CABINET

18 June 2024

Title: Provisional Outturn Report for the Financial Year 2023/24	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
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Accountable Executive Team Director: Jo Moore, Strategic Director, Resources (S151 Officer)	

Summary

This report sets out the Council's provisional financial outturn for 2023/24, year ended 31st March 2024. The position is provisional until the external auditors (Grant Thorntons) have concluded their audit and presented their findings to the Audit and Standards Committee and confirmed that there are no material errors or omissions that have been identified from their audit. Members will be aware that the Council has not been subject to a full external audit since 2018/19.

The Council's **General Fund** final revised budget for 2023/24 was £194.460m. The final revenue expenditure outturn is £199.568m after a net transfer from reserves, resulting in **an overspend of £2.626m.** This is an improvement of £3.390m compared with the last reported variance (£6.016m at period 10). The key movements from period 10 are set out in Section 2.

The General Fund revenue overspend will be funded from the Council's General Fund reserve. The opening balance on this reserve was £17.030m and therefore the closing balance at 31 March 2024 will be £14.404m which is above the minimum balance to be maintained, within the approved Reserves Policy (£12m).

The provisional **Housing Revenue Account (HRA)** outturn is a **£6.060m overspend**. This is an adverse movement of £0.664m from that reported at period 10. The HRA is a ring-fenced account, and the in-year deficit will be managed though a reduced revenue contribution to the planned HRA capital reserve transfer within the base budget.

The provisional **Dedicated Schools Grant (DSG)** outturn is an **£2.118m overspend**. DSG is a ringfenced grant and overspends have no impact on the council's general fund. Any overspend will be funded from DSG Reserve. Where there is no DSG Reserve, the deficit must be carried forward to the new financial year and netted off against DSG budget in the new year. The opening balance on our DSG reserve was £10.073m and therefore the closing balance will be £7.955m.

The revised approved **Capital Programme** budget for 2023/24 was £340.387m and the final outturn is £334.982m. The underspend of **£5.405m** is a mixture of in-year underspends and accelerated expenditure, predominantly in the IAS. The slippage will be carried forward and added to next year's capital programme. The in-year underspend has resulted in delayed borrowing and reduced MRP charges on the General Fund and the accelerated expenditure has resulted in accelerated borrowing against the IAS.

Since the budget was approved in March 2023 the Council has faced significant increases in costs as a result of inflation and increased demand including the cost of the Local Government pay award, higher energy costs, as well as increasing demand and costs for social care services.

Recommendation(s)

Cabinet is recommended to:

(i) Note that the General Fund provisional outturn position for 2023/24 was £199.568m which, after a net transfer from reserves, represented an overspend of £2.626m against the revised budget of £194.460m, as detailed in section 2 of the report;

(ii) Agree the transfer of £2.626m from the General Reserve to achieve a balanced outturn position for 2023/24;

(iii) Note the Housing Revenue Account (HRA) provisional outturn position for 2023/24 was an overspend of £6.060m which would be met from a reduced contribution to the HRA Capital Reserve, as detailed in section 4 of the report;

(iv) Note that the Dedicated Schools Grant (DSG) provisional outturn position for 2023/24 was an overspend of £2.118m which would be met from the DSG Reserve, as detailed in section 5 of the report;

(v) Note the performance of the Investment Acquisition Strategy (IAS) as set out in section 9 of the report;

(vi) Note that the Capital Programme provisional outturn position for 2023/24 showed an underspend of £5.405m against a revised budget of £340.387m;

(vii) Approve the carry forwards totalling £3.2m to the Capital Programme 2024/25, as detailed in section 11 and Appendices B and C to the report; increasing the capital budget for 2024/25 from £252.1m to £255.3m; and

(viii) Note the update on the progress on the year-end accounts and the work still outstanding, as set out in section 12 of the report.

Reason(s)

The Council is required by law to set and deliver a balanced budget for each financial year. Cabinet should also be informed about the Council's financial risks, spending performance and budgetary position. This will assist in holding officers to account and inform further financial decisions and support the objective of achieving Value-for-Money.

1. Introduction and Background

1.1 In March 2023, the Assembly approved a General Fund net revenue budget of £199.002m, a capital budget of £388.126m and a HRA budget of £25.891m. It is common practice for approved budgets to be amended during the financial year to take account of changes to transfers to and from reserves, additional grant or other funding being made available or budget virements. However, any changes should ordinarily be within the approved net revenue budget envelope.

1.2 However, for 2023/24 the final net revenue budget for the year was £194.460m a reduction of £4.542. This is purely a presentational change to correct an error in the approved budget. The capitalised interest income budget was incorrectly classified as core funding rather than service income as reported at Period 9.

1.3 Approved budgets also contain assumptions around costs, levels of income and demand for services. The 2023/24 financial year has been a difficult one both for the local authority sector as a whole and specifically for Barking & Dagenham. We have experienced a high level of inflation on costs and significant increases in demand for social care services which led to the overspend in this area of £13.814m.

