Notice of Meeting of the

ASSEMBLY

to be held on Wednesday, 26 February 2020 commencing at 7:00 pm in the Council Chamber, Town Hall, Barking

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

Date of publication: 18 February 2020

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.

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AGENDA

1. Apologies for Absence

2. Declaration of Members' Interests

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

3. Minutes - To confirm as correct the minutes of the meeting held on 29 January 2020 (Pages 3 - 10)

4. Death of former Councillor Alan Stevens (Page 11)

5. Leader's Statement

The Leader will present his statement.

6. Appointments

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

7. Budget Framework 2020/21 and Medium-Term Financial Strategy 2020/21 - 2023/24 (Pages 13 - 57)

8. Treasury Management Strategy Statement 2020/21 (Pages 59 - 101)

9. Pay Policy Statement 2020/21 (Pages 103 - 112)

10. Questions with Notice

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

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

Private Business

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

13. Any confidential or exempt items which the Chair decides are urgent

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Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND

Our Priorities

A New Kind of Council

- Build a well-run organisation
- Ensure relentlessly reliable services
- Develop place-based partnerships

Empowering People

- Enable greater independence whilst protecting the most vulnerable
- Strengthen our services for all
- Intervene earlier

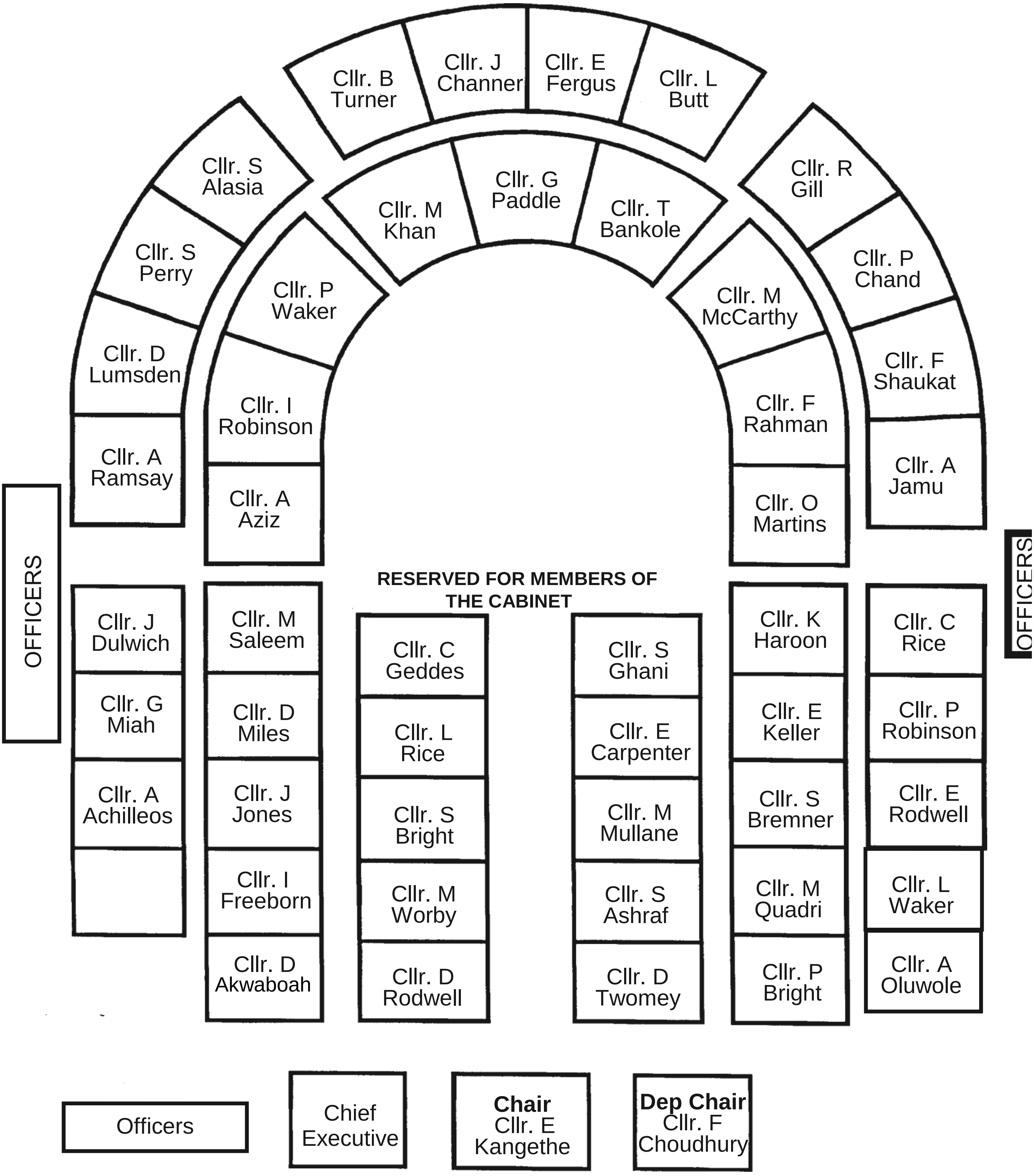
Inclusive Growth

- Develop our aspirational and affordable housing offer
- Shape great places and strong communities through regeneration
- Encourage enterprise and enable employment

Citizenship and Participation

- Harness culture and increase opportunity
- Encourage civic pride and social responsibility
- Strengthen partnerships, participation and a place-based approach

BARKING TOWN HALL
COUNCIL CHAMBER



SEATING PLAN FOR THE ASSEMBLY

May 2019

MINUTES OF ASSEMBLY

Wednesday, 29 January 2020
(7:00 - 9:00 pm)

PRESENT

Cllr Elizabeth Kangethe (Chair)
Cllr Faruk Choudhury (Deputy Chair)

Cllr Andrew Achilleos	Cllr Dorothy Akwaboah	Cllr Sanchia Alasia
Cllr Saima Ashraf	Cllr Abdul Aziz	Cllr Toni Bankole
Cllr Simon Bremner	Cllr Princess Bright	Cllr Laila M. Butt
Cllr Evelyn Carpenter	Cllr Josie Channer	Cllr John Dulwich
Cllr Edna Fergus	Cllr Irma Freeborn	Cllr Cameron Geddes
Cllr Syed Ghani	Cllr Rocky Gill	Cllr Kashif Haroon
Cllr Amardeep Singh Jamu	Cllr Jane Jones	Cllr Eileen Keller
Cllr Mohammed Khan	Cllr Donna Lumsden	Cllr Olawale Martins
Cllr Mick McCarthy	Cllr Giasuddin Miah	Cllr Dave Miles
Cllr Margaret Mullane	Cllr Adegboyega Oluwole	Cllr Glenda Paddle
Cllr Simon Perry	Cllr Foyzur Rahman	Cllr Tony Ramsay
Cllr Chris Rice	Cllr Lynda Rice	Cllr Ingrid Robinson
Cllr Paul Robinson	Cllr Darren Rodwell	Cllr Emily Rodwell
Cllr Muhammad Saleem	Cllr Faraaz Shaukat	Cllr Dominic Twomey
Cllr Lee Waker	Cllr Phil Waker	Cllr Maureen Worby

APOLOGIES FOR ABSENCE

Cllr Sade Bright	Cllr Peter Chand	Cllr Moin Quadri
Cllr Bill Turner		

40. Declaration of Members' Interests

There were no declarations of interest.

41. Minutes (20 November 2019)

The minutes of the meeting held on 20 November 2019 were confirmed as correct.

42. Leader's Statement

The Leader of the Council presented a verbal statement updating the Assembly on a range of matters since the last meeting as follows:

Reflection on the outcome of the General Election- Congratulated both Margaret Hodge and Jon Cruddas on their re-election as constituency MP’s for Barking and Dagenham and Rainham respectively.

Fair Funding Formula- what it could mean for us – Criticism of the Government’s plans to rebalance regional funding through its review of local government finances in what is known as the Fair Funding Review. An analysis by the LGA has shown that £320m a year could be diverted from some of the most deprived areas including Barking and Dagenham to Tory-controlled shire councils mainly in the South-East in 2021/22, which flies in the face of the Prime Minister's post election promise to level up poor areas. Reference was made to recent research about the amount of funding which would be lost to the regions as a consequence of leaving the EU and the significant financial gap this would leave for this Council to make up.

Despite this the Council was doing everything the public sector considered best practice as reflected in the many awards in recent years including Council of the Year.

Budget 2020/21 - Update on the public consultation exercise led by the Cabinet Member for Finance, Performance & Core Services.

Work of backbench Members – Paid complement to the work of backbench Members over the past year including the Chair of Overview & Scrutiny, the two appointed Member Champions for Quality in Care and Mental Health, as well as the members on the Policy Task Group.

Redevelopment of the Gascoigne Estate and Affordable Housing start-ups – Update on (i) the next phase of housing development at the western end of the estate where it is planned to build over the next two years more than 200 homes including 60% affordable rented properties, and (ii) confirmation from the GLA that working with the Council and Be First they were committed to providing grant funding to deliver a significant number of affordable homes in the Borough under the Mayor's 'Building Council Homes for Londoners' Programme

Local Plan – The launch this month of a public consultation exercise for the Council's new Local Plan, the biggest and most ambitious ever Local Plan which will set out the future of planning in the Borough and will include targets for the number of homes and jobs to be delivered over the next 15 years.

Serious Crime Summit – The fourth and final Serious Violence Summit led by the Cabinet Member for Enforcement and Community Safety was being held at London East on 12 February 2020. Keynote speakers include the Deputy Mayor of London for Crime and Policing and the BCU Police Commander.

City of London Public Consultation – Three public consultation events taking place in the borough between 29 January and 1 February in connection with the proposals to re-locate the three iconic markets of Billingsgate, New Spitalfields and Smithfield to Dagenham Dock.

Domestic Abuse Commission – The Commission, the first if its kind in this Country, being launched on 4 February at City Hall. The Commission will bring together a Panel of national and local experts to look at the attitudes to domestic violence in the borough which has one of the highest recorded incidents of domestic abuse in the Country.

43. Appointments

There were none.

44. BAD Youth Forum and Young Mayor Annual Report 2019

The Assembly received the BAD Youth Forum's Annual report, introduced by the Head of Engagement, Opportunity and Wellbeing, who was accompanied by representatives of the Youth Forum.

This report detailed the achievements of the Barking and Dagenham Youth Forum during the past 12 months outlining the work of each of the sub-groups, their aims and the impact of the work completed.

The Barking and Dagenham Youth Forum was in its 18th year. Its purpose was to provide young people with a formal platform to express their views and be ambassadors for young people locally. The Forum elected 70 young people in 2019 through a democratic election process in those participating schools, coordinated by the Youth Service with support from Democratic Services. These elections included Goresbrook and Greatfields schools for the first time. Trinity Special School elected new representatives, via an internal election process suitable to the needs of students.

The Forum split into three sub-groups focussing on different campaigns, the representatives on each of which highlighted the key areas and achievements of their work during the year, including:

Community Action Sub-Group: Young people focussed on drugs & alcohol, teen parents, Personal, Social, Health and Economic education including the Adverse Childhood Experiences Programme, Domestic Abuse Commission Ambassadors, a community event at Dagenham & Redbridge Football Club and volunteering at Barking Food Bank.

Young Mayor Sub-Group: Worked closely with Joshua Singh-Hill, Young Mayor to support his efforts to raise funds for SANE Mental Health Charity through a range of different events which raised £4017.53 as well as making greater awareness of both the Charity and mental health in young people in general.

Young Inspectors Sub-Group: Young Inspectors continued to quality assure the Come Correct Condom Distribution scheme (C- card scheme) in Barking and Dagenham. They also inspected the School Nurse service and the Outpatients East Sexual Health Service.

- Other areas in which Forum Members took an active role included:
- Youth Independent Advisory Group
- Eight separate consultation exercises covering a range of topics
- London Youth Assembly
- Stubbers Activity Centre
- Youth Parade
- Visit of Prince Harry for the official opening of the Youth Zone
- Visit to Houses of Parliament
- Attendance at meetings of the Council's Overview & Scrutiny Committee

Finally, reference was made to the outcome of the recent elections of the 2020 Forum.

Following the presentation, a number of Members paid tribute to the excellent work and projects of the Forum and the impact it had on shaping the future of the Borough and how inspirational they were both to this Council and young people in general. The Leader of the Council remarked that as leaders themselves the Forum represented the ‘voice’ of young people in this Borough and as such he wanted to see them interacting more with the Council Cabinet meetings.

In summing up the Chair said that every one of the Forum was a credit to both themselves, their families and the Borough and she thanked the representatives for their excellent presentation which the Assembly noted.

45. Council Tax Support Scheme 2020/21

The Cabinet Member for Finance, Performance and Core Services presented a report on the proposal to retain the existing Council Tax Support Scheme and a £50,000 discretionary hardship fund, in order to continue to support local residents who found themselves in exceptional hardship.

Following comments the Cabinet Member explained that the fund would be monitored and reviewed quarterly and that given that it was fully expended in the current financial year, it could be increased in the future on the basis it represented an invest to save proposal as it potentially supported people not to fall into arrears.

The Assembly **resolved** that the Council Tax Support Scheme implemented for 2019/20 be retained for 2020/21.

46. Exemption of Care Leavers from Council Tax

The Cabinet at its meeting on 16 July 2019 resolved to agree an updated Care Leavers’ Local Offer which included a recommendation to the Assembly seeking an exemption from paying Council tax for LBBD Care Leavers resident in the Borough up to the age of 25.

The Cabinet Member for Social Care and Health Integration presented a report outlining the background to this proposal which was in keeping with the Council’s vision of leaving no one behind and embedding the principle of ‘would this be good enough for my child’. She stressed that members had a collective duty to provide the best possible support for the Borough’s looked after young people.

Members welcomed and expressed their support for the proposal, and

Agreed that LBBD Care Leavers resident in the Borough be exempted from Council tax up to the age of 25, effective from April 2020.

47. Annual Report of Member Champions

In February 2018 the Assembly agreed new governance arrangements which included provision for Member Champions whose role was to support the work of Cabinet Members as appropriate

The Cabinet Member for Social Care and Health Integration introduced the first of a proposed Annual Report of Member Champions', in this instance being Councillors Freeborn and Chris Rice in their capacities as Member Champions for Quality in Care and for Mental Health respectively.

Both members provided an insight into the work of their remits including a detailed summary of their activities over the past year.

The Assembly welcomed and noted the Annual Report.

48. Motions

Motion 1 – Adopt the All Parliamentary Party Group on British Muslims working definition of Islamophobia

Moved by Councillor Ashraf and seconded by Councillor Paddle

"This Council expresses alarm at the rise of Islamophobia in recent years across the UK, and around the world. In Barking and Dagenham alone, we have seen an increase of 15% in reports of Islamophobic hate crime since July 2018.

This Council is committed to fighting Islamophobia in all its forms. We welcome the All-Party Parliamentary Group (APPG) on British Muslims' definition of Islamophobia, which has been backed by 750 Muslim organisations and institutions.

The APPG on British Muslims working definition of Islamophobia *includes the following examples in its' definition of Islamaphobia:*

"Islamophobia is rooted in racism and is a type of racism that targets expressions of Muslimness or perceived Muslimness."

Contemporary examples of Islamophobia in public life, the media, schools, the workplace, and in encounters between religions and non-religions in the public sphere could, taking into account the overall context, include, but are not limited to:

- Calling for, aiding, instigating or justifying the killing or harming of Muslims in the name of a racist/fascist ideology, or an extremist view of religion.

- Making mendacious, dehumanizing, demonizing, or stereotypical allegations about Muslims as such, or of Muslims as a collective group, such as, especially but not exclusively, conspiracies about Muslim entryism in politics, government or other societal institutions; the myth of Muslim identity having a unique propensity for terrorism, and claims of a demographic 'threat' posed by Muslims or of a 'Muslim takeover'.

- Accusing Muslims as a group of being responsible for real or imagined wrongdoing committed by a single Muslim person or group of Muslim individuals, or even for acts committed by non-Muslims.

- Accusing Muslims as a group, or Muslim majority states, of inventing or exaggerating Islamophobia, ethnic cleansing or genocide perpetrated against Muslims.

- Accusing Muslim citizens of being more loyal to the 'Ummah' transnational Muslim community) or to their countries of origin, or to the
- alleged priorities of Muslims worldwide, then of the interests of their own nations.

- Denying Muslim populations the right to self-determination e.g., by claiming that the existence of an independent Palestine or Kashmir is a terrorist endeavour.

