliver the ‘No-one left behind’ objective of the Growth Commission and the vision of the Borough Manifesto.

1. **Introduction and Background**

1.1 Largely due to the work of the Council’s Film Unit, film and television location shoots in the Borough have grown substantially over the last 5 years. This has established extremely good links with the industry and highlighted the challenges the industry is facing in terms of shortage of studio space in London. As a result of this work the Council has progressed exploring the opportunities for a major TV/Film studio complex in the Borough (‘Made in Dagenham’) which resulted in the decision in November 2016 for the Council to purchase 9 acres of land to facilitate this.

1.2 Aligned with the purchase of the Sainsburys land, the Council and GLA jointly funded a feasibility study appointing consultancy SQW working with BBP to carry
out the work engaging with a very wide range of stakeholders and industry leaders as well as local stakeholders. The study also attempts to detail and quantify the benefits both locally and regionally and how these can be maximised. The studios would have a major impact on changing perceptions of Dagenham, encouraging civic pride as well as raising aspirations of young people in the Borough including through ensuring local training providers align services to meet the needs of the industry.

1.3 The study identified that in order to deliver the full mix of facilities and create London’s largest studios in 25 years then additional land would be required. The land adjacent to the Council site is owned by Baytree Logistics (part of Axa) who had secured planning approval for general industrial units and has built two of them. Axa approached the Council with a proposal for the rear part of the site to contain what would be London’s largest datacentre. This would require a new planning approval. With the growing importance of animation and computer graphics, there are potential positive relationships between film studios and datacentres. Baytree would be willing to sell their non datacentre landholding.

2. Proposal and Issues

Baytree/Axa Land Purchase Proposal

2.1 The detail of Baytree’s proposal is included at Appendix 2 in the exempt section of the agenda. One conditional element of the sale is that the data centre secures planning permission. This is because Axa/Baytree are looking at what value they achieve across their total landholding and without the value generated by the data centre they would wish to reconsider the freehold sale. The Council’s independence in making planning decisions cannot be fettered and this will not be a factor in determining the approval, however, the proposal is in line with planning policies and it is not unusual for land sales to be conditional. It does, however, mean the purchase may not take place for a number of months and only if the data centre secures planning approval.

2.2 Baytree have built two of the three units. The units built were not designed as film stages and additional work would be required in terms of sound proofing, enhanced structure (to carry lights etc required) and floor treatment.

2.3 Whilst the market is currently being tested for the film studios, it is not possible to set out a definitive business model for the studios showing the financial returns for the Council although various scenarios have been tested. The land purchase being recommended is based on the freehold option giving the most flexibility and reducing the risk for the Council backed up by the independent assessment of market value.

Londoneast-uk Surplus Land and The Cube Proposal

2.4 As shown in Appendix 1, adjacent to the Baytree land is a strip of vacant land and ‘The Cube’ laboratory building owned by Londoneast-uk. Londoneast-uk are willing to sell both and Council ownership would ensure additional capacity for film studio uses/ancillary development and enable the Council to benefit from potential value uplift as a result of the adjacent development. The Cube could be utilised swiftly for film production companies.
2.5 There is scope to utilise the vacant Londoneast land temporarily for Participatory City's Maker Space if they secure their GLA Good Growth Fund funding. The construction of a temporary building on the site for maker space would assist with raising the creative profile of the site whilst plans are being developed. This would be an ideal meanwhile use. Options for high profile, interim uses for the Council’s existing land, whilst planning approval is sought for the film studios, are also being explored. The detail of Baytree’s proposal is included at Appendix 2 in the exempt section of the agenda.

**Film Studio Proposal**

2.6 Be First working with LSH are currently seeking expressions of interest from organisations wanting to be involved in the film studios. There has been a good response to date. The feedback from interested parties is critical in defining the process moving forward in order to deliver the Council’s objectives. Feedback on issues such as extent of (if any) residential units, the broad mix of facilities and lease arrangements are important.