1.4 Significant underspends across other service areas led to an overall £6.828m overspend at the Directorate level. Corporate budgets which contain those budgets such as interest payable and receivable and those budgets not in direct control of services delivered an underspend of £1.709m.

1.5 The Investment & Acquisition Strategy saw a deterioration in financial performance, details of which are set out below, but a final distribution from Muller Ltd led to an overall break-even position from the IAS. The residual overspend was further reduced by additional core funding of £2.482m.

2. Overall Financial Position

2.1 The General Fund expenditure is **£199.568m** after planned transfers to and from reserves. In addition, there is an overachievement in income of **£2.482m**, after a net transfer from reserve, giving a final variance of **£2.626m**. The table below summarises the overall financial position for the Council followed by an explanation highlighting the key movements from period 10.

Table 1: Overall Financial Position by Directorate

	Revised Budget £'000	YTD Actuals £'000	Net Movement in Reserves £'000	Outturn £'000	Variances Inc Reserves £'000	Period 10 Variance £'000	Movement from Period 10 £'000
PEOPLE & RESILIENCE	145,967	163,105	(3,324)	159,781	13,814	13,252	562
LAW AND GOVERNANCE	1,807	1,757	(30)	1,727	(80)	(149)	69
STRATEGY	6,447	6,436	(448)	5,988	(459)	(1,333)	874
INCLUSIVE GROWTH	3,652	3,789	(532)	3,257	(395)	(127)	(268)
COMMUNITY SOLUTIONS	20,299	16,982	(718)	16,264	(4,035)	(2,726)	(1,309)
MY PLACE	27,903	26,278	(896)	25,382	(2,521)	(2,688)	167
CORPORATE MANAGEMENT	6,414	6,980	(62)	6,918	504	225	279
SUB-TOTAL DIRECTORATES	**212,489**	**225,327**	**(6,010)**	**219,317**	**6,828**	**6,454**	**374**
CENTRAL EXPENSES	(8,287)	(9,925)	497	(9,428)	(1,141)	109	(1,250)
INTEREST PAYABLE	7,678	2,296		2,296	(5,382)	(2,800)	(2,582)
INTEREST RECEIVED	(6,503)	(4,888)		(4,888)	1,615	2,462	(847)
PROVISION ON LOAN INTEREST		3,430		3,430	3,430		3,430
MRP	9,700	9,470		9,470	(230)		(230)
DEPRECIATION & IMPAIRMENT	(34,970)	(34,970)		(34,970)			
LEVIES PAID	15,446	13,993	1,452	15,445	(1)		(1)
SUB-TOTAL CORPORATE EXPENSES	***(16,936)***	***(20,594)***	***1,949***	***(18,645)***	***(1,709)***	***(229)***	***(1,480)***
GENERAL FUND I&E (EXC. IAS)	195,553	204,733	(4,061)	200,672	5,119	6,225	(1,106)
TOTAL COMMERCIAL NET (RETURN)/LOSS	(1,143)	(1,417)		(1,417)	(274)	4,302	(4,576)
TOTAL RESIDENTIAL NET (RETURN)/LOSS	80	3,652		3,652	3,572	(4,511)	8,083
IAS OTHER		(1,339)		(1,339)	(1,339)		(1,339)
MULLER - FINAL DISTRIBUTION*		(3,500)	1,500	(2,000)	(2,000)		(2,000)
OTHER COSTS	(30)				30		30
SUB-TOTAL IAS	***(1,093)***	***(2,604)***	***1,500***	***(1,104)***	***(11)***	***(209)***	***198***
GENERAL FUND I&E	194,460	202,129	(2,561)	199,568	5,108	6,016	(908)
GENERAL FUND FUNDING	(194,460)	(190,940)	(6,002)	(196,942)	(2,482)		
NET GF BALANCE	0	11,189	(8,563)	2,626	2,626		

Directorate key movements from Period 10

- **People & Resilience:** £0.562m negative movement from Period 10. The increase is primarily due to adult social care debts being written off, that were not fully provided for. However, the bad debt provision has also been recalculated as part of the closing process, which should ensure that this situation does not arise going forward.

- **Strategy:** £0.874m adverse movement from Period 10. The increase relates to a £1m Legal provision for a contract dispute.

- **Community Solutions:** (£1.309m) positive movement from Period 10. The positive movement is due to delays in building refurb works £300k, additional discretionary funding £290k, additional HRA income £160k, release of BDP £206k, reduction in postage costs £100k and client allowances £242k.

- **Central Expenses:** (£1.480m) positive movement from Period 10. The positive movement relates to a reduction in bad debt provision required against budget and an underspend against the MRP budget.

- **Investment Acquisition Strategy (IAS):** £2.198m adverse movement from Period 10. Overall, there was a c£2m deficit against budget on the IAS Residential and Commercial which is predominantly attributable to the Residential portfolio. The key drivers are higher borrowing costs and issues with the handover and letting processes. Table 2 below lists the additional pressures.