- Applying double standards by requiring of Muslims behaviours that are not expected or demanded of any other groups in society, e.g. loyalty tests.

- Using the symbols and images associated with classic Islamophobia (e.g. Muhammed being a paedophile, claims of Muslims spreading Islam by the sword or subjugating minority groups under their rule) to characterize Muslims as being 'sex groomers', inherently violent or incapable of living harmoniously in plural societies.

This Council hereby adopts the above definition of Islamophobia as set out by the APPG on British Muslims and will continue to engage with local Muslim community groups and organisations to combat this hatred. This Council calls on the government to follow suit and adopt the APPG definition, sending a clear message that any and all forms of Islamophobia will not be tolerated in our communities".

A number of Members of the Assembly spoke in support of the motion.

The motion was **carried** unanimously.

Motion 2 – Declare a 'Climate Emergency'

Moved by Councillor Freeborn and seconded by Councillor P. Robinson

This Council notes:

- That a changing climate will have severe and enduring social, economic and environmental implications, and that tackling climate change is an issue of inequality as the greatest impact will be on the most vulnerable and those least able to protect themselves.

- That the 'Special Report on Global Warming of 1.5°C', published by the Intergovernmental Panel on Climate Change in October 2018, (a) describes the enormous harm that a 2°C average rise in global temperatures is likely

to cause compared with a 1.5°C rise, and (b) confirms that limiting Global Warming to 1.5°C may still be possible with ambitious action from national and sub-national authorities, civil society and the private sector.
- That strong policies to cut emissions also have associated health, wellbeing and economic benefits.

This Council further notes:

- Barking and Dagenham Council's existing work to tackle climate change, including committing to cutting our carbon footprint by 25% by 2025, launching Beam Energy to provide cheaper fuel tariffs with energy from 100% renewable sources and committing to ending single use plastic in the Council.

This Council resolves to:

1. Pledge to do everything within its power to make B&D carbon neutral by 2030.

    - Launch a review to report on delivering a Zero-Carbon B&D including publishing a new B&D Action Plan on Climate Change, with an interim draft to be presented for scrutiny by Overview & Scrutiny Committee and Cabinet.

    - Setting specific and measurable targets to reduce carbon emissions for the Council and for the borough as a whole, including costed milestones to zero-carbon;

    - Consider systematically the climate change impact of each area of the Council's activities;

    - Increase local resilience to climate impacts already in the system

2. Task the Director for Inclusive Growth with responsibility for reducing carbon emissions resulting from the Council's activities as rapidly as possible, and ensuring a coordinated approach across housing, our corporate estate, transport, regeneration, planning and other services.

3. Continue to prioritise support for vulnerable residents through Beam Energy, working with partners at a community, borough wide and regional level to provide advice services and access to funding for heating, insulation and ventilation.

4. Accelerate existing programmes to deliver reductions in greenhouse gas emissions including delivery of heat networks in the borough, low carbon development and high-quality housing, an efficient and low carbon corporate estate and support for renewables and for community energy.

5. Work with partner bodies across the borough and across London to ensure the climate emergency is adequately reflected in the development and implementation of all borough wide strategies and plans.

6. Reaffirm B&Ds membership of UK100 and use our membership to work with other councils across the UK to meet climate change targets.

7. Draw up a communications strategy to support delivery of a Zero-Carbon B&D and enable our residents to make low carbon choices, and

8. Call on the UK Government to provide the powers and resources to make this possible.

A number of Members of the Assembly spoke in support of the motion.

The motion was **carried** unanimously.

49. Questions with Notice

There were none.

ASSEMBLY

26 February 2020

Title: Death of former Councillor Alan Stevens	
Report of the Chief Executive	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: John Dawe, Democratic Services Officer	**Contact Details:** Tel: 020 8227 2135 E-mail: john.dawe@lbbd.gov.uk
Accountable Director: Fiona Taylor, Director of Law and Governance and Monitoring Officer	
Accountable Strategic Director: Chris Naylor, Chief Executive	

Summary

The Assembly is asked to note with deep regret that former Councillor Alan Stevens passed away on 14 January 2020 and was cremated at South Essex Crematorium on 11 February 2020.

Mr Stevens was first elected as Councillor in a by-election for the former Triptons ward in December 1980 and then subsequently was elected for the Eastbrook ward, which he served between 1982 and 1986. In addition to his appointment on a number of Council committees he served at different times as a School Governor for Henry Green and Richard Alibon as well as Eastbrook, where he eventually became the Chair, a role he worked tirelessly in for many years.

Recommendation(s)

The Assembly is asked to stand for a minute silence as a mark of respect.

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

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ASSEMBLY

26 February 2020

Title: Budget Framework 2020/21 and Medium Term Financial Strategy 2020/21-2023/24	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
Report Author: Philip Gregory, Finance Director	**Contact Details:** Tel: 020 8227 5048 E-mail: philip.gregory@lbbd.gov.uk
Accountable Director: Philip Gregory, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Deputy Chief Executive & Chief Operating Officer	

Summary

In February 2017, a budget report and Medium Term Financial Strategy set out how the Council was to transform to realise the unfulfilled potential of the Borough whilst confronting the challenges of austerity, population change and government policy. The operating model of the Council was fundamentally redesigned to deliver for our residents and put the Council in a secure and stable financial position.

This report sets out the progress made through Ambition 2020 and the contribution this has made to becoming financially self-sufficient. We have been able to invest in services in 2020/21 as a result of the savings and additional income that have been realised since 2017/18.

This report also sets out the:

- Proposed General Fund revenue budget for 2020/21
- Proposed level of Council Tax for 2020/21
- Medium Term Financial Strategy (MTFS) 2020/21 to 2023/24
- Draft capital investment programme 2020/21 to 2023/24
- Update on the Dedicated Schools Grant and Local Funding Formula for Schools

The General Fund net budget for 2020/21 is £155.796m. The budget for 2020/21 incorporates decisions previously approved by Members in the Medium Term Financial Strategy including the savings approved by Cabinet in February 2017 and February 2018 together with changes in government grants and other financial adjustments.
The Council proposes to increase Council Tax by 3.99%. This includes 1.99% for general spending and a further 2% that is specifically ringfenced as an adult social care precept. This will increase the level of Council Tax from £1,235.50 to £1,284.80, (£49.30) for a band D property.

The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £11.56 (3.6%) for a Band D property, changing the charge from £320.51 to £332.07, of this £10.00 relates to the Police Precept.

The combined amount payable for a Band D property will therefore be £1,616.87 for 2020/21, compared to £1,556.01 in 2019/20. This is a total change of £60.86. At its meeting on 21 January 2020, the Cabinet agreed an enhanced Council Tax Support Scheme in order to continue to support local residents on very low incomes.

The proposed draft 4-year capital programme is £933.660m for 2020/21 to 2023/24, including £99.341m for General Fund schemes. Details of the schemes included in the draft capital programme are at Appendix E.

This report was considered and endorsed by the Cabinet at its meeting on 17 February 2020.

Recommendation(s)

The Assembly is recommended to:

(i) Approve a base revenue budget for 2020/21 of £155.796m, as detailed in Appendix A to the report;

(ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2020/21 to 2023/24 allowing for other known pressures and risks at this time, as detailed in Appendix B to the report, including the additional cost of borrowing to accommodate the capital costs associated with the implementation of the MTFS;

(iii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, to finalise any contribution required to or from reserves in respect of the 2020/21 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2020;

(iv) Approve the Statutory Budget Determination for 2020/21 as set out at Appendix C to the report, which reflects an increase of 1.99% on the amount of Council Tax levied by the Council, an Adult Social Care precept of 2.00% and the final Council Tax proposed by the Greater London Assembly (3.6% increase), as detailed in Appendix D to the report;

(v) Note the update on the current projects, issues and risks in relation to Council services, as detailed in sections 9-12 of the report;

(vi) Approve the Council's draft Capital Programme for 2020/21 totalling £318.006m, of which £72.540m are General Fund schemes, as detailed in Appendix E to the report;

(vii) Approve the Flexible Use of Capital Receipts Strategy as set out in Appendix F to the report;

(viii) Note the update on Dedicated Schools Funding and approve the Local Funding Formula factors as set out in section 15 and Appendix G; and

(ix) Note the Chief Finance Officer's Statutory Finance Report as set out in section 15 of the report, which includes a recommended minimum level of reserves of £12m.

Reason(s)

The setting of a robust and balanced budget for 2020/21 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community; London's growth opportunity and delivery of the priorities within available resources

1. Introduction and Background

1.1. In February 2017, cabinet was asked to approve a revenue budget and a medium-term financial strategy with significant implications for the council and the Borough more broadly. Baked into both were a set of proposals that, in the years to follow, would lead to the creation of an entirely new kind of council, one capable of meeting head on the fiscal, demographic and political challenges facing our Borough.

1.2. These challenges will make for familiar reading. In 2017:

1.2.1. We had one of the fastest growing and fastest changing populations in the country. The population of Barking and Dagenham rose from 164,000 in 2001 to 186,000 in 2011, and an estimated 198,000 in 2014. Population growth is set to continue. National statistics forecast a population of 220,000 by 2020, and up to 275,000 by 2037. The population is much more diverse than 15 years ago, since 2001 the proportion of the population from minority ethnic backgrounds has increased from 15% to 50%. That proportion is projected to increase to 62% over the next 25 years.

1.2.2. These demographic changes had increased demand for services, which was projected to continue increasing in line with the population. At the same time reductions in funding imposed by central government would make it impossible to meet those demands. By 2020, projected cuts in funding would mean that the Council will have roughly half the amount of money that we had to spend in 2010. At the same time, the pressures caused by the growing population and more complex needs mean that we will need an additional £50 million to meet rising demands. The 2017 budget report estimated that, if we did nothing, the council would suffer a shortfall of £71 million by 2020/21.

1.2.3. The Government was in the process of implementing reforms to national policy and legislation that would have a major impact on council services, residents and local businesses. These changes included: Welfare reform, such as a reduction in the cap in household benefits, and a freeze on working age benefits; reform of adult social care, and health and social care integration; the promotion of 'devolution deals' at regional or sub-regional levels; and changes to government funding for schools and continued government.

1.2.4. We were at the bottom of too many London league tables. People in our borough died earlier, had poorer health, and lower levels of education and skills than in most other London boroughs. Too many were insufficiently skilled. Too many were in low paid work. And too many struggled to find suitable accommodation to live in.

1.3. In 2017 we were clear that:

“The combined impacts of austerity, population change and government policy mean that we can no longer afford to meet the needs of our residents by spending more money on the kinds of services we have provided in the past. Instead the task is to re-focus what we do so that we identify the root cause of need and tackle it, so that people have a better chance of living more independently. Our job is to build resilience so that people are better able to help themselves.”

1.4. At the same we were also clear that our Borough had enormous and unfulfilled potential, in part due to our proximity to central London and the availability of land in the Borough:

“Unlike most other areas, we have a once in a generation opportunity to secure the benefits of huge economic growth for our residents, so that no-one is left behind. No other part of Greater London has the potential to play the role that Barking and Dagenham does in the expansion of London’s economy. Over the next 20 years, we have the potential for up to 50,000 new homes and over 10,000 new jobs in the borough. We can stand by and watch things happen, seeing inequalities increase and the weakest driven out of the borough or we can shape the future so that the whole community benefits and prospers.”

1.5. Our task was to create a council that was capable of realising this opportunity whilst confronting the significant challenges set out above. In February 2017, cabinet approved a budget report and a Medium-Term Financial Strategy designed to do exactly that.

1.6. This was always a 20 year project. The Borough Manifesto set out the community’s long term vision, and through Ambition 2020 we were creating an organisation capable of making it happen.

2. A new kind of Council

2.1. Core to the changes that were proposed in 2017 - as part of Ambition 2020 - was a new operating model for the council, moving away from an organisation designed around professional service silos, to one that is designed around what we need to achieve for our residents:
“Traditionally, local authorities reduce spending by department. We managed to do that between 2010 and 2014. But we cannot continue to do this. Other local authorities have outsourced or privatised services and dramatically reduced the size of their workforce. We have no desire to take those paths. The new arrangements we are implementing no longer have separate functional departments or directorates. Our organisation is being shaped around the needs of our people, the place, and our goals…

The delivery of services will be undertaken by a range of ‘Service Delivery Blocks’. Some of them we propose should be in-house, and some should be at arm’s length, so that they are able to generate the income to become self-funding and to reinvest. These Service Delivery Blocks are currently being implemented with the intention that the majority are in place and operational by the autumn of 2017. It's the implementation of these new services, the changing nature of how they will operate and their potential to generate more income that drives much of our ability to respond to the Councils fiscal challenge.

Vital to our success is the performance of our Council-owned companies. Our expectation is that the companies will become self-sufficient by 2022 delivering the outcomes we expect by working with the flexibility of the private sector and the ethos of the public sector being accountable to our elected Councillors."

2.2. This operating model was designed to enable the organisation to excel across five areas:

2.2.1. **Being commercially minded and financially self-sufficient: "***Making our Council commercially astute, with the capability to innovate and to maximise income, and a constant drive to improve our efficiency and productivity."*

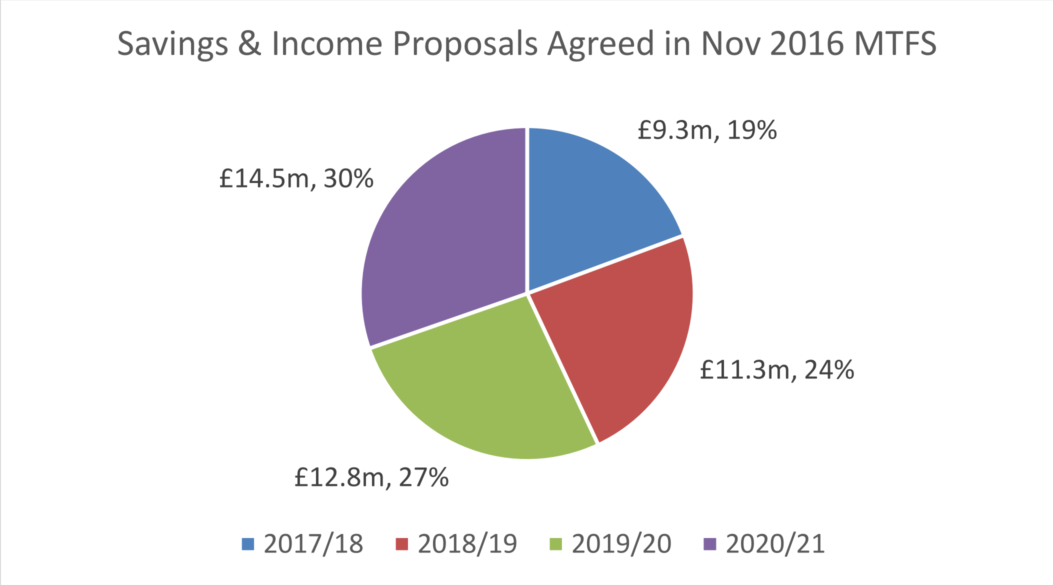
2.2.2. **Providing consistently outstanding customer service: "***We need to improve how customers get access to information and services and find innovative ways to enhance the customer experience and build trust whilst reducing demand and therefore cost."*

2.2.3. **Shaping a place that people choose to live in: "***That means creating and maintaining areas that are attractive and affordable. That includes excellent schools, a safe and clean environment, culture and leisure facilities, and heritage."*

2.2.4. **Building public engagement, greater responsibility and civic pride: "***This includes a focus on clean streets and enforcement, holding private sector landlords to account for the condition of property they own, and running a wide and varied Council events programme promoting a sense of community and attracting people to the borough."*

2.2.5. **Reducing service demand: "***A coordinated approach to reducing demand through early and effective intervention including key services such as social care, housing* *and integrated health."*

2.3. But it was also designed to put us in a secure and stable financial position, closing the financial gap without outsourcing or cutting services. The savings and additional income that were proposed totalled £47.9m over 4 years between 2017/18 and 2020/21. These amounts were built into the MTFS.