2.7 One of the key objectives for the development is maximising local job opportunities and inspiring people to take up employment in a growth sector over time changing the nature of the Dagenham economy. Local residents can be encourage to seek the skills required to secure creative industry employment seeing that there are local employment opportunities available. The screen industries are superb for a wide range of employment opportunities from construction works (building stage sets, electrical, carpentry), textile industries, hair and beauty through to film specific roles. Local colleges can already address part of these but it will be important to maximise the full range of opportunities and build links with the wide range of organisations involved in creative industries skills development. Officers at Be First and the Council are engaging with existing and potential training providers in the borough to ensure the opportunities from the proposal are fully maximised.

2.8 The selection of a partner would be assessed on the basis of criteria on how the partner and their proposal meets the Council’s objectives. The objectives include:

**Place making/Perception Changing**
- Dagenham becomes identified clearly and positively for the screen industries with the studios becoming a recognised ‘destination’ facility with high quality architecture and public realm and real sense of identity and place.

**Financial/Commercial**
- A commercial long term return for the Council reflecting the investment made.

**Employment, Skills and Business**
- Delivering significant on site employment across a range of skills levels as well as in-direct employment/supply chain employment
- Maximising scope for local employment and training opportunities during construction but most importantly in establishing a long term vision for permanent employment where local residents are inspired to seek employment in the industry and secure the skills required at local facilities. The Council will facilitate local providers to address skills requirements.
The studios play a key role in the local economy and community becoming actively involved in local partnerships.

**Barking and Dagenham Film Unit**

- Integrating the Council’s film unit into the studios to maximise opportunities for film location shoots elsewhere in the Borough and providing a comprehensive service for the industry.

3. **Risk Assessment**

3.1 LSH were appointed to carry out an assessment of the value of the Baytree land with the two built units. It highlights that the Council is purchasing the site for market value. There is a restriction against residential uses on the Baytree land however residential uses are not proposed and the valuation of the land takes this into account.

3.2 In relation to Planning issues, the film stages on the existing Baytree land would require a S73 planning variation or submission of Reserved matters - Planning officers have advised that whilst the matter would be referrable to the GLA, they do not envisage problems. Any proposals on the Council’s land would require planning approval (and most likely referral to the GLA).

3.3 The Council is also working with Sanofi regarding the residential restriction they have applied to the land the Council has bought. At Sanofi’s request, Be First commissioned a Land Remediation Risk assessment report and Geotechnical report and associated borehole testing highlighting what needs to be done to enable upper floor residential development. This has just been concluded and Be First will progress discussions with Sanofi regarding alternatives to the restrict covenant. The Baytree and Londoneast-uk land has been remediated to employment use standard and signed off by the Environment Agency.

4. **Options Appraisal – Land Purchases**

4.1

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<tr>
<th>Option</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
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<td>Just progress with Council owned land</td>
<td>No additional cost or risks to council.</td>
<td>Failure to deliver the full ambition for screen studio complex</td>
</tr>
<tr>
<td>Purchase Baytree Freehold land</td>
<td>Freehold purchase gives significant flexibility. Enables the delivery of the full extent of the vision for the site</td>
<td>High initial purchase cost and associated borrowing costs.</td>
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<tr>
<td>Purchase Londoneast-uk land</td>
<td>Gives Council/Be First much greater scope and opportunity to benefit from investment made on adjacent land.</td>
<td>Additional land purchase costs and associated borrowing costs.</td>
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</table>
5. **Consultation**

5.1 As part of the feasibility study, the consultants engaged with a wide range of local, regional and national stakeholders and reached a broad consensus on what was required to deliver the vision. The current market testing stage is engaging with the industry. The scheme would require planning approval which would involve pre-planning consultation with local residents and other stakeholders in addition to the statutory planning consultation processes.

5.2 The proposals in this report have been endorsed by the Be First Board and the Council’s Investment Panel.

6. **Financial Implications:**

Implications completed by: Katherine Heffernan, Finance Group Manager

6.1 The proposal is for the council to purchase the freehold of the Baytree land as identified in appendix 1 and to also negotiate the freehold purchase or long lease of the adjacent strip of land currently in the ownership of Londoneast UK.