Table 2: Additional pressures on IAS

Main drivers behind change in forecast		
Additional pressure	**£'000**	**Comments**
Reside Surplus Rent	1,083	Overall return from Reside has decreased due to delays in letting properties & Letting costs
Reside Ltd	830	Increased charge not forecasted as part of MyPlace
Energy Costs	498	Energy costs charged to IAS as can't be picked up by MyPlace or Reside
	2,411	

There is an exceptional item, which is the final distribution from the sale and winding up of Be First Developments (Muller) Ltd of £3.5m. From the final distribution £2m will be utilised to offset the IAS overspend and the remaining £1.5m will be transferred to reserve to mitigate future investment risk.

3. Delivery of 2023/24 Savings

3.1 The MTFS savings target for 2023/24 was £7.049m and the table below sets out the split of those savings across the Council.

Table 3: Savings by Directorate

Service Area	GREEN	RED	Grand Total
	£'000	£'000	£'000
Care and Support	(737)		(737)
Community Solutions	(1,472)		(1,472)
EYCC	(35)		(35)
Finance & IT	(735)		(735)
HR		(577)	(577)
Inclusive Growth	(370)	(500)	(870)
Law & Governance	(2,300)		(2,300)
My Place	(153)	(155)	(308)
P&P	(15)		(15)
Grand Total	(5,817)	(1,232)	(7,049)

- £1.232m (17%) are rated **red**, not being achieved; (HR £0.577m, Parks income £0.5m, My Place £0.15m)
- £5.817m (83%) are rated **green**, fully achieved or an alternative savings have been found.

3.2 Red savings are reflected in the service outturn and contribute towards the overspends. The table below is a list of the unachieved savings in 2023/24.

Table 4: Unachieved Savings

Service Area	Savings Proposal	2023/24 Target £'000
Inclusive Growth	Parks Commissioning - Soil Importation	(500)
HR	Restructure	(577)
My Place	No longer have a dedicated Graffiti team	(75)
My Place	Reduce the opening days and times of the Town Hall and other buildings	(50)
My Place	Increase the commercial income	(30)
		(1,232)

3.3 Unachieved savings in the current financial year increases the risk to the medium-term financial strategy. The HR savings of £0.577m and Parks income of £0.5m have been addressed as part of the 2024/25 MTFS process. The My Place savings of £0.155m will be fully achieved in 2024/25.

4. Housing Revenue Account (HRA)

4.1 In addition there is an overspend of **£6.060m** against the HRA approved budget of £25.891m. This is an adverse movement of £0.664m then that reported at Period 10.

Table 5: HRA Financial Position

P10 VARIANC	2023/24 FORECAST OUTTURN REPORT LEVEL	BUDGET	OUTTURN	VARIANCE	CHANGE
		£'000	£'000	£'000	£'000
570	SUPERVISION & MANAGEMENT	48,394	49,264	870	300
7,219	REPAIRS & MAINTENANCE	24,473	31,994	7,521	302
1,444	RENTS, RATES ETC	1,587	3,002	1,415	(29)
(290)	INTEREST PAYABLE	11,299	11,033	(266)	24
2,226	DISREPAIR PROVISION		3,170	3,170	944
(1,309)	BAD DEBT PROVISION (BDP)	3,309	1,623	(1,686)	(377)
(252)	CDC RECHARGE	1,102	781	(321)	(69)
9,608	**TOTAL EXPENDITURE**	**90,164**	**100,867**	**10,703**	**1,095**
(670)	DWELLING RENTS	(90,432)	(91,435)	(1,003)	(333)
14	NON-DWELLING RENTS	(765)	(753)	12	(2)
1,439	CHARGES FOR SERVICES & FACILITIES	(26,158)	(24,383)	1,775	336
(183)	INTEREST & INVESTMENT INCOME	(400)	(879)	(479)	(296)
600	**TOTAL INCOME**	**(117,755)**	**(117,450)**	**305**	**(295)**
10,208	**NET TOTAL BEFORE CAPITAL**	**(27,591)**	**(16,583)**	**11,008**	**800**
1,555	DEPRECIATION	19,210	20,765	1,555	
(6,681)	TRANSFER TO MAJOR REPAIR RESERVE (MRR)	6,681		(6,681)	
(5,126)	**CAPITAL PROGRAMME FUNDING**	**25,891**	**20,765**	**(5,126)**	
5,082	**NET TOTAL AFTER CAPITAL**	**(1,700)**	**4,182**	**5,882**	**800**
314	TRANSFER TO HRA LEASEHOLDER RESERVE	1,700	1,878	178	(136)
5,396	**TRANSFER FROM/(TO) HRA RESERVE**		**6,060**	**6,060**	**664**

4.2 The key changes include the increase in disrepair provision by £944k at outturn. This is to restore the provision cover for 2024/25 to the same 375 cases experienced in 2023/24. This increase is partly offset by reductions in bad debt provision and higher rents achieved due to lower RTB sale in the year than projected.