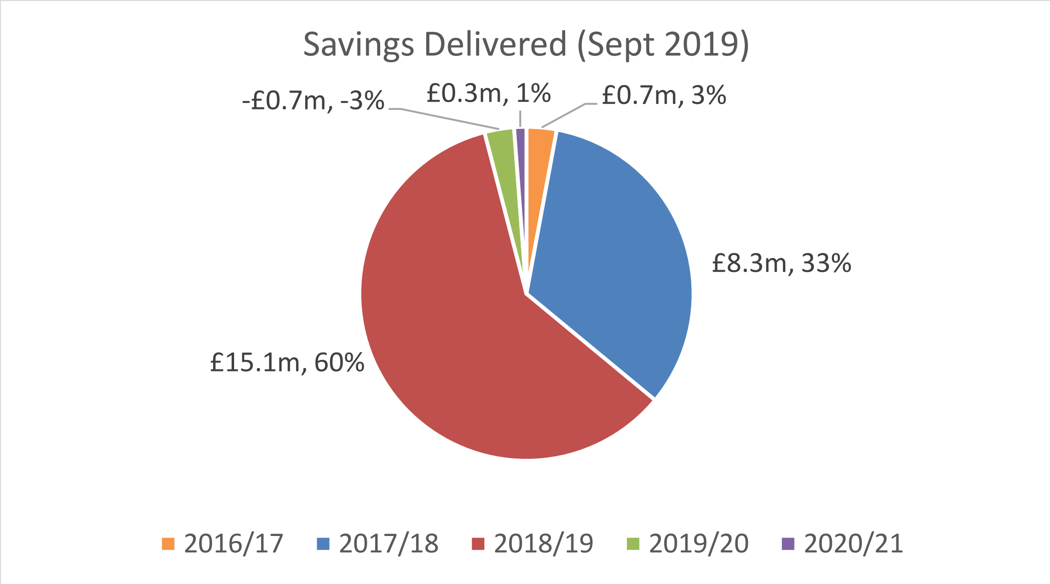
3. **Much done, much to do**

3.1. Over the last three years, Ambition 2020 has delivered 30 major change programmes. Our new operating model now exists and is operating successfully. No services have been cut, and nothing has been outsourced. There have been 450 voluntary redundancies, and 715 staff have transferred to one of our wholly owned companies. The programme has underspent by close to £6m, a saving which has been reinvested in the New Ways of Working programme, which has enabled staff from 29 locations to be consolidated into two offices whilst rolling out new IT systems and a culture of flexible working.

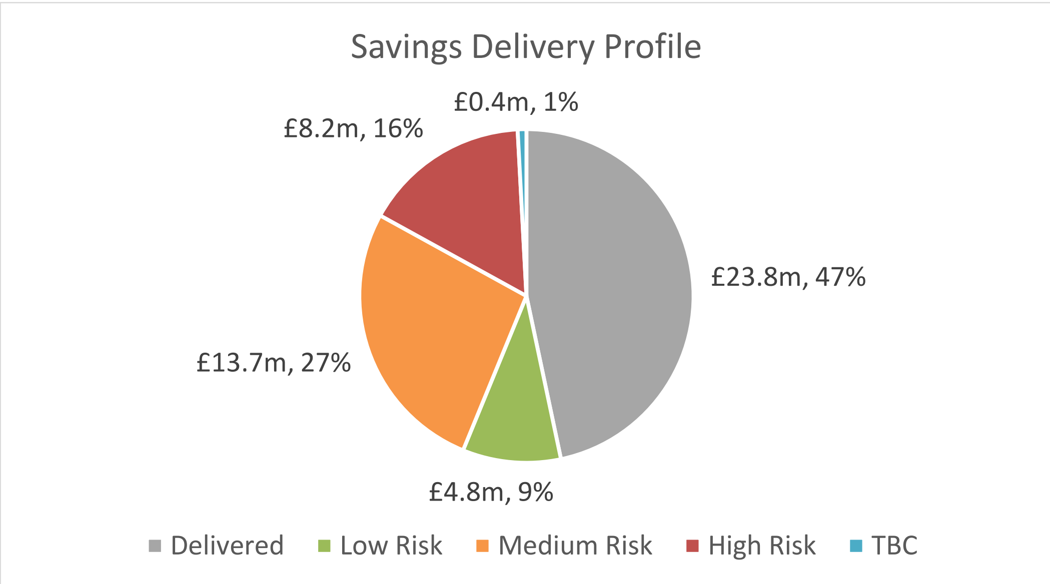
3.2. The programme is not yet complete. There are significant programmes of work that still need to be delivered, including the Elevate exit and the core transformation (the business cases for these elements were approved by Cabinet in January 2019). But we have come a long way in a very short space of time. Across each priority area, Ambition 2020 has delivered significant benefits to the organisation, despite there being more work to do.

3.3. **Being commercially minded and financially self-sufficient**

3.3.1. First, the money. Savings and additional income of £23.8m have been delivered so far. Whilst these have been delivered in a different profile to the original proposals, they have allowed balanced budgets to be set each year.

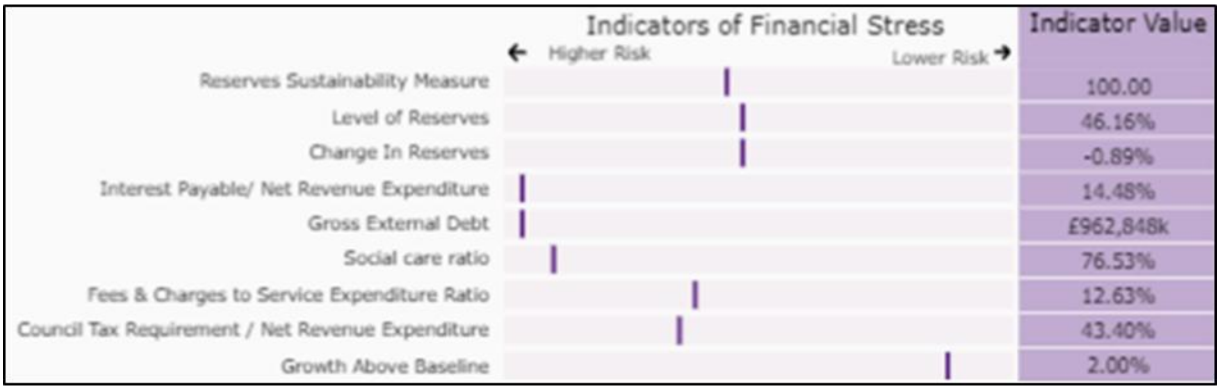


3.3.2. So far, 49% of the savings and income proposals totalling £47.9m have been delivered. In addition, further income has been generated by the Investment and Acquisition Strategy, increasing the total projected savings and income to £50.9m. The 51% of savings and income proposals still to be realised have been categorised into low, medium and high-risk proposals highlighting the continued need to monitor their delivery during 2019/20 and 2020/21.



3.3.3. During the implementation of the changes we have been able to manage our financial reserves in a sustainable way, ensuring that we use reserves strategically and focus on delivering what we've committed to do.

3.3.4. The CIPFA Financial Resilience Index analyses local authority finances using nine measures including level of reserves, rate of depletion of reserves, external debt, Ofsted judgements and external auditor value for money assessments. The index was launched in December 2019 and is based on data collected from the last four financial years.



3.3.5. One of the primary drivers of the resilience index is to provide an assessment of the sustainability of the reserves of a local authority. This is a key indicator by which the financial health of an authority can be measured and compared where we are relatively healthy.

3.3.6. The index provides an opportunity to look at other boroughs in relation to us and in this context it is fair to say we are “in the pack” and not one of the 10% of authorities that CIPFA have stated show ‘some signs of potential risk to their financial stability’.

3.4. **Providing consistently outstanding customer service:**

3.4.1. We have embraced a significant channel shift towards digital, with the development of a new website, a new set of e-forms and a new approach to telephony which prioritise typical user need and integrate with wider systems. As a result, call volumes have fallen from 63,000 per month to 52,000 per month, calls answered have risen from 75% to 92%, the average length of time people have to wait for an answer has fallen 5.8 minutes to 3.3 minutes. At the same time, in 2015 only 29% of our staff agreed that our IT system met the needs of our business, whilst in 2018 65% of our staff are satisfied with new laptops and monitors.

3.5. **Shaping a place that people choose to live in.**

3.5.1. Be First has dramatically increased the pace and scale of housebuilding in the Borough. Between 2010 and 2017, we delivered 866 new homes. As of 2018, the Be First pipeline contained proposals for over 3,000 new homes in the Borough between now and 2023/24: a 245% increase. And three quarters of these homes will be affordable, with many at council equivalent rents. Alongside new affordable completions from third party developers, this will allow us to comfortably meet the manifesto commitment of 2,000 new affordable homes by 2022.

3.5.2. And great places aren’t just about homes. Despite continuing to lag behind the rest of London, the creation of BDSIP has contributed to a significant upturn in school performance, with 92% of the schools in the Borough now good or outstanding (compared to 68% in 2014). We have expanded a regular programme of summer festivals, and we have invested £1m of match funding in our heritage offer, including Eastbury Manor House and Valence House.

3.6. **Building public engagement, greater responsibility and civic pride**

3.6.1. In 2017, we had a reactive press function with no campaign or digital capability. We had no community development or engagement team. And our relationships with the wider VCSE sector were poor. Today, we have an entirely new comms team with a significant digital and social media presence and a Borough wide newsletter with 13.5k subscribers and a click through rate of 4x (better than the industry standard). In 2017, we kicked off the largest programme of engagement the council has ever embarked upon, with over 3,000 conversations and Borough wide surveys leading to the production of the Borough Manifesto, our long term vision for Barking & Dagenham.

3.7. **Reducing service demand**

3.7.1. The creation of Community Solutions has had a significant impact on levels of homelessness in the Borough. In 2019, community solutions reduced the number of households in TA by 281 (from 1,925 in October 2017), and they reduced the number of evictions from temporary accommodation by 81%, saving the council £295k. They saw a 97% increase in the number of households who were at risk of becoming homeless approaching the council before they did. And there was a 209% increase in the number of residents accessing the homelessness prevention fund. Finally, the number of families living in the Borough who have no recourse to public funds was down to just 23.

3.7.2. On the other hand, as predicted, demand for Children's Social Care has increased since 2016. Looked after children numbers remain broadly stable, but overall, we have more children in the system. Population growth and demographic churn are drivers, but as we feel the impact of factors such as economic migration and welfare reform, demand for our services has grown at a rate faster than our population has. We have already taken steps to ensure Children's Social Care is able to cope with these rises through investing in the TOM and Improvement Programme. And we are refocusing our Early Help services so that they can also cope with the increased demand and begin to impact upon demand.

4. **Taking the next step**

4.1. The challenges facing our Borough and our people have not changed significantly since 2017. We still have one of the fastest growing and fastest changing populations in the country. We are still wrestling with the fiscal challenges brought about through austerity. And we are still dealing with the implications of government policy in relation to welfare and health and social care in particular. At the same time, we still have a population that faces significant health and wellbeing challenges, mirrored in the continued rise of demand on statutory services, in particular children’s social care.

4.2. But we now have an organisation that is better equipped to confront these challenges than it has ever been. And whilst there is still work to do to, we now have greater financial freedom and flexibility than we have had since the onset of austerity. The question is, how do we ensure that over the next ten years, we are pointing this organisation towards the right set of problems?

4.3. Over the last year, we have been working been working hard to identify a set of strategic priorities for the council that will guide all future activity. These priorities reflect our belief that only by using our new kind of council to address structural inequalities in our Borough, can we realise our long term vision for the Borough, whilst confronting the challenge of rising demand.

5. Three strategic priorities

5.1. The MTFS is underpinned by three key strategic priorities for the council:

5.1.1. **Inclusive Growth.** All activity related to homes, jobs, place and environment will be organised into a single strategy, focused on intervening in our economy in order to improve economic outcomes for all residents.

5.1.2. **Prevention, independence and resilience.** All activity relating to people facing public service will be organised into a single strategy, focused on intervening in society in order to improve health and wellbeing outcomes for all residents, at every stage of life.

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

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

6. Headline Financial Position

6.1. The Provisional Local Government Settlement was published on 20 December 2019. This is largely in line with the expectations that had been included in the MTFS and is subject to the finalisation of business rates baseline and section 31 grant calculations.

6.2. The medium-term financial challenge facing the Council reflects significant risks and a great deal of uncertainty. The scale of these risks will become more certain during the next year, following the new Government's first Budget and any subsequent Spending Review.

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

- **Budget 2020** – The Chancellor of the Exchequer has announced that the Budget will be published on 11 March 2020. There is significant uncertainty in relation to local government funding beyond 2020/21 and the Budget will be the first opportunity to see the direction that the new Government will take.

- The **Fair Funding Review** of local government is likely to shift resources away from London. The design of new funding formula is predicated on moving to a more dynamic, realistic method of allocating funding that is able to respond to demographic changes. On this basis and considering the demographic changes within Barking and Dagenham, this approach may prove beneficial to us. We expect the new funding formula to be used to allocate funding from 2021/22.

- The **Business Rates Retention** scheme is also being redesigned and is expected to be introduced from 2021/22.

- The **New Homes Bonus** funding for 2020/21 is allocated for one year only and will not result in legacy payments in future years. It is expected that the New Homes Bonus funding will be wrapped up within the Fair Funding Review. It is unclear how the Government will incentivise local authorities to deliver additional housing within the new funding regime. Funding allocation are included in Appendix I.

6.4. The Council will receive Government funding through Revenue Support Grant and Business rates baseline funding in 2020/21. In 2019/20 Revenue Support Grant was rolled into the baseline funding allocation as part of the business rates pilot arrangements. The total amounts should be compared and are in line with the expected small increase of £1.2m included within the MTFP. The table below shows the funding changes over the past few years and the increased reliance on business rates as a source of funding.

£m	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
RSG	36.7	28.8	0.0	0.0	18.0
Baseline funding	52.8	53.9	78.8	74.5	57.7
TOTAL:	**89.5**	**82.6**	**78.8**	**74.5**	**75.7**

6.5. The Council is currently part of the London-wide business rates pilot introduced in 2018/19. Initially, the pilot allowed London to benefit from retaining 100% of the business rate growth but this was reduced for 2019/20 to 75%. It had been assumed that the pilot would be further extended into 2020/21 however, the Government announced that they are terminating the London pilot after 2019/20 and suggested that London authorities could form a business rates pool.

6.6. London Councils is working with all London Authorities to set up a new business rates pool based on the original retention scheme in 2017/18, retaining 67% of business rates. Cabinet approved the Council's participation in the London pool in December 2019. The pool will share the benefits of business rates growth across London. The net impact of the change in 2020/21 is a pressure of £4m which is largely offset by increased top up funding/grant and also by business rates grants.

Business Rates Forecast	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Business Rates/RSG	(4,493)	(1,697)	(1,737)	(1,737)
Business Rates Levy Surplus 18/19 roll forward	871	-	-	-
Business rate change	3,359	187	(578)	(655)
Business rate pooling benefit (without SIP)	(314)	314	-	-
NET Business Rates changes	**(577)**	**(1,884)**	**(2,315)**	**(2,392)**

6.7. It should also be noted that the business rates "tariff and top up" levels have been reset. This means that the benefit of previous growth is now included in baseline funding and slightly increases the level of collection risk.

6.8. The forecast outturn for 2019/20 is an overspend of £8.318m as reported to Cabinet in January 2020. This can be mitigated through use of the budget support reserve though this would exhaust this reserve. Overspends in future years will result in draw down from the unearmarked general reserve which has a balance of £17m and a minimum balance of £12m (i.e. only £5m is available).

7. Council Tax

7.1. Barking and Dagenham maintained a council tax freeze from 2008/09 until Assembly approved an increase for the 2015/16 budget. The impact of not increasing council tax is cumulative over many years and this freeze resulted in a tax base that is now £15m lower than it would have been had it risen by 1.99% every year.

7.2. Given that government funding is reducing in real terms every year while the Council's costs are increasing the Chief Financial Officer strongly advises council tax should as a minimum keep pace with inflation to ensure that the council can continue to meet the demands placed upon it.

7.3. The provisional Local Government Financial Settlement for 2020/21 sets a maximum increase of Council Tax of 1.99% without incurring any penalties or being required to hold a referendum. It is therefore proposed that the general council tax increase should be 1.99%. In addition, an Adult Social Care precept may be levied of up to 2.0%.

7.4. The Council tax base report approved by Cabinet in January 2020. This shows an increase in the Council tax base of 2.4% compared to 1.5% that was included in the MTFS. However, this gain is offset by the reduction in the referendum threshold from 2.99% which had been included in the MTFS to 1.99% that the Government has proposed.

7.5. Details of the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2020/21 are yet to be confirmed.

7.6. It is proposed that authority is delegated to the Chief Operating Officer in consultation with the Cabinet Member for Finance, Performance and Core to make the necessary adjustments using the funding provision or from reserves following confirmation of levy and final funding announcements.