6.2 The costs and associated financial implications of these purchases are shown in Appendix 2, which is in the exempt section of the agenda as it contains the commercially confidential terms of the proposed purchase of the site (relevant legislation - paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended)) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The total cost is likely to be met from borrowing.

6.3 The annual cost of repaying the borrowing will ultimately be met from the rents charged to the occupants of the resulting commercial and residential units or the sale of the land and premises at some stage in the future. There are, however, likely to be costs incurred in respect of the borrowing and standing costs of the land whilst the site is being developed and these will need to be funded from existing budgets.

6.4 Be First will play a significant part in achieving these purchases and, going forward, will also bring about the development of the whole site into the proposed film studios and the ancillary development which might include retail outlets and around 500 residential units. Their development fee for this work has yet to be determined and has not been included in the financial implications shown in Appendix 2. This cost is likely to be met from borrowing.

6.5 If these areas of land are acquired and the development is delivered in line with the proposals set out in the report above, the economic benefit to the whole area will be significant in terms of creating employment opportunities for local people and regenerating the economy of the area. There will also be financial benefits for the Authority in terms of Council Tax, Business Rates and New Homes Bonus, however, at this early stage in the process the exact amount of revenue that will be generated is difficult to quantify.
7. Legal Implications

Implications completed by: Erol Islek, Senior Property Solicitor, Law & Governance

7.1 Section 1 of the Localism Act 2011 provides a general power of competence enabling the Council to do anything individuals generally may do, therefore allowing the Council to undertake a wide range of activities. Furthermore Section 111 of the Local Government Act 1972 enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any of its functions, whether or not involving expenditure, borrowing or lending money, or the acquisition or disposal of any rights or property.

7.2 Further, in accordance with the Local Government Act 1972, Section 120, the Council is empowered to acquire by agreement any land situated inside or outside its area for:

(i) the purposes of any of its functions stipulated by the 1972 Act or other statutory provisions; or
(ii) for the benefit, improvement or development of its area, and notwithstanding that the land is not immediately required for that purpose. Until the land is required for the purpose acquired, it may be used for any purposes associated with any of the Council’s functions.

7.3 The Council’s Constitution, Part 4, Chapter 4 sets out the Land Acquisition and Disposal Rules. In accordance with paragraph 2.1, all strategic decisions about the use, acquisition and disposal of land and property assets are usually within the remit of the Cabinet. Formulation of strategic decisions is overseen by the Property Advisory Group (PAG) and the Cabinet. Generally, the recommendations and an acquisition at the current value, which renders this decision a key decision, require the acquisition decision to be taken by Cabinet in accordance with the Council’s Constitution and its Land Acquisition and Disposal Rules.

7.4 The reporting officer has procured an independent (arm’s length) valuation of the site which supports the proposed acquisition price.

8. Other Implications

8.1 Risk Management – Land purchase risks have been mitigated via independent valuations and Due Diligence process. Lambert Smith Hampton were appointed to carry out an assessment of the value of the Baytree land with the two units on. There is a restriction against residential uses on the Baytree land however residential uses are not proposed and the valuation of the land takes this into account.

8.2 Contractual Issues – These are explained in the Legal Implications section above.

8.3 Staffing Issues – This is a major project for Be First and is likely to take up significant staff time.

8.4 Corporate Policy and Customer Impact - No issues relating to the specific recommendations.
8.5 **Safeguarding Children** – Any safeguarding issues would be addressed as part of detailed design proposals for the site.

8.6 **Health Issues** – Any health issues would be addressed as part of detailed design proposals for the site.

8.7 **Crime and Disorder Issues** – Any crime and disorder issues would be addressed as part of detailed design proposals for the site.

8.8 **Property / Asset Issues** - The proposal would be a significant addition to the Council’s asset register and as such forms a key element of the main body of the report.