4.3 The overall £6.660m HRA outturn overspend is mainly driven by the BDMS management fee paid in 2023/24, which was agreed after the budget had been set. The budget for 2024/25 has been aligned to the new BDMS fee agreed.

4.4 The budget overspend will be funded by reversing the planned transfer of £6.7m into reserves to fund HRA capital expenditure. The 23/24 HRA stock investment programme was reduced in-year to allow for the reduced contribution to capital. HRA capital spend of £18m in 23/24 was all financed from depreciation and the brought forward balance on the major repairs reserve. There is no additional borrowing associated with this proposal. Details of reserve level are provided in Section 8 and a breakdown of reserves are given in Appendix A.

5. Dedicated Schools Grant

5.1 The Dedicated Schools Grant (DSG) funding for 2023/24, after DfE deductions for academy recoupments, high needs commissioned places & schools NNDR was £264.128m. Actual expenditure is £266.246m, resulting in an overspend of **£2.118m**, which is due to pressures within the High Needs Block.

Table 6: DSG Financial Position

Dedicated schools Grant (DSG Budget)	2023/24 Funding £'000	2023/24 Outturn £'000	(Surplus) Deficit £'000
Schools Block (ISB)	188,955	187,772	(1,183)
Central Services Block	2,162	2,162	
High Needs Block	49,837	53,169	3,332
Early Years Block	23,174	23,143	(31)
	264,128	**266,246**	**2,118**
DSG reserves B/f			(10,073)
Revised DSG Reserve C/F			**(7,955)**
Revised DSG Carried forward			**(7,955)**

5.2 Exceptional one-off payment of circa £1.6m was paid to support schools to manage the increasing cost of dealing with complex cases of pupils with special education needs.

5.3 Other pressures from increased applications from headteachers for panel top-ups payments and increased cost of referring pupils to out of borough placements have contributed to the High needs overspend.

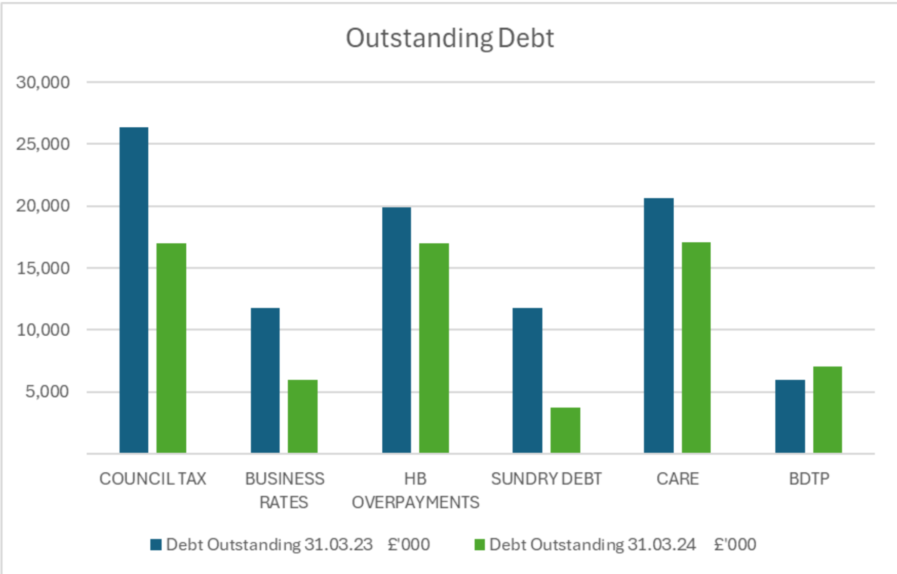
5.4 Early years block ended the year with a net underspend of £31k, which is made up of an underspend of £379k for 2yr olds and overspend of £348k for 3&4yr old funding.

5.5 The DSG overspend will be funded from the DSG reserve. The opening balance on this reserve is £10.073m and therefore the closing balance at 31 March 2024 will be £7.955m.

6. Bad Debt

6.1 During 2023/24 the Debt Steering Group was established to monitor performance against debt collection. As per Graph 1 below, outstanding debt across most revenue streams has reduced compared to the same period last year.

Graph 1: Outstanding Debt



6.2 Whilst 2023/24 has been a difficult year due to the on-going cost of living crisis, the balance of debt outstanding on 31st March 2024 is £62.810m across the different revenue streams, which is a reduction of £28.529m compared to the debt outstanding on 31st March 2023.

6.3 During 2023/24 uncollectable debts totalling £15.836m were written off across the different revenue streams. This means the provision set aside against these debts has been applied.

6.4 The bad debt provision on 31st March 2024 is £56.603m, this is an overall reduction of £7.399m from the bad debt provision on 31st March 2023. The reduction in bad debt provision is a net movement of £15.836m bad debt write-off and increase in provision of £8.437m.