7.7. The council proposes to increase Council Tax by:

- 1.99% Local Authority Precept increase; and
- 2.0% increase for the Adult Social Care Precept

7.8. These increases will raise the level of Council Tax for a Band D property from £1,235.50 to £1,284.80, an increase of £49.30.

7.9. The Greater London Authority has provisionally proposed a 3.6% increase in its charge for 2020/21. This precept will increase the charge to a Band D property from £320.51 to £332.07, an increase of £11.56 (comprising an additional £10 for the Metropolitan Police and £1.56 for the London Fire Brigade).

7.10. The combined amount payable for a Band D property will therefore be £1.616.87 for

2020/21, compared to £1,556.01 in 2019/20. This is a total change of £60.86 in comparison to the Council Tax bill for 2019/20. As always there will be a Council Tax Support Scheme to help the poorest taxpayers.

7.11. The calculation of the proposed Council Tax for 2020/21 is shown in Appendix D.

7.12. It is proposed that any surpluses on the Collection Fund should be transferred to the Budget Support reserve.

7.13. Under the Local Government Act 1992, Council Tax must be set before 11 March of the preceding financial year.

8. Revenue Spending Proposals

8.1. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2019/20 and 2020/21 are summarised below and included in Appendix A. The Statutory Budget Determination is included in Appendix C.

Revenue Budget Summary	**2019/20 Original £m**	**2019/20 Latest £m**	**2020/21 Original £m**
Care & Support	72.292	73.696	82.757
Central Expenditure	0.893	(0.469)	4.792
Community Solutions	12.206	13.495	12.935
Contracted Services	5.385	5.385	0.794
Core	9.194	6.991	4.862
Education, Youth & Childcare	20.946	20.955	20.928
Inclusive Growth	0.220	1.108	1.117
Law, Governance & HR	(2.012)	(1.091)	(0.588)
My Place	17.705	17.636	17.844
Policy & Participation	2.669	3.204	3.303
SDI Commissioning	9.322	7.910	7.052
Total General Fund	**148.820**	**148.820**	**155.796**
Business Rates	(79.161)	(79.161)	(80.608)
Non-ringfenced grants	(7.873)	(7.873)	(7.656)
C/F Surplus	-	-	(1.745)
Corporate Funding	**(87.034)**	**(87.034)**	**(90.009)**
Council Tax Requirement	**(61.786)**	**(61.786)**	**(65.787)**

8.2. The 2020/21 budget is dependent on agreed savings being delivered totalling £12.7m. These are summarised below.

MTFS Savings (£m)	2020/21
Be First	2.247
BDTP (Home Services)	0.740
BDTP (Traded Services)	0.136
Children's	1.461
Community Solutions	0.970
Core & Elevate Exit	4.281
Customer experience & digital	0.310
Disabilities	0.250
Heritage & Culture	0.025
Investment & Acquisitions	1.392
Leisure	0.091
Parks Commercialisation	0.300
Public Realm	0.164
My Place (incl. street lighting)	0.329
Total	**12.696**

8.3. It remains vitally important that all approved savings are delivered to plan. Directors must be focussed on managing expenditure within their service budgets and delivering all agreed savings or implementing alternative savings proposals. This includes implementing action plans in order to manage and mitigate expenditure pressures.

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

£'000's	2019/20	2020/21	2021/22	2022/23	2023/24
Total Original MTFS	5,386	8,509	8,509	8,509	8,509
JULY MTFS			5,449	5,449	5,449
NOVEMBER MTFS		1,909	-91	414	226
TOTAL MTFS INCOME TARGETS	**5,386**	**10,418**	**13,867**	**14,372**	**14,184**

8.5. These revised targets were set based on the forecasts from the companies available in September. The increase in dividend payments between 2019/20 and 2020/21 is £5m. The Council will be reliant on the subsidiary companies delivering the expected dividend payments in the relevant financial year. There is a significant risk to the MTFP if these dividends are not delivered.

8.6. The MTFS also includes the expectation of a return of £5m from the Investment Strategy and £0.7m from further commercial activity (Hotel scheme) which increases the level of commercial risk. The MTFS is included in Appendix B.

9. Current Service Updates

9.1. **Children's Care and Support -** In 2019/20 the Council spent around £40m on Care and Support for vulnerable children. Around half of this amount was spent on the costs of foster placements and residential care for Looked After Children with the other half spent largely on staffing and the costs of running the service. The number of children and adolescents in the borough is continuing to grow year on year and unfortunately there will always be a small proportion who face challenges and whose families may not be able to care for them as they need. The Council is increasing the budget allocated to the service by £4.5m in order to fund this growth while we have also redesigned the service in order to meet the particular needs of our population and to focus on prevention and supporting children to stay with their families wherever possible. At the same time, we are looking to make savings in the costs of care by commissioning placements more effectively. Altogether we expect to make £1.46m of savings across this service.

9.2. **Disabilities Care and Support -** The continuing improvements in medical care and life expectancy together with our growing population mean that there are increasing numbers of people living with severe and complex disabilities in our borough. We have recognised these needs by allocating £5m of growth funding to this service. This is partly funded from the Care and Support grants from Central Government and partly from the Council's own resources including Council tax.

9.3. **Adults' Social Care -** Although Barking and Dagenham is a comparatively young borough, nonetheless the number of older people requiring support is growing. In addition, there are high numbers of people in the borough with mental health needs. We have recognised these needs by allocating £3m of growth funding to this service. This also includes some element of the Care and Support grant and also the Social Care Precept on Council tax. There are no further savings required in 2020/21; however we are expecting to see the final implementation and benefit of savings initiatives from previous years being delivered in the next financial year. This includes the full year effect of changes to the Contributions policy for Social Care introduced in 2019.

9.4. **Community Solutions -** Community Solutions is expected to continue to deliver savings by more effective working and reducing demand for Council services especially in Housing. The number of households in temporary accommodation has reduced during 2019/20 and new kinds of provision including modular housing will come into operation in 2020/21. In addition, the service will make other savings from changes to its delivery of services. The total savings expectation is £0.97m. At the same time the Council is increasing funding of the costs of homelessness by £0.26m.

9.5. **My Place -** My Place is the Council's asset management service. It will continue to support delivery of the Council's capital programme and look after the Public Realm. There are expected savings to be delivered from reductions in energy usage in street lighting following the LED replacement programme, service efficiencies in both My Place and Street Cleansing and increases in Cemetery income.

9.6. **Leisure -** The Council continues to benefit from its partnership with Everyone Active with increased concession income being expected in 2020/21.

9.7. **Core Support Services -** As set out in the report to Cabinet in January 2019 the Council is unwinding its contract for support services with Elevate and a range of services will be transferring back to the Council. At the same time, we are reviewing the services such as Finance, HR and Commissioning provided from the Corporate Centre. We are also considering how we can increase income to the Council and how we can collect debt better. Altogether we are expecting to realise £4.2m of savings across the range of core, corporate and support services in 2020/21.

9.8. **Customer Services and Digital -** As part of the transfer back we will also review our customer services especially how we are responding to changes in technology and our customers' preferences about how to contact the Council. We expect this to achieve £0.31m of savings while improving the customer experience.

10. Investment Strategy

10.1. The Council continues to put our balance sheet to work. We are continuing to leverage our assets to generate financial returns to the Council and provide benefits for the community.

10.2. The Council has pursued an ambitious programme of investment. The target return included in the MTFS is £5.7m in 2020/21. This is dependent on investments delivering the expected return on time as outlined in business plans that have been agreed already. The cumulative borrowing total is expected to reach £774m in 2020/21, growing to £1,009m in 2021/22. Work is ongoing to ensure that the cost of financing the borrowing requirement is managed carefully in order to meet the target return in each year of the MTFS.

11. Capital Programme

11.1. The Council's current General Fund capital programme for 2019/20 is £66.072m for Services and £188.659m for the Investment strategy. The largest element of the Services programme is Schools/Education which is largely grant funded by the Department of Education.

11.2. The Council's Indicative General Fund Capital Programme 2019/20 to 2023/24 is set out below. A more detailed breakdown of the 2020/21 programme is set out in Appendix E. Cabinet are asked to approve the 2020/21 programme.

Capital expenditure	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
General Fund					
Adults Care & Support	£2,241	£2,241	£2,241	£2,241	£2,241
Community Solutions	£210	£0	£0	£0	£0
Core	£2,562	£3,492	£340	£340	£340
Culture, Heritage & Recreation	£1,750	£10,015	£450	£305	£150
Education, Youth and Childcare	£42,346	£42,958	£3,895	£0	£0
Enforcement	£1,269	£2,908	£0	£0	£0
My Place	£8,122	£3,625	£4,295	£4,295	£4,295
Public Realm	£7,571	£3,179	£50	£0	£0
New CIL	£0	£2,682	£0	£0	£0
New TFL	£0	£1,640	£1,323	£0	£0
TOTAL EXPENDITURE	**£66,071**	**£72,740**	**£12,594**	**£7,181**	**£7,026**
Financed by:	£0	£0	£0	£0	£0
Capital Grants	-£52,965	-£41,954	-£6,136	-£2,241	-£2,241
Section 106	£0	£0	£0	£0	£0
CIL/TFL	£0	-£4,322	-£1,323		£0
Revenue Contributions	-£340	-£340	-£340	-£340	-£340
Capital Receipts	£0	£0	£0	£0	£0
Total Net Borrowing Requirement	-£12,766	-£26,124,181	-£4,795	-£4,600,026	-£4,445
Investment and Acquisition Strategy					
Residential	£188,659	£253,047	£313,119	£155,660	£120,074
Commercial	£0	£0	£0	£0	£0
Financed by:	£0	£0	£0	£0	£0
Grant	-£22,360	-£21,395	-£5,701	-£32,099	-£19,448
Right to Buy Receipts	-£96	-£5,887	-£31,536	-£57,446	-£58,195
Sales / Shared Ownership	£0	£0	£0	£0	£0
Total Net Borrowing Requirement	£166,203	£225,765	£275,883	£66,115	£42,341
Transformation					
Transformation	£4,500	£6,495	£0	£0	£0
Financed by:	£0	£0		£0	£0
Capital Receipts/Reserves	-£4,500	-£6,495	£0	£0	£0

11.3. The budgets are indicative and may change as a result of budget roll-forward from the 2019/20 financial year, for example if there has been programme slippage or if additional external funding is provided. In particular the Department for Education has not yet set out its funding intentions in full beyond 2021/22. It is likely that the Schools programme will be increased in later years.

11.4. The MTFS includes provision to fund a corporate capital programme for operational requirements. £1m will be allocated each year for urgent and/or health & safety works. The allocation of remaining funding will be co-ordinated by the Capital and Assets Board. The 2020/21 capital funding available is £3.4m with similar amounts in following years.

11.5. The new bids include the following schemes (Note spend will cover 4-year period

2020/21 – 2023/24):

- CIL: New agreed CIL bids detailed in 15 October 2019 Cabinet report Allocation of Community Infrastructure Levy to Strategic Projects.
- New LIP funded projects agreed by TFL for 2020/21 and 2021/22.
- In Cab Technology: 235k Procuring in cab tech for waste vehicles and subsequent licences etc.
- Highway Improvement Programme: To Resurface/Reconstruct Footways and Carriageways on the borough's public highway network. £13.6m.
- In Borough Specialist Residential Home: £325k.
- Lake Enhancement Schemes: The project will include a combination of essential H&S works and improvements required to improve the physical lake environment. £600k.

11.6. Cabinet are asked to approve the addition of these bids to the programme profiled in line with the available funding.

12. Flexible Use of Capital Receipts

12.1. The Council intends to make further use of the flexibility provided by the Government to use capital receipts for the specific purpose of investment in transformation. Further information on the Council's approach is set out in Appendix F.

13. Dedicated Schools Budget

13.1 In December the Cabinet received a report about the Dedicated Schools Grant (DGS) and approved the principles for setting the local funding formula for schools. Since that time the Department for Education has published the DSG allocations for 2020/21.

13.2 As set out in the December report there will be no transfers between the DSG blocks this year. However, the Schools block has been topsliced to provide sufficient funding for growth – new classes that we expect to be required for September 2020 and to create a small fund to assist schools facing temporary financial challenges as a result of falling rolls.

13.3 The Schools funding formula has been set in line with the principles agreed by Schools Forum and Cabinet. The national rates (adjusted for area costs) have been used for all additional needs factors but the basic age weighted funding element has been adjusted to bring the funding balance between primary and secondary phases to the agreed ratio of 1:1.35. All schools have had their pupil led funding protected to give them an increase of 1.84% per pupil. Cabinet are recommended to approve the overall principles and the consequent funding factors which are set out in appendix G.

14. Consultation

14.1. A report on the Budget strategy was presented to Overview and Scrutiny Committee in December 2019, updating the Committee on funding assumptions and other factors affecting the MTFS.

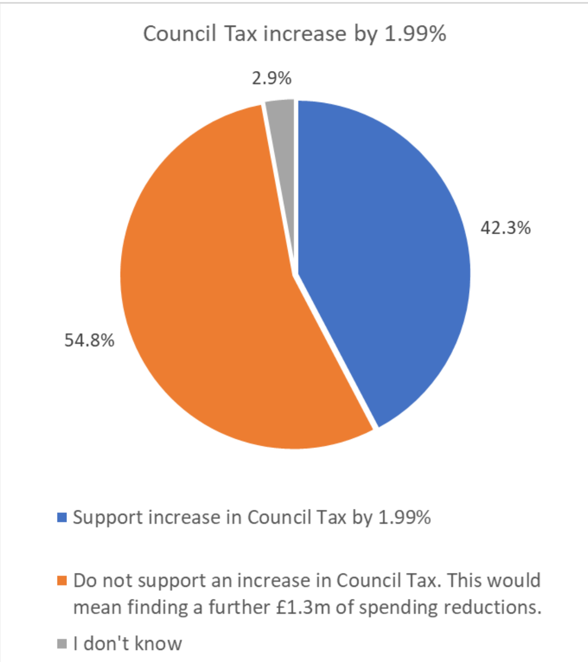
14.2. A consultation exercise on the budget with residents and businesses began in January 2020. The Council was interested to hear residents' views on the proposed social care precept and their views on the type of services that will need to be delivered in the future.

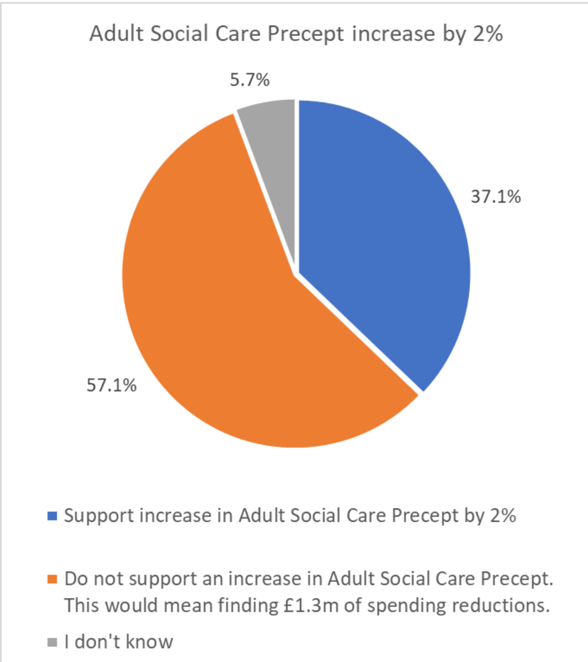
14.3. The exercise comprised a number of events as follows:

- An online budget consultation which ran throughout January
  The online survey was undertaken which had 105 responses.
- Social media posts from 6 January to 31 January
  The Council published 18 posts across Facebook (7) and Twitter (11). In total the content had 24,794 impressions across Facebook (14,000) and Twitter (10,794). The posts also generated 32 likes, 25 shares and 52 comments (this is excluding the Facebook Live, see below). In addition, there were 417 clicks through to the budget page and/or the consultation page.
- Facebook Live Q&A, 28 January 6.30pm
  As at 31 January, the live video has appeared in 6,000 Facebook feeds and has achieved 2,700 views, 23 reactions (likes and smiley faces), 13 shares, and 192 comments.
  The majority of questions were about social housing/regeneration and CPZs. Comments here: https://bit.ly/2U1yVQK
- Face to Face events in Barking and Chadwell Heath to which resident groups including business representatives were invited.

14.4. The online budget consultation was completed by 102 residents and 3 representatives of an organisation. The online survey asked 9 questions which provided the opportunity to include detailed comments on where the council should reduce or remove spending, where service users could be charged and where the council should focus when developing future budget proposals.