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

**List of appendices:**
- Appendix 1 – Landholdings plan
- Appendix 2 - Financial Issues (exempt information)
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Appendix 1
Made In Dagenham

Public face
‘Destination’ facility
mixed use with TV
studios. c. 9 acres

Film/TV stage sets and
workshops
(secured site) c. 11 acres

‘Digital Dagenham’
Title: Purchase of Transport House, 46-48 New Road, Dagenham

Report of the Cabinet Member for Finance, Growth and Investment and Cabinet Member for Economic and Social Development

Open Report with Exempt Appendix 3 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended) For Decision

Wards Affected: River Key Decision: Yes

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Summary

The area around Chequers Corner/former Ford Stamping Plant is a key regeneration focus within the Borough. The demolition of the former Stamping Plant is well advanced and development proposals are under discussion. The opportunity has arisen for the Council to purchase Transport House – a four-storey 1970s office block - which lies on the prominent New Road frontage between the Premier Inn and the former Dagenham Motors site, which is now a vacant site owned by the Greater London Authority.

Transport House is owned by Unite the Union who are looking at alternative premises in Dagenham and wish to sell their freehold ownership of the site. Council ownership of this site would give the Council and Be First a greater stake in the regeneration of the area ensuring this site becomes part of the development proposals including possibly unlocking potential for new school provision.

Be First commissioned an independent valuation of the property and has reached heads of terms with Unite the Union. The proposed terms are set out at Appendix 3, which is in the exempt section of the agenda under the provisions of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). A short-term leaseback arrangement for a few months is proposed while redevelopment proposals are discussed and a demolition contract is secured.

Recommendation(s)

The Cabinet is recommended to:

(i) Authorise the Chief Operating Officer, in consultation with the Director of Law and Governance and the Cabinet Members for Finance, Growth and Investment and Economic and Social Development, to enter into all necessary agreements to
complete the freehold purchase of the Transport House site, as identified in Appendix 1 to the report, on the terms set out in the report and Appendix 3 to the report; and

(ii) Delegate authority to the Investment Panel, following consultation with the Cabinet Members for Finance, Growth and Investment and Economic and Social Development, to approve the future disposal of the site in line with the Council's Investment Strategy objectives.

**Reason(s)**

The purchase of the site would support the priorities of “Growing the borough” and “Encouraging civic pride” as the redevelopment of this area is long overdue and would deliver homes, employment space and community facilities and transform the area’s appearance.

1. **Introduction and Background**

1.1 Transport House, 46-48 New Road, Dagenham, RM9 6YS is a four-storey office block built in the 1970s which is the only remaining element of a terrace of properties that stretched from Chequers Corner to Kent Avenue on New Road. The building is 13,927 sq ft on a 0.124 hectare (0.307 acre) site as shown in appendix 1. The building consists of a reinforced concrete frame with cavity brick infilling and flat roof. There are approximately 15 parking spaces. The site is owned and occupied by Unite the Union who are exploring alternative premises in Dagenham that better serve their needs and therefore wish to sell the site.

2. **Proposal and Issues**

2.1 The Council has been given the opportunity to purchase the site. Be First commissioned an independent valuation by Glenny and subsequently negotiated a price with Unite. The valuation figure and agreed price are set out in Private and Confidential appendix 3.

2.2 To facilitate the smooth relocation of the existing occupiers (and reduce holding costs for the Council) a sale and leaseback arrangement until Unite’s alternative premises are available – this would be for no more than a few months. Once Unite had left the building it would be demolished to remove holding costs such as business rates and to encourage redevelopment.

2.3 Appendix 2 shows the site location within its broader regeneration context which provides the rationale for purchase. The former Ford Stamping Plant is one of the Borough’s largest developments sites - demolition is under way and discussions are taking place with the owners regarding a development of over 2,500 homes with associated facilities and an East London Heritage museum. To the east of Transport House lies the former Dagenham Motors site which is now owned by the Greater London Authority. Education Services have been working with the GLA to sell this site to the Education, Skills Funding Agency (ESFA) for the SEMH school (Special). These negotiations are now underway however part of the deal will include a mixed-use development. The Transport House site will most certainly
provide better options if the two are considered in parallel in terms of access and a more cohesive design overall.