6.5 The key increases in bad debt provision are listed below:

- £4.613m relates to the Collection Fund and there is no impact on the General Fund.
- £2.517m relates to care provision and is included with the outturn figure for People & Resilience.
- £1.149m relates to HB overpayments and is included within the central expenses outturn

6.6 The table below provides a summary of the debt and bad debt provision position at 31st March 2024.

Table 7: Debt & BDP

Revenue Stream	Debt Outstanding 31.03.23 £'000	BDP 31.03.23 £'000	New Charges & Fees £'000	Cost & Debt Written Off £'000	Debt paid in 23-24 £'000	Debt Outstanding 31.03.24 £'000	BDP 31.03.24 £'000
COUNCIL TAX	26,363	13,015	341	(6,057)	(3,653)	16,994	10,751
BUSINESS RATES	11,780	9,127	2,205	(4,262)	(3,785)	5,938	5,685
COSTS (CTAX & BUS RATES)		2,060					2,024
HB OVERPAYMENTS	19,926	17,491	3,864	(2,538)	(4,262)	16,990	16,103
SUNDRY DEBT	11,735	2,844	7,296	(215)	(15,069)	3,747	2,515
CARE	20,608	13,538	4,407	(2,764)	(5,161)	17,090	13,291
BDTP	927	5,927	1,161		(37)	2,051	6,234
TOTAL	91,339	64,002	19,274	(15,836)	(31,967)	62,810	56,603

7. Subsidiary Returns

7.1 The 2023/24 final net revenue budget of £194.460m includes a target dividend return of £10.390m within core funding from Be First.

7.2 In 2023/24 £1m dividend was declared and paid. In line with previous practice, the New Homes Bonus of £1.9m has been allocated as a soft credit against the Be First dividend due to the part they play in increasing housing supply within the borough. The balance of £7.490m will be transferred from the Muller reserve, which has an opening balance of £12m. From the final Muller distribution in 2023/24 £1.5m will be transferred to reserve to mitigate future investment risk. Therefore, the closing balance on this reserve will be £6.010m.

8. Use of Reserves

8.1 The Council does not normally allow services to carry forward revenue underspends. However, the reserves may be used to move monies between financial years in order to deliver specific projects and objectives. This applies to both external grant funding and monies given by the Council itself for specific projects.

8.2 In addition, the Council has had to use reserves to cover the level of financial pressure that has been experienced. This includes a budgeted drawdown of £13.510m from the Budget Support Reserve in 2023/24. It should be noted that there is also a budgeted drawdown of £8.810m from the Budget Support Reserve for 2024/25. The table below provides a summary position of reserves.

Table 8: Reserve Summary

	Opening Balance £'m	In Year Movement/ Budgeted £'m	In Year Inter Reserve Transactions 23-24 £'m	Transfer FROM Reserve 23-24 £'m	Transfer TO Reserve 23-24 £'m	BeFirst Dividend Reserve Drawdown £'m	Closing Balance After Reserve Adj's £'m	Budgetted Drawdown 24-25 £'m
General Reserves	(17.03)	0.00	0.00	0.00	0.00	0.00	(17.03)	
Budget Support Reserve	(16.84)	14.04	(10.60)	0.00	(2.00)	0.00	(15.40)	8.81
Sub total	**(33.87)**	**14.04**	**(10.60)**	**0.00**	**(2.00)**	**0.00**	**(32.43)**	**8.81**
Ring-fenced Reserves	(27.98)	(0.84)	1.53	5.46	(3.71)	0.00	(25.54)	
PFI Reserves	(14.28)	0.00	0.00	0.24	0.00	0.00	(14.04)	
Levy Funding Reserve	(6.11)	0.00	0.00	0.00	(1.45)	0.00	(7.56)	
Sub total	**(48.37)**	**(0.84)**	**1.53**	**5.70**	**(5.16)**	**0.00**	**(47.14)**	**0.00**
Non Ring-Fenced Reserves	**(21.18)**	**1.31**	**5.87**	**3.30**	**(7.56)**	**0.00**	**(18.26)**	**0.00**
IAS & Hotel Reserves	**(42.95)**	**0.00**	**3.00**	**0.00**	**(1.50)**	**7.49**	**(33.96)**	**0.00**
HRA Reserves	**(32.75)**	**(4.66)**	**0.00**	**0.00**	**0.00**	**0.00**	**(37.41)**	
Schools Reserves	**(24.67)**	**(0.28)**	**0.20**	**3.75**	**(0.47)**	**0.00**	**(21.47)**	
Capital Reserves	**(81.58)**	**(24.65)**	**0.00**	**0.00**	**0.00**	**0.00**	**(106.23)**	
Total Reserves	**(285.37)**	**(15.08)**	**0.00**	**12.75**	**(16.69)**	**7.49**	**(296.90)**	**8.81**

8.3 The key reserve movements are as follows;

- Transfer from ring-fenced reserves of £5.46m to finance grant related expenditure and ring-fenced account expenditures.
- Transfer from non ring-fenced reserves of £3.301m to finance capital expenditure from revenue for keep the lights on project and laptop replacement, the cost-of-living project and the release of historic reserves.
- Transfer from the Muller Reserve £7.490m to finance the Be First Dividend.
- Transfer to Muller Reserve £1.500m from the final Muller distribution, to mitigate future investment risk
- Transfer £2.000m to Budget Support Reserve to support 2024/25 MTFS savings.
- Release of £1.783m decontamination provision to reserve to support future decontamination costs.
- Transfer £5.229m additional Section 31 grant, reversal of BRS creditor and Levy surplus grant to the Collection Fund reserve.