14.5. When asked for their views on raising council tax and the Adult Social Care Precept the results are shown below.





14.6. The areas where respondents would reduce or remove spending was on controlled parking zones, adult social care, green/bulky waste collections and councillor allowances.

14.7. Respondents supported charging or fining people for parking in front of schools, fly tipping, littering and not recycling.

14.8. There was support for continuing to develop housing and infrastructure, investing in community safety and policing and improving the environment within the borough.

14.9. As a result of the provisional local government finance settlement being published later than expected and a general election in December 2019, the consultation exercises started later than in previous years.

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

15.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget estimates and the adequacy of financial reserves. The Act also requires the Authority to which the report is made to have regard to the report when making decisions about the budget.

15.2. In this context, the reference to the Chief Finance Officer is defined in Section 151 of the Local Government Act 1972. This statutory role is fulfilled in this authority by the Chief Operating Officer.

15.3. In summary, the Chief Finance Officer considers the budget proposals to establish a net budget requirement of £155.796m and council tax requirement of £65.787m for 2020/21 as set out in this report as robust. The level of reserves is sufficient to mitigate known risks during the forthcoming financial year taking account of the Council’s financial management framework. However, the financial outlook over the medium term remains challenging with increasing cost pressures and uncertainty due to planned changes to the national local government funding framework, expected from 2021/22. The council will be required to remain proactive in delivering sustainable council transformation to ensure a balanced budget position can be maintained for 2021/22 and beyond.

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

- Financial resources are appropriately aligned to the strategic priorities of the council with appropriate investment to meet priorities and respond to changes in demand.
- Savings have been identified in line with the Council’s transformation programme and action plans are in place for their delivery.
- Appropriate actions are being taken to identify and collect outstanding debts owed to the council, including historic debts.
- Contingency budgets are held centrally to mitigate unforeseen cost pressures in the event they arise during the course of the year. This could be used to meet unexpected increases in demand led services or potential impact of a no-deal Exit from the EU.
- Employee budgets are based on the appropriate scale point although the cost of annual pay rises is expected to be absorbed within service budgets.

- Assumptions about future inflation and interest rates are realistic.
- Income estimates are based on updated forecasts against trend.
- Capital and revenue budgeting are integrated with the revenue consequences of the capital programme considered as part of the overall budget process.

15.5. Appropriate governance arrangements are in place to manage financial resource throughout 2020/21:

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

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

- The settlement figures provided in the budget are based on the provisional settlement. Any variations in the final settlement will be reported as part of quarter 1 budget monitoring 2020/21.
- The Cabinet's proposals do not breach the "excessiveness" principle for 2019/20, where local referendum is required. The threshold for 2020/21 for general council tax if it rises by 2% or more, alongside a maximum 2% social care precept.
- Appropriate assessment has been made of the council tax and business rate base 2020/21 and the likely levels of collection and bad debt recovery.

15.7. In assessing the adequacy of reserves, the Chief Finance Officer has considered the level of reserves and undertaken a risk-based approach to assessing the minimum level of balances. For 2020/21 and 2021/22 the minimum level of General Reserves is recommended at £12.0m. The current level of the General Fund balance is £17.0m.

15.8. Earmarked Reserves are available to provide financing for future expenditure plans. Earmarked Reserves (excluding those held by schools under delegation) stood at £48.8m at 31 March 2019. These are forecast to be £34.6m by 31 March 2020.

15.9. The Budget Support Reserve, intended to provide short term support and pump prime efficiencies, stood at £12.3m at 31 March 2019. This reserve balance is forecast to be fully utilised by 31 March 2020. The underlying 2020/21 budget does not place undue reliance on reserves as general budget support.

15.10. The Council continues to face financial challenges over the medium term. The delivery of a balanced budget for 2020/21 is reliant on delivering savings of £12.7m in addition to those that are still outstanding from previous years. Further savings will need to be identified in 2022/23 and 2023/24. There is significant uncertainty in relation to local government funding beyond 2020/21 and the potential impact of changes to New Homes Bonus, the Business Rates Retention Scheme and the Fair Funding Review. The Council continues to maintain its focus on delivering transformation at pace and thereby securing financial sustainability.

16. Financial Implications

Implications completed by: Philip Gregory, Finance Director

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

17. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

17.1. As has been explained in paragraph 15 above the Local Government Finance Act 2013 requires the Chief Finance Officer to report on the robustness of the estimates for calculations and the adequacy of reserves to the Authority and that the Authority must take these matters into account when making decisions on the matters before it in this report. By law a local authority is required under the Local Government Finance Act 1992 to produce a ‘balanced budget’. The current budget setting takes place in the context of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of agreed savings options. Relevant legal considerations are identified below.

17.2. Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing then it will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.

17.3. If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. The Council must have regard to:

- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;
- any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
- any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);
- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;

- to any responses from stakeholders to consultation undertaken.

17.4. In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant ‘protected characteristic’. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information.

18. Corporate Policy and Equality Impact

18.1. The Equality Act 2010 requires a public authority, in the exercise of its functions, to have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant protected characteristic. As well as complying with legislation, assessing the equality implications can help to design services that are customer focussed, in turn leading to improved service delivery and customer satisfaction.

18.2. The Council’s Equality and Diversity strategy commits the Council to ensuring fair and open service delivery, making best use of data and insight and reflecting the needs of the service users. Equality Impact Assessments allow for a structured, evidence based and consistent approach to considering the equality implications of proposals and should be considered at the early stages of planning.

18.3. There are no new savings proposals that put forward and EIAs have also been carried out for all existing saving to ensure the Council properly considers any impact of the proposal. The Council’s transformation programme aims to redesign services to make them more person-centred and focussing on improving outcomes for residents. Therefore, in most cases the proposals have either a positive or neutral impact. However, where a negative impact has been identified, the Council will ensure appropriate mitigations are considered and relevant affected groups are consulted.

Public Background Papers Used in the Preparation of the Report:

- Provisional Local Government Finance Settlement (https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2020-to-2021)

List of appendices:

- Appendix A – Revenue Budget
- Appendix B – MTFS
- Appendix C – The Statutory Budget Determination
- Appendix D – Calculation of the Council Tax Requirement
- Appendix E – Draft Capital Programme
- Appendix F – Flexible Use of Capital Receipts
- Appendix G – School Funding Formula Factors
- Appendix H – Forecast General Fund Usable Reserves
- Appendix I – New Homes Bonus Allocations

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Appendix A - Revenue Budgets 2020-21

Revenue Budgets 2020-21	Initial Base	1 Capital Charges	2 MTFS growth	3 Recharges	4 Savings	5 Service adjustments	6 Central adjustments ZA	7 Commercial income	Transfer to Reserves	TOTAL
CARE & SUPPORT	65,557,278	1,261,720	10,771,910	5,547,700	(1,710,620)	1,329,020	0	0	0	82,757,008
CENTRAL	32,701,297	(35,522,110)	5,997,330	2,513,280	(3,213,330)	(99,996)	918,360	(1,909,000)	3,407,000	4,792,831
COMMUNITY SOLUTIONS	7,673,270	3,704,550	409,760	2,072,760	(970,330)	44,571	0	0	0	12,934,581
CONTRACTED SERVICES	10,898,400	446,160	0	(5,959,480)	(4,591,000)	0	0	0	0	794,080
CORE	8,929,670	128,030	65,260	(1,952,970)	(1,392,000)	(153,960)	0	(762,000)	0	4,862,030
EDUCATION, YOUTH & CHILDCARE	1,966,150	16,980,830	28,990	1,952,250	0	0	0	0	0	20,928,220
INCLUSIVE GROWTH	(136,410)	112,970	8,780	1,233,050	0	0	(101,760)	0	0	1,116,630
LAW, GOVERNANCE & HR	1,161,504	267,390	522,030	(2,550,410)	0	0	11,000	0	0	(588,486)
MY PLACE	9,222,371	11,431,830	646,120	(2,938,580)	(493,250)	0	(24,200)	0	0	17,844,291
POLICY & PARTICIPATION	3,722,230	294,740	439,030	(1,037,100)	(325,000)	209,385	0	0	0	3,303,285
SDI COMMISSIONING	7,226,010	893,890	46,790	1,119,500	0	(1,329,020)	(905,160)	0	0	7,052,010
BE FIRST	(101,760)	0	0	0	0	0	101,760	0	0	0
TOTAL GENERAL FUND	**148,820,010**	**0**	**18,936,000**	**0**	**(12,695,530)**	**0**	**0**	**(2,671,000)**	**3,407,000**	**155,796,480**

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Appendix B

Medium Term Financial Strategy - Summary Position 2020/21- 2023/24

	2020/20 £000 Feb' 20	2021/22 £000 Revised	2022/23 £000 Revised	2023/24 £000 Revised
Prior Year (Surplus) / Deficit				
Budget Increases				
Corporate Growth				
Investment in the capital programme	450	450	450	450
ELWA levy increase	725	740	765	800
Extra cost of Capital borrowing (6% for MRP & 3% for Interest)	750			
Pensions remove advance payment element	200	1,000		
Capital Financing Costs	340	(340)		
Cross Cutting Items				
Staff pay award and capacity building	2,000	2,000	2,000	2,000
Non staff inflation	1,000	1,000	1,000	1,000
Service Pressures				
Public Realm	400		530	
Childrens TOM	1,500			
LAC/Care	3,000	600	600	600
Adults	3,000	1,000	1,000	1,000
Adults Fourth Locality				250
Disabilities	3,000	500	500	500
Community Solutions	260	260	260	260
Participation & Engagement	400	(110)	(50)	
Parks		600		
Welfare Reform Impact	800			
London Fraud Hub Subsciption	70			
Community Safety	150			
Legal Services	240			
Further recurrent pressures - Disabilities	2,000			
Care Leavers Council Tax Exemption	151			
Census Information Scheme 2021		18		
Total Additional Costs	**20,436**	**7,718**	**7,055**	**6,860**
Changes in Income & Funding				
Business Rates/RSG	(1,134)	(1,884)	(2,315)	(2,392)
Income from Business Rates Pooling	(314)	314		
Increase in Council Tax Base	(1,477)	(987)	(1,031)	(1,078)
General Council Tax Increase	(1,259)	(1,997)	(2,087)	(2,182)
2% Adult Social Care Precept	(1,265)			
Business Rates Levy Surplus 18/19 roll forward	871			
Local Council Support Administration Subsidy	30	26	23	23
Housing Benefit Administration Subsidy	115	80	76	76
Homelessness Reduction Act Grant-New Burdens		318		
New Homes Bonus Grant	3,007			
New Homes Bonus Grant - Loss of Legacy payments		2,102	3,267	3,695
Collection Fund (Surplus)/Deficit	(1,745)	1,745		
New Social Care Grant 2020	(3,805)	3,805		
Total Changes in Income	**(6,976)**	**3,522**	**(2,067)**	**(1,858)**
Savings				
Savings approved by Cabinet	(12,696)			
Non-Delivery of Savings				
Additional Savings			(2,000)	(2,000)
Total Savings	**(12,696)**	**-**	**(2,000)**	**(2,000)**
In-Year Budget Gap after savings	**764**	**11,240**	**2,988**	**3,002**
Technical Adjustments				
MRP policy change	(1,000)			
Additional MRP changes	(500)	150	150	150
Commercial Income				
Investment Income	(762)	50	(165)	(2,000)
Company Dividends	(1,909)	(3,410)	(505)	188
Revised Budget Gap after Technical Adj & Commecial Income	**(3,407)**	**8,030**	**2,468**	**1,340**
Cumlatative Budget Gap	**(3,407)**	**8,030**	**2,468**	**1,340**
Transfer To/(From) Earmarked Reserves	3,407	(3,407)		
Budget Gap	**-**	**4,623**	**2,468**	**1,340**

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STATUTORY BUDGET DETERMINATIONS

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

1. At its meeting on 21 January 2020 the Council approved the Council Tax Base 2020/21 calculation for the whole Council area as 51,204.07 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended ("the Act")]

2. The following amounts have been calculated by the Council for the year 2020/21 in accordance with Sections 31 to 36 of the Act:-

(a)	£748,523,622	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£682,736,633	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£65,786,989	being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (i.e. Item R in the formula in Section 31A(4) of the Act).
(d)	£1,284.80	being the amount at 2(c) above (i.e. "Item R), divided by Item T (shown at 1 above), calculated by the Council, in accordance with Section 31B(1) of the Act as the basic amount of its Council Tax for the year. Refer below for further detail.

Valuation Bands

A	B	C	D	E	F	G	H
£856.53	£999.29	£1,142.04	£1,284.80	£1,570.31	£1,855.82	£2,141.33	£2,569.60

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

3. That it be noted that for the year 2020/21 the Greater London Authority has indicated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:-

Precepting Authority: Greater London Authority

Valuation Bands

A	B	C	D	E	F	G	H
£221.38	£258.28	£295.17	£332.07	£405.86	£479.66	£553.45	£664.14

4. That, having calculated the aggregate in each case of the amounts at 2 and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2020/21 for each of the categories of dwellings shown below:-

Valuation Bands

A	B	C	D	E	F	G	H
£1,077.91	£1,257.57	£1,437.21	£1,616.87	£1,976.17	£2,335.48	£2,694.78	£3,233.74

Appendix D

Calculation of the Proposed Council Tax for 2020/21

		£000
Revised 2018/19 Budget before reserves usage		**148,820**
Roll forward of last year's surplus	0	
New MTFS Items	20,436	
Approved Savings	(12,696)	
Company Returns/Investment Income	(2,671)	
Technical Items	(1,500)	
Transfer to Earmarked Reserves	3,407	
Total Adjustments		6,976
Base Budget Requirement for 2019/20		**155,796**
Funded By:		
Retained Business Rates Income	(80,294)	
Business Rates Pilot Surplus	(314)	
Specific Grants	(7,656)	
Collection Fund Surplus	(1,745)	
Total Funding		(90,009)
Council Tax Requirement		**(65,787)**
Council Tax Base (Equivalent Band D properties)		51,204.07
Council Tax:		
London Borough of Barking & Dagenham		1,284.80 TBC
Greater London Authority		332.07 TBC
Overall Council Tax - Band D equivalent		**£1,616.87**

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2020/21 CAPITAL PROGRAMME

Project No.	Project Name	2020/21 CAPITAL PROGRAMME SLIPPAGE	2020/21 NEW	Total
	GENERAL FUND			
FC00100	**Adults Care and Support**			
FC00106	Disabled Facilities Grant	0	1,841,341	1,841,341
FC02888	Direct Pymt Adaptations	0	400,000	400,000
	Total for Adults Care & Support		**2,241,341**	**2,241,341**
	Community Solutions			
FC03060	Barking Learning Centre Works	0	0	0
FC04036	Upgrade & enhancement of Security & Threat Management System at BLC	0	0	0
	Total for Community Solutions		**0**	**0**
FC02565	Implement Corporate Accommodation Strategy	10,507	0	10,507
FC02738	Modernisation & Imp Cap Fund	(1,034)	0	(1,034)
FC02811	Members Budget - NEW	0	340,000	340,000
FC02877	Oracle R12 Joint Services	39,148	0	39,148
FC03052	Elevate ICT investment	691,218	1,950,000	2,641,218
FC03059	Customer Services Channel Shift	106,884	0	106,884
FC03068	ICT End User Computing	188,000	172,000	360,000
FC04055	Woodlands Repairs	(4,622)	0	(4,622)
	Total for Core	**1,030,101**	**2,462,000**	**3,492,101**
	Culture, Heritage & Recreation			
FC03029	Broadway Theatre	(5,070)	0	(5,070)
FC03057	Youth Zone	74,931	0	74,931
FC04042	Community Halls	9,667	0	9,667
FC03067	Abbey Green Restoration/Works	313,224	0	313,224
FC03093	Eastbury Manor House - Access and egress improvements	215,724	0	215,724
FC04031	Reimagining Eastbury	(35,830)	100,000	64,170
FC04033	Redressing Valence	0	500,000	500,000
FC04043	The Abbey: Unlocking Barking’s past, securing its future	(8,456)	0	(8,456)
FC04044	East London Industrial Heritage Museum	75,000	0	75,000
FC03026	Old Dagenham Park BMX Track	(0)	0	(0)
FC03032	3G football pitches in Parsloes Park	6,610,279	0	6,610,279
FC03034	Strategic Parks - Park Infrastructure	49,891	0	49,891
FC03062	50m Demountable Swimming Pool	623,623	0	623,623
FC03090	Lakes	59,118	190,000	249,118
FC04013	Park Infrastructure Enhancements	(49,002)	20,000	(29,002)
FC04017	Fixed play facilities	(18,110)	50,000	31,890
FC04018	Park Buildings – Response to 2014 Building Surveys	25,228	75,000	100,228
FC04020	Parsloes Park regional football hub	(39,880)	0	(39,880)
FC04080	Children’s Play Spcs & Fac	9,900	55,000	64,900
FC04081	Parks & Open Spcs Strat 17	30,000	100,000	130,000
FC04082	Tantony Green Play Area	(27,950)	0	(27,950)
FC04084	Central Park Masterplan Implementation	1,012,893	0	1,012,893
FC04085	Valence Park Play Facility	0	0	0
	Total for Culture, Heritage & Recreation	**8,925,179**	**1,090,000**	**10,015,179**
	Education Youth & Childcare			
	Childrens Centres			
FC03063	Extension of Abbey children’s centre nursery	0	0	0
NEW2021B	In Borough Specialist Residential Home	0	325,000	325,000
	Other Schemes	0		0
FC02909	School Expansion Minor projects	(100,000)	0	(100,000)
FC02920	Warren / Furze Expansion	24,153	0	24,153
FC02972	Implementation of early education for 2 year olds	65,000	252,000	317,000
FC03042	Additional SEN Provision	(50,000)	231,000	181,000
FC03043	Pupil Intervention Project (PIP)	(41,220)	0	(41,220)
FC03085	School Conditions Allocation 2017-19	(175,951)	0	(175,951)
FC04052	SEND 2018-21	(654,284)	1,300,000	645,716
FC04053	School Conditions Allocation 2018-20	21,707	0	21,707