2.4 Having ownership of the Transport House site will enable the Council/Be First to have a significantly greater opportunity to unlock the area’s potential and ensure a comprehensive scheme which fully addresses the New Road frontage and makes a financial return - both in terms of future land disposal (contributing towards £10m MTFS contribution) but more significantly in terms of unlocking greater growth potential. Whilst only a small site, as shown in Appendix 2 it has strategic importance.

3. Options Appraisal

3.1 In relation to the recommendation to purchase the site there are only two options – to purchase or not. Not purchasing the site would lose the opportunity to have a land stake in the area and potentially result in the site not forming part of the wider regeneration plans. There are various options for how the site is used moving forward but these would be subject to negotiation with adjacent landowners and other parties.

4. Consultation

4.1 Given the need to move quickly, there has been limited consultation outside of the Council. Consultation would take place with a wide range of stakeholders as development proposals move forward.

4.2 The matter was discussed at the Property Advisory Group and the proposals in this report have been endorsed by the Be First Board and the Council’s Investment Panel.

5. Financial Implications

5.1 The financial information is set out at Appendix 3, which is in the exempt section of the agenda as it contains the commercially confidential terms of the proposed purchase of the site (relevant legislation - paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended)) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

6. Legal Implications

6.1 The Council intends to acquire the freehold interest in the Transport House, 46-52 New Road, Dagenham. In accordance with section 120 Local Government Act 1972, a principal council may acquire by agreement any land, whether situated inside or outside their area for the purpose of any of their functions under this or any other enactment for the benefit, improvement or development of their area. A principal council may acquire by agreement any land for any purpose for which they are authorised by this or any other enactment to acquire land notwithstanding that the land is not immediately required for that purpose and, until it is required for the purpose for which it was acquired, any land acquired may be used for the purpose
of any of the council’s functions. The general power of competence under section 1 of the Localism Act 2011 provides the Council with the power to do anything that individuals generally may do.

6.2 Section 111 of the Local Government Act 1972 enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to the discharge or any of its functions, whether or not involving expenditure, borrowing, or lending money, or the acquisition or disposal of any rights or property.

6.3 The Council’s Constitution, Part 4, Chapter 4 sets out the Land Acquisition and Disposal Rules. In accordance with paragraph 2.1, all strategic decisions about the use, acquisition and disposal of land and property assets is within the remit of the Cabinet. Formulation of strategic decisions is overseen by the Property Advisory Group (PAG) and the Cabinet.

7. Other Implications

7.1 Risk Management - The critical risk of the right purchase price has been mitigated by commissioning an independent valuation and securing a purchase price within this. Detailed structural and other surveys are not proposed given the redevelopment proposals.

7.2 Contractual Issues – These are addressed in the Legal Implications section.

7.3 Staffing Issues – Site purchase and redevelopment proposals are within Be First’s remit.

7.4 Corporate Policy and Customer Impact - No issues relating to the specific recommendations.

7.5 Safeguarding Children – No issues relating to the specific recommendations. Future development proposals would address safeguarding through the planning process.

7.6 Health Issues - No issues relating to the specific recommendations. Future development proposals would address health issues through the planning process.

7.7 Crime and Disorder Issues - No issues relating to the specific recommendations. Future development proposals would address health issues through the planning process.

7.8 Property / Asset Issues – The purchase would form part of the Council’s Asset register but with a view to medium-term redevelopment rather than holding as an office block.

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

List of appendices:
- Appendix 1: Red line plan of site
- Appendix 2: Aerial plan giving wider regeneration context
- Appendix 3: Financial Issues (exempt information)
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Appendix 2

- **Transport House**
- **Former Stamping Plant**
- **Beam Park**
- **Former Dagenham Job Centre**
- **GLA Land (Former Dagenham Motors)**
- **Premier Inn/Chequers PH**
By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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