8.4 A full list of reserve movements are given in Appendix A.

9. Investment and Acquisition Strategy

9.1 The Council has an Investment and Acquisition Strategy (IAS) with the primary purpose of supporting the regeneration of the borough. The IAS was approved to be self-financing and potentially generate a 5% target return.

9.2 The final budget for the IAS is (£1.1m) – this differs from the budget reported earlier in the year of (£4.1m). This is due to an internal budget virement of £3m for pre-IAS schemes from the Central expenses to the IAS. This is purely a presentational change.

9.3 The IAS is split into three parts:

- Residential – which includes the cost and income from IAS schemes that are both under construction and those that have completed and are operational;
- Commercial – which includes commercial properties that are part of the residential developments, commercial properties that are purchased as part of land assembly and commercial properties that are held for longer term redevelopment; and
- Other IAS schemes, including lease and lease back hotel deals, surpluses from Abbey Road and Muller.

9.4 There are three ways the IAS delivers returns: interest receivable being higher than interest chargeable; surplus or deficit on assets owned directly by the Council e.g. commercial and PRS and then overall scheme returns distributed at year end by Reside. Below is a summary of how each of these performed against budget:

9.5 The IAS net interest budget was £2.5m and the net interest chargeable was £11.2m resulting in an overspend of £8.7m.

9.6 Distributions from Reside totalled (£2.733m) against a budget of (£2.810m), a deficit of £0.077m against budget.

9.7 Overall, the IAS actuals, including the one-off Muller return, is (£2.604m) against a budget of (£1.093m), a surplus of (£1.511m). The £1.500m will be transferred to the IAS reserve. Excluding the on-off Muller return, the IAS has a £2m deficit against budget and the key drivers are higher borrowing costs and under performance of assets. There has also been additional pressures from the residential portfolio, which were not anticipated at period 10.

9.8 **IAS Commercial (including Muller)**

9.8.1 The IAS Commercial net operating return was (£7.127m). However, the council incurred direct costs of £1.804m and bad debts of £0.289m, MRP charges of £1.224m and net borrowing cost of £2.393m. This has resulted in a net return of (£1.417m), against a budget of (£1.143m), resulting in a surplus of (£0.274m).

9.8.2 An exceptional one-off item from the sale and winding up of Muller Ltd has provided a final distribution of £4.839m, which includes interest income of £1.339m. From the final distribution, £2.00m is being used to offset the IAS overspend and the remaining £1.500m will be transferred to the IAS reserves to mitigate future investment risk. A detailed breakdown is provided in Table 9 below:

Table 9: IAS Commercial Outturn 2023/24

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

9.8.3 The Commercial portfolio largely comprises assets required for regeneration purposes, except for Industria and 12 Thames Road. Given that these assets will be disposed of into a regeneration scheme, the borrowing strategy has been to fund those assets with short-term borrowing at variable interest rates. In 2023/24, the Council has been impacted by higher short-term interest costs and slow lettings at Industria, costs from lettings and higher operational costs for Industria have impacted the overall net return.

9.8.4 The impact of capitalising part of the short-term borrowing pressure has been allocated to commercial. Capitalised interest is calculated using the weighted average cost of borrowing for the Council, which includes both short-term and long-term borrowing. This has resulted in a surplus within Commercial, but this is predominantly due to reduced interest costs added to residential scheme costs.

9.8.5 Thames Road continues to underperform, as do the other redevelopment purchases. The hold schemes, including Welbeck, Restore and the Travelodge have provided a positive return. MRP is charged against all commercial schemes, and this does reduce the overall borrowing costs.

9.8.6 Excluding the Muller dividend, the commercial portfolio has made a surplus of £0.274m.

9.9 IAS Residential

9.9.1 The IAS Residential portfolio delivered a net operating loss of £0.077m, this is further exacerbated due to the significant direct costs of £3.724m, interest charges of £17.903m, which were reduced by (£10,787m) as a result of capitalising interest against schemes that were under construction. MRP of £0.429m was also charged. The interest income from Reside is (£4.884m), resulting in the IAS Residential providing a net operating loss of £3.572m.

9.9.2 Of the schemes completed and in loan/lease agreements to Reside, the costs of borrowing is £9.134m compared to the interest receivable from Reside of (£4,884m) and capitalised interest of (£2.018m), resulting in a net interest cost of £2.232m.