Project No.	Project Name	2020/21 CAPITAL PROGRAMME SLIPPAGE	2020/21 NEW	Total
FC04072	School Condition Alctns 18-19	1,362,230	1,500,000	2,862,230
FC04087	SCA 2019/20 (A)	(3,000,000)	640,000	(2,360,000)
FC04097	Trinity Special School Expnasion	0	750,000	750,000
FC04098b	Schools Condition Allocations 2019-20	0	3,800,000	3,800,000
NEW2021C	New SCA from backlog	(300,000)	0	(300,000)
NEW2021D	New BN revisit expanded schools	(300,000)	0	(300,000)
	Primary			0
FC02961	Goresbrook	0	0	0
FC03053	Gascoigne Prmy 5forms to 4 forms	(48,037)	0	(48,037)
FC04058	Marks Gate Infants & Juniors 2018-20	(200,000)	1,000,000	800,000
FC04059	Greatfields Primary	0	8,000,000	8,000,000
FC04071	Roding Primary Classroom Reinstatement	(1,200,000)	75,000	(1,125,000)
FC04098	Ripple Suffolk Primary	800,000	800,000	1,600,000
FC04098a	Greatfields Primary	0	0	0
	Secondary			0
FC02959	Robert Clack Expansion 13-15	3,699,213	0	3,699,213
FC03018	Eastbury Secondary	(40,278)	0	(40,278)
FC03020	Dagenham Park	(100,000)	0	(100,000)
FC03022	New Gascoigne (Greatfields) Secondary School	6,082,802	18,500,000	24,582,802
FC03054	Lymington Fields New School	(6,000,000)	1,500,000	(4,500,000)
FC03078	Barking Abbey Expansion 2016-18	3,400,000	1,040,000	4,440,000
	Total for Education Youth & Childcare	**3,245,335**	**39,713,000**	**42,958,335**
	Enforcement			
FC02982	Consolidation & Expansion of CPZ	846,183	2,061,600	2,907,783
FC04015	Enforcement Equipment		0	0
	Total for Enforcement	**846,183**	**2,061,600**	**2,907,783**
	MyPlace			
FC02587	Energy Efficieny Programme	(266,123)	0	(266,123)
FC04063	Flood Survey (Formally Flood Risk Management)	0	0	0
FC05016	Frizlands Depot washbay	80,000	0	80,000
FC05017	Frizlands Public Realm Building Improvements	0	0	0
FC05018	Stock Condition Survey	160,000	265,000	425,000
FC05010a	Reside Lifts Replacement	(170,000)	0	(170,000)
FC02542	Capital Improvements	0	0	0
FC02962	Principal Rd Resurfcng 2013-14	0	0	0
FC02963	Mayesbrook Nghbrhd Imprv 13-14	0	0	0
FC02964	Road Safety Improvements Programme (Various Locations)	0	0	0
FC03011	Structural Repairs & Bridge Maintenance	(170,600)	0	(170,600)
FC03023	Bus Stop Accessibility Improvements	0	0	0
FC03030	Frizlands Phase 2 Asbestos Replacement	(500)	0	(500)
FC03044	Fire Safety Works (R&M)	0	0	0
FC03064	Street Lighting 2016-2019 : Expired Lighting Column Replacement	(2,075)	0	(2,075)
FC03065	HIP 2016-17 Footways & Carriageways	0	2,815,000	2,815,000
FC04019	Replacement of Winter Maintenance Equipment / Gully Motors	0	0	0
FC04029	Engineering Works (Road Safety)	64,742	0	64,742
FC04064	Bridges and Structures	550,000	300,000	850,000
FC05000	Roycraft House refurbish WCs Internals & Electricals	0	180,000	180,000
FC02898	Local Transport Plans	0	0	0
FC03025	Gale Street Corridor Improvements	(224,075)	0	(224,075)
FC03097	Thames View Cycle/Walking Link Improvements	0	0	0
FC03098	Cycle Schemes - Quietway CS3X	0	0	0
FC02994	Renwick Road/ Choats Road 2014/15 (TfL)	0	0	0
FC02996	Barking Town Centre 2014/15 (TfL)	(47,000)	0	(47,000)
FC03055	Barking Riverside Trans link	(178,778)	0	(178,778)
FC03070	Boundary Road Hostel: Critical Needs Homelessness Assessment and Support Centre	(8,980)	0	(8,980)
FC04092	Barking Station Improvements - BE FIRST	168,689	0	168,689
FC04093	Heathway Corridor - BE FIRST	0	0	0
FC04094	Becontree Heath Low Emission - BE FIRST	0	0	0
FC04095	Station Access Improv Prog - BE FIRST	0	0	0
NEW2021A	Procuring in cab tech for waste vehicles and subsequent licences etc	0	110,000	110,000
NEW2021E	New CIL/TFL schemes 2019.20	0	2,681,789	2,681,789
NEW2021E1	New TFL schemes 2019.20	0	1,640,000	1,640,000
	Total for My Place	**(44,700)**	**7,991,789**	**7,947,089**

Project No.	Project Name	2020/21 CAPITAL PROGRAMME SLIPPAGE	2020/21 NEW	Total
	Public Realm			
FC03083	Chadwell Heath Cemetry Ext	0	0	0
FC04012	Bins Rationalisation	0	50,000	50,000
FC04014	Refuse Fleet	0	0	0
FC04016	On-vehicle Bin Weighing System for Commercial Waste	0	0	0
FC04028	Equipment to reduce Hand Arm Vibration	0	0	0
FC04070	Vehicle Fleet Replacement	0	3,128,618	3,128,618
	Total for Public Realm	**0**	**3,178,618**	**3,178,618**
	Investment Strategy & Be First			
FC02969	Creative Industry (formerly Barking Bathouse)	0	0	0
FC02985	Gascoigne West (Housing Zone)	0	24,113,946	24,113,946
FC02986	Gascoigne East Ph2	0	0	0
FC02988	Margaret Bondfield	467,405	406,245	873,650
FC03058	Kingsbridge Development	0	0	0
FC03072	Conversion & Redevelopment of Former Sacred Heart Convent, 191 Goresbrook F	463,451	5,529,417	5,992,868
FC03081	Land Acquisitions 2016-18	0	0	0
FC03082	Gurdwara Way - Land Rmdiation	0	0	0
FC03084	Sebastian Court - Redevelop	3,580,145	19,546,023	23,126,168
FC03086	Land at BEC - live work scheme	757,396	3,988,379	4,745,775
FC03099	Abbey Green & Barking Town Centre Conservation Area Townscape HLF Project	0	0	0
FC04062	Gascoigne East Phase 2	949,194	67,215,360	68,164,554
FC04065	200 Becontree	0	5,003,816	5,003,816
FC04066	Roxwell Road	172,517	1,782,683	1,955,200
FC04067	12 Thames Road	205,691	1,577,915	1,783,605
FC04068	Oxlow Road	62,287	1,117,903	1,180,189
FC04069	Crown House	(0)	33,556,304	33,556,304
FC04075	Rainham Road South	278,396	3,542,590	3,820,986
FC04077	Weighbridge	0	0	0
FC04078	Wivenhoe Containers	955,510	1,956,708	2,912,218
FC04099	Gascoigne West P1 Development (Phase 1)	0	0	0
FC04100	Limbourne Avenue BF0052	0	0	0
NEW2023	Gascoigne East Phase 3	(0)	0	(0)
NEW2024	Gascoigne West Phase 2	(0)	0	(0)
FC04091	Wellbeck Wharf	0	16,589,892	16,589,892
	Inclusive Growth			0
FC05020	Woodward Road	0	5,765,376	5,765,376
	Investment Strategy			0
FC03080	Royal British Legion	0	2,987,330	2,987,330
FC05021	Grays Court	0	229,913	229,914
FC05023	Cromwell Centre (32 Thames Road)	0	0	0
FC03027	Establishment of Council Owned Energy Services Company	0	1,000,000	1,000,000
FC03089	Becontree Heath New Build	0	0	0
FC04051	Street Property Acquisition 2017-19	0	0	0
FC04083	The Cube	0	0	0
FC04086	Travelodge Isle of Dogs	0	0	0
FC04103	Restore	0	0	0
	New Build Schemes			0
FC02970	Marks Gate	(0)	43,773,264	43,773,264
FC04056	Abbey Road Infrastructure	0	0	0
FC04057	Travelodge Dagenham	0	5,472,268	5,472,268
FC04073	Church Street, RM10 9AX	0	0	0
FC04074	Land rear of 134 Becontree Ave	0	0	0
FC04076	Salisbury Road	0	0	0
FC04079	**Wivenhoe Road - Traditional**	0	0	0
	Total for Investment Strategy	**7,891,991**	**245,155,333**	**253,047,324**
	TOTAL GENERAL FUND CAPITAL PROGRAMME	**21,894,089**	**303,893,681**	**325,787,770**
	HRA			
	Asset Management			
FC00100	Aids And Adaptations	200,000	1,200,000	1,400,000
FC02933	Voids	200,000	1,500,000	1,700,000
FC02934	Minor Works & Replacements	0	0	0
FC02938	Fire Safety Improvement Works	0	0	0
FC02939	Conversions	0	0	0

Project No.	Project Name	2020/21 CAPITAL PROGRAMME		
		SLIPPAGE	2020/21 NEW	Total
FC02943	Compliance (Asbestos, Tanks, Rewires)	5,205	0	5,205
FC02950	Communal Heating Replacement	100,000	0	100,000
FC02983	Decent Homes Central 2017-19	18,671	0	18,671
FC03007	Windows & Door Replacements	0	0	0
FC03036	Decent Homes Support - Liaison Surveys	0	0	0
FC03037	Energy Efficiency inc Green Street	0	0	0
FC03038	Garages	0	0	0
FC03039	Estate Roads Resurfacing	0	0	0
FC03040	Communal Repairs & Upgrades	74,730	0	74,730
FC03045	External Fabric inc EWI- Blocks	0	0	0
FC03046	Decent Homes North 2017-19	0	0	0
FC03047	Decent Homes South 2017-19	0	0	0
FC03048	Fire Safety Improvement Works	269,478	0	269,478
FC04000	Estate Environment Improvement	0	0	0
FC04001	Electrical Lateral Replacement	0	0	0
FC04002	Lift Replacement Programme	1,500,000	750,000	2,250,000
FC04003	Domestic Heating Replacement	0	500,000	500,000
FC04004	Box-Bathroom Refurbs (Apprenticeships)	500,000	300,000	800,000
FC05002	Externals 1 - Houses & Blocks	3,700,000	4,000,000	7,700,000
FC05003	Externals 2 - Houses & Blocks	1,500,000	500,000	2,000,000
FC05004	Door Entry Systems	100,000	1,000,000	1,100,000
FC05005	Compliance	1,200,000	0	1,200,000
FC05006	Fire Safety Improvement Works	1,200,000	0	1,200,000
FC05007	Fire Doors	3,800,000	2,000,000	5,800,000
FC05008	De-Gassing of Blocks	0	50,000	50,000
FC05009	Lateral Mains	0	0	0
FC05010	Lift Replacement Programme	250,000	0	250,000
FC05011	Communal Boilers	431,540	500,000	931,540
FC05012	Garages	0	0	0
FC05013	Estate Roads Resurfacing	1,281,091	2,000,000	3,281,091
FC05014	Energy Efficiency inc Green Street	0	1,500,000	1,500,000
FC05015	Other Works	0	500,000	500,000
FC0XX13	Decent Homes 2016-22 Programme	0	0	0
FC03027a	ESCO	127,000	0	127,000
FC05000a	DH Internal	2,700,000	3,000,000	5,700,000
	Estate Renewal	0		0
FC02820	Estate Renewal	0	8,000,000	8,000,000
	Housing Transformation	0		0
FC03073	Housing Transformation	0	0	0
	New Build Schemes	0		0
FC02973	Infill Sites	0	0	0
FC02989	Ilchestr Rd / North St New Build	0	0	0
FC02991	North St	0	0	0
FC03009	Leys Phase 2	0	0	0
FC03056	Burford Close	0	0	0
FC03056a	New Build Schemes	0	2,500,000	2,500,000
FC03071	Melish and Sugdan	0	0	0
	Total for HRA	**19,157,715**	**29,800,000**	**48,957,715**
	Transformation Capital			
FC04008	Customer Access Strategy (CAS)		0	0
FC04009	Smarter Working Programme		0	0
FC04049	Community Solutions		0	0
FC04050a	Core Transformation	0	6,495,000	6,495,000
FC05019	Children’s Improvement Programme		0	0
	Transformation	**0**	**6,495,000**	**6,495,000**
	GRAND TOTAL		**340,188,681**	**381,240,485**

APPENDIX F

Strategy for the Flexible Use of Capital Receipts

Background

Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) regulations 2003 made under section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure. The use of capital receipts to support revenue expenditure is not permitted by the regulations.

However, the Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a Direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

For a number of years the local government sector has been lobbying central government to provide councils with greater freedoms and flexibilities in relation to the use of Capital Receipts to support the delivery of savings and efficiencies. In 2013, the Local Government Association argued that freedoms should be given to Councils to "release value currently residing on council's balance sheets without the need for further funding from taxation; the sale of assets generates economic activity, as does transformational revenue expenditure"[1].

In response, the Secretary of State for Communities and Local Government issued guidance in March 2016[2], giving local authorities greater freedoms in relation to how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital:

> *"expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."*

This was extended in an amended direction[2] in December 2017 by a further three years up to and including 2021/22 to allow the continued flexible use of capital receipts for the above purposes.

To benefit from this dispensation and comply with the Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a 'Flexible Use of Capital Receipts Strategy'. The guidance also requires that each authority should disclose the individual projects that will be funded or part funded through capital receipts flexibility to full Council or the equivalent. It goes on to say that this requirement can be satisfied as part of the annual budget setting process, through the Medium-Term Financial Plan or equivalent, or for those authorities that sign up to a four-year settlement deal, as part of the required Efficiency Plan. Accordingly this strategy sets out how the flexible use of Capital Receipts

[1] LGA Consultation Response "Proposals for the use of capital receipts from asset sales: 24th September 2013.
[2] Statutory Guidance on the Flexible Use of Capital Receipts (Updated) DCLG March 2016, amended by extension Direction in December 2017

will be utilised in 2020/21. Updates will be included in the Budget and MTFS reports to Assembly in future years or earlier if required.

There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.

The Statutory Guidance for the Flexible Use of Capital Receipts Strategy states that the Strategy should include a list of each project where it is intended capital receipts will be used, together with the expected savings that the project will deliver. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

The Flexible Use of Capital Receipts Strategy is set out below

Flexible Use of Capital Receipts Strategy

The Council welcomes the Government's Flexible Use of Capital Receipts dispensation and believes that if it is used judiciously and prudently, it can help the authority deliver savings while protecting revenue budgets. Working in this way will help to protect jobs and shield the tax payer. It aligns with the more commercial approach the Council is adopting to the use of its balance sheet to get the best value from its assets, in terms of both acquisitions and disposals; and also boosting our income generating asset portfolio.

Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

"Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

In 2020/21, 6.5m capital receipts are forecast and will be available to provide funding for transformation. Transformation work agreed by Cabinet in January 2019 on Core Services also requires flexible use of receipts. The estimated costs and savings profile is as below:

	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	Total £000
Total Cost	(663)	(4,356)	(2,892)	(1,824)	0	0	0	(9,736)
Savings	0	0	4,949	7,853	8,480	9,057	9,634	39,973
Net Savings	***(663)***	***(4,356)***	***2,057***	***6,029***	***8,480***	***9,057***	***9,634***	***30,237***

Note: Figures in brackets represent costs/shortfall

Impact on Prudential Indicators

The guidance requires that the impact on the Council’s Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. There will be no impact on the Council’s prudential indicators as a result of the implementation of this strategy because none of the assets in question have currently been allocated to the for use in the Council’s capital programme

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APPENDIX G- National Funding Formula Rates vs Rates Applied to Local Formula

		2019/20 Local APT Rates		2020/21 NNF with Area Cos		2020/21 NFF Rates in APT	
		Primary	Secondary	Primary	Secondary	Primary	Secondary
1) Basic Entitleme	Reception uplift						
	Description						
	Primary (Years R-6)	3,060		3,228	-	3,375	
	Key Stage 3 (Years 7-9)		4,303	-	4,540		4,365
	Key Stage 4 (Years 10-11)		4,886	-	5,153		5,010
	Description			-	-		
2) Deprivation	FSM	497	497	508	508	508	508
	FSM6	610	886	633	921	633	921
	IDACI Band F	226	327	237	339	237	339
	IDACI Band E	271	440	282	458	282	458
	IDACI Band D	406	581	424	604	424	604
	IDACI Band C	440	632	458	655	458	655
	IDACI Band B	474	677	491	706	491	706
	IDACI Band A	649	914	678	949	678	949
	Description			-	-		
3) Looked After Ch	LAC X March 19						
4) English as an A	N/A	581	1,563	604	1,627	604	1,627
	N/A			-	-		
5) Mobility	Pupils starting school outside of normal entry dates	422	700	989	1,412	989	1,412
	Description			-	-		
6) Prior attainment	Low Attainment	1,154	1,750	1,203	1,819	1,203	1,819
				-	-		
Factor				-	-		
7) Lump Sum		124,159	124,159	129,255	129,255	129,255	129,255
8) Sparsity factor							
9) Fringe Payments							
10) Split Sites		160,000	200,000			160,000	200,000
11) Rates							
12) PFI funding							
13) Exceptional circumstances							

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Appendix H - Forecast Earmarked Reserves

Description	Opening Balance 19-20 (1st April 2019)	Transfers to Reserves	Drawdown from Reserves	Forecast Opening Balance 20-21 (1st April 2020)
General Fund Balances	**(17,030,171)**			**(17,030,171)**
Earmarked Reserve Balances				
BUTLER COURT (REFURBISHMENT)	(89,323)			(89,323)
SKILLS & LEARNING PROGRAMME RESERVE	(1,093,129)			(1,093,129)
ADULT SOCIAL CARE RESERVE	0			0
TOTAL DEPARTMENTAL RESERVE	**(1,182,452)**			**(1,182,452)**
CAPITAL INVESTMENT RESERVE	(3,075,842)			(3,075,842)
CAPITAL INVESTMENT RESERVE	(500,000)			(500,000)
TOTAL CAPITAL INVESTMENT RESERVE	**(3,575,842)**			**(3,575,842)**
B&D RESIDE LIMITED	326,839			326,839
B&D RESIDE ABBEY RODING LLP	0			0
ABBEY MRP	887,548			887,548
LIFECYCLE RESERVE	(831,483)			(831,483)
PROPERTY RESERVE - RESIDE	123,027			123,027
ABBEY MRP2	(953,479)			(953,479)
B&D RESIDE LIMITED	(326,839)			(326,839)
TOTAL ENTITIES RESERVE	**(774,387)**			**(774,387)**
PFI RESERVE	(4,928,733)			(4,928,733)
JO RICHARDSON AND EASTBURY PFI	(7,698,827)			(7,698,827)
TOTAL PFI	**(12,627,560)**			**(12,627,560)**
OTHER MISCELLANEOUS	(552,000)			(552,000)
GRANTS - DEPARTMENT FOR EDUCATION	(38,700)			(38,700)
PARKING RESERVE	(65,000)			(65,000)
TREWERN OUTDOOR CENTRE RESERVE	(80,800)			(80,800)
YOS - HEALTH & JUSTICE (FROM CCG)	(74,222)			(74,222)
LEAVING CARE SERVICE (NEET FUNDING - RE CMF GRANT)	(141,094)			(141,094)
TOTAL OTHER MISCELLANEOUS	**(951,816)**			**(951,816)**
INVESTMENT RESERVE	(4,333,448)		1,247,000	(3,086,448)
PUBLIC HEALTH RESERVE	(562,508)			(562,508)
CORPORATE RESTRUCTURING - REDUNDANCIES RESERVE	(735,000)		735,000	(0)
INSURANCE FUND - LIABILITY RESERVE	(1,639,009)			(1,639,009)
BUDGET SUPPORT RESERVE	(12,295,326)	(209,968)	12,505,294	0
VAT MARKET REPAYMENT	(168,257)			(168,257)

LEGAL TRADING RESERVE (LBBD SHARE)	(814,716)			(814,716)
COLLECTION FUND EQUALISATION RESERVE	(3,503,009)			(3,503,009)
ELECTIONS RESERVE	(296,755)			(296,755)
LEP HOUSING RENTAL RESERVES	(204,670)			(204,670)
EDUCATION, YOUTH & CHILDCARE RESERVE	(900,737)			(900,737)
IT RESERVE	(1,214,000)			(1,214,000)
RESERVES - CLOSURE ADJUSTMENTS	(3,046,747)			(3,046,747)
NET EARMARKED RESERVE BALANCES	**(48,826,238)**			**(34,548,912)**

Appendix I – New Homes Bonus Allocations

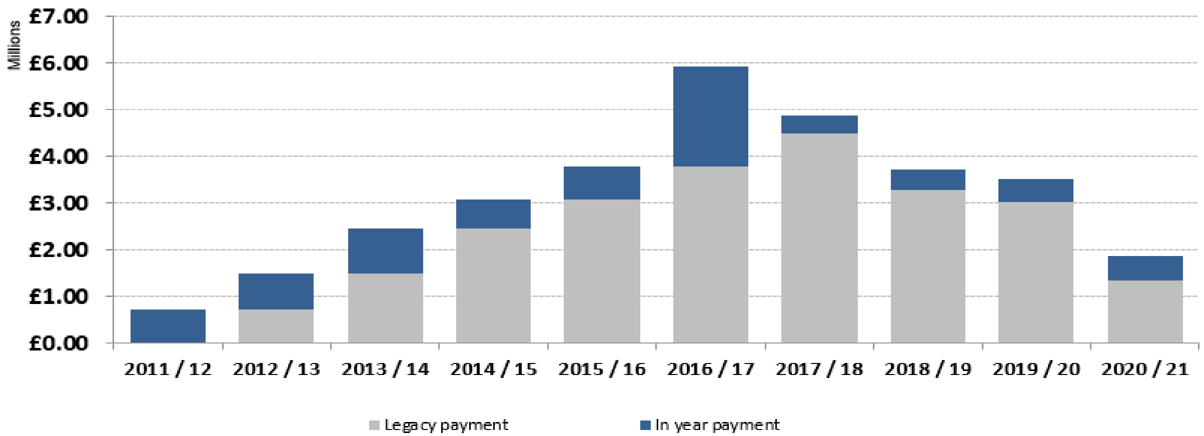
Year of Payment

Cumulative Payments	2011 / 12	2012 / 13	2013 / 14	2014 / 15	2015 / 16	2016 / 17	2017 / 18	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23
Payments for Year 1	£719,290	£719,290	£719,290	£719,290	£719,290	£719,290						
Payments for Year 2		£749,594	£749,594	£749,594	£749,594	£749,594						
Payments for Year 3			£996,051	£996,051	£996,051	£996,051	£996,051					
Payments for Year 4				£596,541	£596,541	£596,541	£596,541					
Payments for Year 5					£703,055	£703,055	£703,055	£703,055				
Payments for Year 6						£2,172,770	£2,172,770	£2,172,770	£2,172,770			
Payments for Year 7							£396,708	£396,708	£396,708	£396,708		
Payments for Year 8								£437,256	£437,256	£437,256	£437,256	
Payments for Year 9									£498,946	£498,946	£498,946	£498,946
Payments for Year 10										£520,059		
2020/21: Total Payments										**£1,852,969**		

Total Payments (2020/21)

Year 7	**£396,708**
Year 8	**£437,256**
Year 9	**£498,946**
Year 10	**£520,059**
Total Payment:	**£1,852,969**

Total New Homes Bonus Payments



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ASSEMBLY

26 February 2020

Title: Treasury Management Strategy Statement 2020/21	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** Yes
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Director of Finance	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	

Summary

This report deals with the Treasury Management Annual Strategy Statement, Treasury and Prudential Indicators, Annual Investment Strategy and borrowing limits, in compliance with Section 15(1)(a) of the Local Government Act 2003.

The production and approval each year of a Treasury Management Strategy Statement and Annual Investment Strategy are requirements of the Council under Section 15(1) of the Local Government Act 2003. It is also a requirement of the Act to set an authorised borrowing limit for the forthcoming financial year.

The Local Government Act 2003 also requires the Council to have regard to the Prudential Code, and to set prudential indicators which consider the Council's capital investment plans for the next three years.

The Prudential Code was revised in 2017 with the main changes being the inclusion of the Capital Strategy 2020/21 requirements. The Capital Strategy is largely driven by the Council's Investment and Acquisition Strategy, which will be revised in June 2020 and will be based on the Be First Business Plan, which is due to come to Cabinet in March 2020.

This report was considered and endorsed by the Cabinet at its meeting on 17 February 2020.

Recommendation(s)

The Assembly is recommended to adopt the Treasury Management Strategy Statement for 2020/21 and, in doing so, to:

(i) Note the current treasury position for 2020/21 and prospects for interest rates, as referred to in section 7.2 of the report;

(ii) Approve the Annual Investment Strategy 2020/21 outlining the investments that the Council may use for the prudent management of its investment balances, as set out in Appendix 1 to the report;

(iii) Approve the Council’s Borrowing Strategy 2020/21 to 2023/24, as set out in Appendix 2 to the report;

(iv) Note that the Capital Strategy 2020/21, incorporating the Investment and Acquisitions Strategy, shall be updated and presented for approval in June 2020;

(v) Approve the Capital Prudential and Treasury Indicators 2019/20 – 2023/24, as set out in Appendix 3 to the report;

(vi) Approve the Minimum Revenue Provision Policy Statement for 2020/21, representing the Council’s policy on repayment of debt, as set out in Appendix 4 to the report;

(vii) Approve the Operational Boundary Limit of £1.25bn and the Authorised Borrowing Limit of £1.35bn for 2020/21, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003, as referred to in Appendix 4 to the report; and

(viii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to consider the increase in cash from borrowing and any subsequent decrease in cash balances as payments are made to the Special Purpose Vehicle.

Reason(s)

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

1. Introduction and Background

1.1 The Council is required to operate a balanced budget, with cash raised during the year sufficient to meet the Council’s cash expenditure. Treasury management supports the Council by seeking to ensure its cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in counterparties or instruments commensurate with the Council’s risk appetite, providing adequate security and liquidity while also considering the investment return.

1.2 A second function of treasury management is funding the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.

1.3 The Council is responsible for its treasury decisions, activity and risk appetite. The successful identification, monitoring and control of risk are integral elements of treasury management, including credit and counterparty risk, liquidity risk, market risk, interest risk, refinancing risk and legal and regulatory risk. The Council is statutorily required to approve the Treasury Management Strategy Statement (TMSS) prior to the new financial year.

2. Treasury Management Reporting Requirements

2.1 The Council is required to receive and approve at least three main treasury reports each year. These reports are required to be adequately scrutinised by Cabinet before being recommended to the Council. The three main treasury reports are:

i. **The TMSS** is the most important report and considers the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators (PIs) and the outlook for interest rates. In addition, the current market conditions are factored into any decision-making process.

ii. **A Mid-Year Treasury Management Report** to update Members on the progress of the capital position, amending PIs and investment strategy as necessary.

iii. **An Annual Treasury Report** which outlines the actual PIs, treasury indicators and treasury operations compared to the estimates within the strategy.

2.2 As the Council is responsible for housing, PIs relating to capital expenditure, financing costs and the Capital Financing Requirement (CFR) are split between the Housing Revenue Account (HRA) and the General Fund (GF). The impact of new capital investment decisions on housing rents will also need to be considered.

2.3 This report provides an explanation of the key elements of the Council's TMSS, its Minimum Revenue Provision (MRP) Strategy, the Annual Investment Strategy (AIS) for 2020/21 and the Borrowing Strategy, which are set out in detail in the appendices attached to this report

3. Treasury Management Strategy Statement for 2020/21

3.1 The strategy for 2020/21 covers two main areas, including Treasury Management and Capital Strategy Reporting issues. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Communities and Local Government's (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

3.2 Treasury Management Issues

- Current Portfolio Position at 31 December 2019 (section 4);
- Medium Term Capital Finance Budget (section 5);
- Treasury Position at 31 December 2019; forward projections 2023/24 (section 6);
- Economic Update and Rate Forecast (section 7);
- The Capital Expenditure Plans 2020/21 – 2023/24 (section 8);
- Treasury Management Advisors (section 9);
- Minimum Revenue Provision Policy Statement (section 10);
- Appendix 1 – Annual Investment Strategy 2020/21;
- Appendix 2 - Borrowing Strategy 2020/21 to 2023/24;
- Appendix 3 – The Capital Prudential and Treasury Indicators 2020/21 – 2023/24;
- Appendix 4 – Minimum Revenue Provision Policy Statement 2020/21; and

- Appendix 5 – Scheme of Delegation and Section 151 Officer Responsibilities.

3.3 Capital Strategy Reporting Requirements

3.3.1 The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a Capital Strategy Report (CSR), which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

3.3.2 The aim of this CSR is to ensure that Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.3.3 The Council already has an Investment and Acquisitions Strategy (IAS), which forms the basis of the CSR. In addition to the IAS, the Council's Capital Strategy includes a Borrowing Strategy (appendix 2) and an MRP Policy (appendix 4), that include additional details on the borrowing and debt repayment for the Council's Capital Strategy. These documents combined provide details of the Council's Capital Strategy and includes:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

3.3.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

3.3.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

3.3.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

3.3.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

3.3.8 The Investment and Acquisition Strategy was agreed at the September 2019 Cabinet Meeting. This will be updated to reflect the updated Be First Business Plan and presented to the June 2020 Cabinet.

4. Current Portfolio Position at 31 December 2019

4.1 The Council holds cash balances arising from its operational activities, including income from grants and Council Tax, which are offset by expenditure to run services. The timing of these cash flows can result in surplus cash which is then available to invest. Cash balances are also affected by working capital, which relates outstanding payments to be made to suppliers offset by amounts owed to the Council.

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

- Capital grants and Section 106 funds received in advance of expenditure;
- General Fund, HRA and School cash balances;
- Earmarked Reserves, provisions, Capital Receipts and Working Capital;
- European Investment Bank Loans to fund regeneration;
- L1 Renewables to fund street lighting improvement;
- Public Works Loan Board (PWLB); and
- Bank loans including Lender Option Buyer Option (LOBO).

4.3 Table 1 shows the Council's investments, loans and borrowing balances at 31 December 2019, including the Average Life and the Average Rate of Return. The debt is split between HRA and GF borrowing to match the two pool approach the Council has adopted for borrowing. The Council invests all cash in one investment pool, with interest distributed between the HRA, schools and GF.