9.9.3 The borrowing costs for assets that are still under construction is £8.769m, with the interest all capitalised against the schemes.

9.9.4 A detailed breakdown is provided in Table 10 below:

Table 10: IAS Residential Outturn 2023/24

IAS Residential Outturn 2023/24											
Spend Type	Loan / Net Spend £'000	Reside Rental Surplus £'000	Costs £'000	Net Operating Income £'000	Total Interest Costs £'000	Capitalised Interest Average. Rate: 2.67% £'000	Net Interest Costs £'000	Interest Income £'000	Interest Margin £'000	MRP £'000	Total £'000
Affordable Rent - Reside Weavers	152,269	(1,465)	5	(1,460)	3,213	(565)	2,648	(3,658)	(1,010)		(2,470)
Social Rents - BD Homes	75,767		294	294	1,740	(523)	1,217	(1,089)	128	96	518
Private Rents & SO - Reside Regen	174,566	(762)	477	(285)	3,732	(930)	2,802	(124)	2,678	71	2,464
Reside Limited			1,618	1,618							1,618
Abbey Road	22,374	(506)	221	(285)	443		443		443	248	406
Other Residential Costs	317		1,109	1,109	6		6	(13)	(7)		1,102
Total Completed Schemes	425,293	(2,733)	3,724	991	9,134	(2,018)	7,116	(4,884)	2,232	415	3,638
Assets Under Construction	473,719				8,769	(8,769)				14	14
Total Residential Return	899,012	(2,733)	3,724	991	17,903	(10,787)	7,116	(4,884)	2,232	429	3,652

9.9.5 Reside Ltd (Atlantic Income Strip) was a major contributor towards the overall loss as £1.62m of costs were charged to the IAS to cover costs to administration, energy and security costs.

9.9.6 Borrowing costs for the IAS have increased as schemes that pr-date the IAS have been added into the overall interest costs (moved from the central expenses) as they are held and managed by Reside (includes Abbey Road, Weavers and Dagenham Road).

9.9.7 Reside surpluses have reduced by £1.36m compared to P10 due to higher costs in MyPlace and an increase in bad debts for rents.

9.9.8 MRP charges for pre-IAS Residential schemes were also included as part of the General Fund MRP costs and these, along with several changes in the commercial MRP charge, has been reflected as an IAS cost in the outturn report. These changes are shown in the table above.

9.10 Private Rents and Shared Ownership Costs

9.10.1 Interest costs for Private Rents (PRS) and Shared Ownership (SO) is charged internally as the assets remain with the Council and is recovered through surplus from Reside. PRS and SO have a high level of borrowing costs as they have little to no grant. They have been the hardest to let and a number have been left vacant for long periods of time, which has resulted in high interest costs and security costs and energy costs.

9.10.2 For PRS schemes, £0.407m direct costs were incurred by the IAS for energy costs and security, with interest costs of £1.795m. For SO schemes costs totalled £70k and interest costs of £0.881m. MRP charges for 2023/24 for PRS and SO schemes totalled £71k. Reside have forecast a surplus to the Council of £0.762m. Overall PRS and SO cost the IAS £2.464m due to delays in letting.

9.10.3 Schemes are now being let and Ewars Marsh (shared ownership) completed in September 2023 but remains vacant due to changes implemented by the new Subsidy Control Act which means that head leases cannot currently be entered into. Mortgage companies will not advance mortgages without these in place.

9.10.4 Table 11 below shows the costs incurred and the total spend for the PRS and SO schemes. The surplus from Reside is included to show the net impact of the costs on the PRS and SO returns.

Table 11: Private Rents and Shared Ownership Costs2023/24

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

9.11 IAS Residential Costs Incurred

9.11.1 The main costs directly incurred by the Council for the IAS for schemes are summarised in table 12 Below.

Table 12: IAS Residential Costs Incurred 2023/24

Scheme / Cost Type	Amount £'000	Cost Type
Reside Limited	1,618	Maintenance costs
Reside Costs	587	Recharge
Council Recharges	201	Legal, finance and handover
Herring and Mather	171	PRS letting costs
Rainham Road	180	Writeoff of capital costs
Limbourne / Wivenhoe	102	Writeoff of capital costs
Ewars Marsh	49	Marketing costs
Abbey Road	221	Maintenance costs
Challingsworth	294	Energy
Gascoigne East E2	177	Energy
Gascoigne West 1 & 2	76	Energy
Gascoigne East 3J	5	Energy
Other	43	
Grand Total	**3,724**	

9.11.2 Three schemes have not progressed, and capital costs needed to be written off to revenue (Rainham Road, Limbourne and Wivenhoe Traditional).

9.11.3 Recharges cover costs for legal, finance and a handover officer.

9.11.4 Reside and Abbey Road costs incurred by MyPlace have been charged to the IAS, with Reside unable to pay these. Costs will likely increase year on year.

9.11.5 Energy costs totals £552k and were charged to the IAS as issues around charging the tenants has not been resolved. Work is being undertaken by officers to establish how much can be recharged to tenants. The charges were as a result of issues with both the Consumer Supplier Agreements and Resident Supplier Agreements being in place.

10. Treasury Management

10.1 The Treasury outturn is contained within the corporate expenses return and includes the interest received and paid that has not been allocated to the IAS.

10.2 For 2023/24 the net interest return before any provisions was (£2.736m) against a budget of £1.175m, a surplus of (£3.911m). This was largely driven by internal borrowing reducing the borrowing allocated to the General Fund non-IAS borrowing and by increased returns from interest received from the Council's loans to Reside.

10.3 The surplus of (£3.911m) was reduced as provisions of £3.430m was required for the loan to Barking and Dagenham Trading Partnership (BDTP) to purchase LEUK and the working capital loan to BDTP, covering the interest. The provisions set aside against BDTP for loans is provided in the table below. The provisions directly impact the Council's outturn and are a charge to its revenue. The total £15.554m does not include provisions for inter-company debtors, which currently totals £6.2m.

Table 13: Provision against Loans

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

10.4 Deducting the provisions, the overall General Fund treasury surplus return was (£0.481m).

11. Capital Programme

11.1 Outturn expenditure on the 2023/24 capital programme was £335.0m out of a total budget of £340.4m, resulting in a net underspend of £5.4m. A total of £3.2m of carry forward is proposed, which will increase the budget for 2024/25 from £252.1m to £255.3m.

11.2 The carry forward is a mixture of in year underspends and accelerated items (most accelerated projects are new schemes agreed within the Investment and Acquisition Strategy). These will impact the 2024/25 approved budget. Of the actual carry forward (£15.1m) net Acceleration was on the Investment Strategy, £16.8m of slippage on the General Fund and £1.6m slippage on the HRA.

11.3 Carry forward will be added to the existing 2024/25 capital programme and conversely schemes that were able 'accelerate' their spend, drawing on future year's approved resources will be deducted from 2024/25 capital programme. Both scenarios will be profiled as part of the capital first review.

11.4 The capital programme is financed from several sources, including grant, borrowing, CIL, s106 contributions and revenue contributions.

11.5 Appendix B to this report provides a more detailed capital programme outturn, and Appendix C provides a detailed breakdown of the capital programme carry forward.

12. Update on outstanding items and audit issues

12.1 The statutory date for publishing draft accounts for Local Authorities is 31st May. However, this is challenging due to the amount of work required to consolidate all the council's subsidiaries. The plan is for the council to publish before or by the 30th of June 2024.

12.2 The year end closure process is a complex one for LBBD as a result of the number of companies and subsidiaries that we have. The process is nearly finished but there are still some outstanding items including the following:

- Publication of the 2022/23 Statement of Accounts;
- Final preparation of the council's single entity accounts and consolidated accounts.

12.3 The council's new external auditors, Grant Thornton LLP, will start the audit of the 2023/24 Statement of Accounts in July 2024 and the council's officers are working to get the accounts are ready for the work to commence then.

12.4 In February 2024, DLUHC, NAO and FRC published consultations on the proposed guidelines for a backstop arrangement that will allow the accounts of 2020/21, 2021/22, and 2022/23 financial years to be signed. The result of the consultation and the final guidelines is yet to be published but this was planned to be completed by 30 September 2024. The council's outgoing external auditors, BDO LLP, have timetabled to complete the audit of the 2019/20 statement of accounts by the end of August 2024.

13. Financial Implications

Implications completed by: Nurul Alom, Head of Finance – MTFS & Budgetary Control

13.1 This is a financial report and therefore the implications are as set out in the main body of the report.

14. Legal Implications

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

14.1 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.

14.2 Nevertheless, the disruption of certain events e.g post Covid 19, Brexit, combined with the continuing hostilities between the Russian Federation and the Ukraine is causing scarcity and inflationary rising costs. Still, value for money and the legal duties to achieve best value still apply. There is also the issue of the Councils existing suppliers and service providers also facing issues of pressure on supply chains and staffing matters of availability. As a result, these pressures inevitably create extra costs which will have to be paid to ensure statutory services and care standards for the vulnerable are maintained. We must continue careful tracking of these costs and itemise and document the reasoning for procurement choices to facilitate grounds for seeking such additional support funds as the Authority may be able to access.

14.3 As stated in the body of the text, the local audit for the last four years has yet to be published. However, the local audit for 2023/24 is being carried out by another firm. The performance of Local Auditors carrying out the Audit matters as it is a vital component in providing and external perspective in the governance and assurance of a local authority.

Public Background Papers used in preparation of this report

- The Council's MTFS and budget setting report, Assembly 1 March 2023

https://modgov.lbbd.gov.uk/internet/documents/s159659/Budget%20Framework%202023-24%20Report.pdf

List of appendices:

- **Appendix A:** List of Reserve Transfers
- **Appendix B:** Capital Programme Outturn
- **Appendix C:** Capital Programme Carry Forward