Table 1: Council's Treasury Position at 31 December 2019

	Principal Outstanding £000s	Rate of Return %	Average Life (yrs.)
General Fund Fixed Rate Long Term Borrowing			
PWLB	387,521	2.17	27.0
European Investment Bank	81,852	2.21	24.3
Local Authority Long Term	20,000	4.05	0.1
LOBO	10,000	3.98	57.5
L1 RENEWABLES	6,815	3.44	26.8
Total General Fund Debt	**506,188**	**2.30**	**21.8**
General Fund Fixed Rate Short Term Borrowing			
Local Authority Short Term	141,000	0.81	0.2
Total GF Debt	**647,188**	**1.98**	**20.5**
HRA Fixed Rate Borrowing			
PWLB	265,912	3.50	36.1
Market Loans	10,000	3.98	58.4
Total HRA Debt	**275,912**	**3.51**	**36.9**
Total Council Borrowing	**923,100**	**2.13**	**25.4**

Investments			
MMF / Cash	14,174	0.61	-
Local Authority Deposits	221,000	1.65	0.9
Bank Deposit	100,000	1.22	0.6
Total Treasury Investments	**335,174**	**1.49**	**1.3**
Loans	**72,092**	**Various**	**Various**

***** includes loans to Reside and loans to Subsidiary Companies.

4.4 The budget to cover cost of the current and proposed debt has been factored into the MTFS and is included in table 2. Table 2 also includes the MRP budget, Investment and Acquisitions target and HRA interest costs.

5. Medium Term Capital Finance Budget

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

5.2 The significant increase in GF Interest Payable is due to the borrowing required to fund the Council's IAS. The medium-term capital financing budget to 2023/24 is shown in table 2.

Table 2: Medium Term Capital and Treasury Budget

£'000s	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
MRP	8,898	7,398	7,548	7,698	7,848
Net Interest Budget	5,296	7,733	8,209	8,667	8,656
HRA Interest Payable	10,059	10,059	10,059	10,059	10,059
Investment Income	-3,733	-5,125	-5,125	-5,125	-5,125
Net Cost	20,520	20,065	20,691	21,299	21,438

6. Treasury Position at 31 December 2019; Forward Projections 2023/24

6.1 The Council's treasury position at 31 December 2019, with forward projections are summarised in table 3. The table shows the estimated external debt against the underlying CFR, highlighting any over or under borrowing. The CFR and the gross debt includes borrowing to fund the IAS as well as the borrowing from the EIB to fund Abbey Road Phase 2 and the Gascoigne Regeneration. To ensure borrowing is only for a capital purpose Gross Debt should, except in the short term, should be below the CFR over the period. However, as the Council has a significant Investment Strategy, on occasion Gross Debt may exceed the CFR as long-term borrowing is secured to ensure funding is available for the IAS.

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

£'000s	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt					
Debt at 1 April	847,613	907,613	1,007,613	1,257,613	1,307,613
Expected change in Debt	60,000	100,000	250,000	50,000	30,000
Finance Lease Liability	82,906	82,441	81,952	81,470	80,968
PFI Liability	45,871	43,919	41,853	39,617	37,153
Gross Debt at 31 March	**1,036,390**	**1,133,973**	**1,381,419**	**1,428,699**	**1,455,734**
CFR	**909,031**	**1,147,088**	**1,413,552**	**1,464,342**	**1,492,561**
Under/(over) borrowing	**-127,359**	**13,115**	**32,134**	**35,643**	**36,827**

7. Economic Update and Rate Forecast

7.1 World growth

7.1.1 Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation.

7.1.2 However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals used in high tech products. It is achieving this by providing financial support to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business

7.1.3 The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

7.1.4 The trade war between the US and China is a concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming in the US. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US).

7.1.5 **Inflation** has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

7.1.6 **Central bank monetary policy measures -** Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

7.2 Interest rate forecast

7.2.1 The interest rate forecasts provided by Link Asset Services in table 4 are based on the assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

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

- **Brexit:** if it were to cause significant economic disruption / a downturn in growth.
- **Bank of England** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.**
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields

7.3 Investment and borrowing rates

7.3.1 Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

7.3.2 Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management.

7.3.3 While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

7.3.4 The interest rate forecast is provided in table 4 below:

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

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

7.4 Bail In legislation

7.4.1 As part of regulation changes within the banking sector the UK Government removed the expectation that governments will support financial institutions in the event of an institution fail. This was set up to ensure there was a structure that will be followed should a financial institution fail. To do this the UK Government agreed a process to deal with a financial institution failure, which includes the option for institutional investors to lose part of their invested cash as part of a "bail in".

7.4.2 It could be argued that the potential for institutional investors to lose part of their investment has always been there and is the main driver behind the rates "rewarded" when an investment is made. The structure keeps the equity investor and bond holders at the top with Institutional Investors, therefore there is a significant buffer before the Council's cash holdings would be affected.

7.4.3 The Treasury section completes regular monitoring of the potential affect a significant market correction would have on the various banks the Council has deposited money with and will make adjustment to the strategy should any issues be identified.

7.5 Return Target 2019/20 to 2022/23

7.5.1 To achieve the interest target, the Treasury section needs to achieve the following average returns on an average cash balance of £220m:

2019/20	1.50
2020/21	1.70
2021/22	2.00
2022/23	2.10

7.5.2 The increased return is heavily reliant on interest rates increasing from their current lows. The recent increase in PWLB borrowing rates has helped the Council to increase the rate it obtains from other Local Authorities and this has helped to secure some investments at or above the 1.7% target rate.

7.6 HRA Investments

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

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

7.7 Abolition of HRA debt cap

7.7.1 In October 2018, Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap.

8. The Capital Expenditure Plans 2020/21 – 2023/24

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

8.2 Table 6 below shows the proposed Capital Financing Requirement over the coming four financial years. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and to consider the impact on Council Tax and, in the case of the HRA, housing rent levels.

Table 6: Proposed Capital Expenditure 2019/20 to 2023/24

Capital expenditure	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital Financing Requirement					
Opening CFR – General Fund	464,861	606,268	844,325	1,110,789	1,161,579
Net financing need for the year	175,900	249,263	278,335	63,099	39,500
Movement Between HRA and GF	-24,291				
Investment Debt Repayment (MRP)				-141	-418
Other MRP & Financing	-10,202	-11,206	-11,871	-12,168	-10,863
Total General Fund CFR	**606,268**	**844,325**	**1,110,789**	**1,161,579**	**1,189,798**
CFR – Housing	278,472	302,763	302,763	302,763	302,763
Net financing need for the year		0			
Movement Between HRA and GF	24,291				
Total HRA CFR	**302,763**	**302,763**	**302,763**	**302,763**	**302,763**
Total CFR	**909,031**	**1,147,088**	**1,413,552**	**1,464,342**	**1,492,561**
Movement in CFR	**165,698**	**238,057**	**266,464**	**50,790**	**28,219**

8.3 The estimated financing need for the year in Table 6 represents a shortfall of resources resulting in a requirement to borrow. This underlying need to borrow is the CFR. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

8.4 A portion of the net financing need has already been borrowed as this relates to properties held by Reside, which was borrowed from the European Investment Bank. The increase financing need reflects the Investment and Acquisitions strategy borrowing requirement.

8.5 Other long-term liabilities**:** the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.

8.6 Sufficient headroom has been provided within the Authorised Limit on external borrowing to ensure that any major capital investment projects resulting from the IAS are not restricted by this statutory limit. The limit also covers any short term borrowing for cash flow purposes as well as long term borrowing for capital projects, finance leases PFI initiatives as well as any unforeseen incidences where expected capital receipts are not forthcoming due to unexpected economic factors.

9. Treasury Management Advisors

9.1 The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

9.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

9.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review..

10. Minimum Revenue Provision Policy Statement

10.1 In accordance with Statutory Instrument 2008 number 414 and new guidance issued by the Government under section 21 (1A) of the Local Government Act 2003 a statement on the Council's policy for its annual Minimum Revenue Provision (MRP) needs to be approved before the start of the financial year.

10.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 4.

11. Financial Implications

Implications completed by: Philip Gregory, Finance Director

11.1 The financial implications are discussed in detail in this report.

12. Legal Implications

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

12.1 It is a statutory requirement under the Government Finance Act 1992 for the Council to set out what the Council has to base its budget calculations upon. Furthermore, it is a legal requirement for the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. However, what is meant by 'balanced' is not defined in law and this has means that the Council must rely upon the professional judgement to ensure that the local authority's budget is robust and sustainable. The Local Government Act 2003 requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Council must 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

12.2 This report sets out the Councils strategies in accordance with the Act.

13. Other Implications

13.1 **Risk Management:** This report has risk management issues for the Council, primarily that a counterparty could cease trading or risk that interest rates would rise adversely. The mitigation of these is contained in this report.

13.2 **Corporate Policy and Equality Impact -** The TMSS seeks to support the Council's investment aims to unlock regeneration and economic growth opportunities within the borough. There are no equality or diversity implications arising from this report.

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

List of appendices:

- Appendix 1 – Annual Investment Strategy 2020/21
- Appendix 2 - Borrowing Strategy 2020/21 to 2023/24
- Appendix 3 – The Capital Prudential and Treasury Indicators 2020/21 – 2022/23
- Appendix 4 – Minimum Revenue Provision Policy Statement 2020/21
- Appendix 5 – Scheme of Delegation and Section 151 Officer Responsibilities

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Appendix 1

Annual Investment Strategy 2020/21

1. Investment Policy

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

- The Ministry of Housing, Communities and Local Government ("MHCLG"), Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

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

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

3. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

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

- Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.

- Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

1.3 Over the coming years the Council will significantly increase its investments in property as part of its Investments and Acquisition strategy (IAS). Financial risks, including the loss of capital, the loss of forecast income and the revenue effect of changing interest rates will be significant. The successful identification, monitoring and control of investment risk are therefore central to the Council's Treasury Management Strategy Statement (TMSS).

Borrowing risks also forms a key part of the TMSS, where a holistic approach to borrowing is outlined, taking into accounts opportunities from low interest rates, cash flow requirements and a significant range of borrowing options available to the Council. The strategy also outlines the need to avoid more complex forms, especially where derivatives are involved or where there is significant backloading of capital repayment

1.4 In accordance with the MHCLG Guidance, the Council will be asked to approve a revised TMSS should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates or in the Council's capital programme.

1.5 Accounting Changes

International Financial Reporting Standard (IFRS) 9 was effective for the 2018/19 accounting period. IFRS9 requires authorities to hold financial instruments at fair value, with gains and losses charged to revenue as they arise. For certain categories of investments, authorities will need to recognise these gains and losses in their revenue accounts. As a result, the changes in the value of these investments will impact the authority's General Fund. Currently the Council has very limited exposure to these investments.

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

IFRS 16, a new lease accounting standard is being adopted from 1st April 2020, and that may result in more lease liabilities on the balance sheet (previously classed as operating leases), and in turn an impact on some of the prudential indicators such as CFR, Authorised Limit and Operational Boundary.

2. Annual Investment Strategy

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

i. The strategy guidelines for choosing and placing investments, particularly non-specified investments.

ii. The principles to be used to determine the maximum duration for investments.

iii. Specified investments that the Council will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.

iv. Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall number of various categories that can be held at any time.

v. An additional consideration is the variable cash position the Council will have because of Council's investment strategy. The investment strategy will mean that the Council will be making significant borrowing and investment decisions, and these may result in period where the Council has a significant allocation to a counterparty or duration.

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

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

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

3. Creditworthiness policy

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

Yellow	5 years
Dark pink	5 years- enhanced money market fund, credit score of 1.25
Light pink	5 years- enhanced money market fund, credit score of 1.50
Purple	2 years
Blue	2 year (only applies to Royal Bank of Scotland)
Orange/Red	1 year
Green	100 days
No colour	not to be used

3.2 The Council uses a one year limit for red colour ratings, which differs from the model used by LAS, which sets a limit of 6 months. This difference reflects a different risk appetite to the standard limits recommended by LAS.

3.3 Typically, the minimum credit ratings criteria the Council use will be a Short-Term rating (Fitch or equivalents) of **F1** and a Long-Term rating of **A-.** There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

3.4 The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council’s minimum criteria, its further use as a new investment will be withdrawn immediately.

3.5 In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council’s lending list.

3.6 Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4. Investment Advisers and Monitoring of Investment Counterparties

4.1 The Council uses Link Asset Services (LAS) for external treasury advice. However the Council aknowledges that it is ultimately responsibility for all treasury management decisions and will ensure that undue reliance is not placed on the external advisors.

4.2 The Council recognises that there is value in receiving advice from an external treasury advisor in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are documented, and subjected to regular review.

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

5. Use of External Cash Manager(s)

5.1 The Council no longer uses an external cash manager (ECM), with all investments and borrowing managed in-house. Were the Council to use an ECM in the future there would be a requirement for the ECM to comply with the AIS. Any agreement between the Council and the ECM will stipulate guidelines, durations and other limits to contain and control risk.

5.2 Prior to appointing an ECM, an OJEU compliant tender process is required. An extensive background in cash management will be a prerequisite, alongside Financial Conduct Authority accreditation. The requirement to tender includes both for lending to a third party to invest and appointing an ECM.

6. Use of additional information other than credit ratings

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

7. Credit Quality Criteria and Allowable Financial Instruments

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

7.2 Specified Investments

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

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

7.3 Non-Specified Investments

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

Non Specified Investment Category (maturity greater than one year)	
a.	**Supranational Bonds** **(a) Multilateral development bank bonds** These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). **(b) A financial institution that is guaranteed by the UK Government** The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
b.	**Gilt edged securities**. Government bonds which provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
c.	**The Council's own bank** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. The Council's current bankers are Lloyds Banking Group.
d.	**Any bank or building society** that has a minimum long-term credit rating of A or equivalent, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).
e.	**Share capital or loan capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments.
f.	**Pooled property or bond funds** – normally deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.

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

Specified Investments and Non-Specified Investments Limits and Criteria

Counterparty / Financial Instrument	Minimum Credit Rating Criteria / Colour Band	Specified Investments		Non-Specified Investments	
		Maximum Duration	Counterparty Limit £m	Maximum Duration	Counterparty Limit £m
Council's Bank (currently Lloyds Baking Group) – Deposit Account	A	T+1	£30m	N/A	N/A
Lloyds Banking Group SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	A	Up to 1 year	£100m	1 to 3 years	£100m
Government Supported UK Bank – Royal Bank of Scotland SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	Blue	Up to 1 year	£50m	1 to 2 years	£50m
Other UK Banks & Building Societies SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bond	Yellow Purple Orange/Red Green No Colour	N/A N/A Up to 1 year Up to 3 mths Not for use	£50m per counterparty	1 to 5 years 1 to 2 years N/A N/A N/A	£50m per counterparty
Bond Funds - Corporate Bonds	Short-term F2, Long Term A	Up to 1 year	£20m	1 to 2 years	£20m
Local Authorities: Term Deposits	Not credit rated	Up to 1 year	£50m per authority	1 to 4 years	£50m per authority
UK Government - Treasury Bills, Gilts DMADF	UK Sovereign Rating	Up to 1 year	£50m	1 to 5 years	£20m
Money Market Funds / Cash Plus	AAA	T+1	£30m per Manager	N/A	N/A
Property Funds	N/A	N/A		N/A	£50m

7.4 Non-Treasury Investments

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

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

7.5 UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

8. Use of other Local Authorities

For cash loans the Local Government Act (LGA) 2003 s13 suggests the credit risk attached to English, Welsh and Scottish local authorities is an acceptable one.

9. Use of Multilateral Development Banks

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

10. Use of Brokers

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

11. Country limits and Use of Foreign Banks

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

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

12. Approved countries for investments (Credit Rating as at 31 December 2019)

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

AAA	AAA	AA+	AA	AA
Australia	Netherlands	Finland	Abu Dhabi, UAE	Qatar
Canada	Norway	United States	France	Belgium
Denmark	Singapore		United Kingdom	
Germany	Sweden		European Union	
Luxembourg	Switzerland			
Liechtenstein				

13. Provisions for Credit-related losses

13.1 If any of the Council's investments appeared at risk of loss due to default, (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount. Where there is a loss of the principal amount borrowed due to the collapse of the institution, the Council will seek legal and investment advice.

13.2 Where the Council holds a non-financial investment, such as property, it will have a physical asset that can be realised to recoup the capital invested. The Council will consider whether the asset retains sufficient value to provide security of investment using the fair value model in International Accounting Standard 40: Investment Property. Where the fair value of non-financial investments is sufficient to provide security against loss, a fair value assessment will be made stating that a valuation has been made within the past twelve months, and that the underlying assets provide security for capital investment.

13.3 Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the AIS will provide detail of the mitigating actions that the Council is taking or proposes to take to protect the capital invested.

13.4 Where the Council must impair a non-financial asset held for investment purposes as part of the year end accounts preparation and audit process, an updated AIS should be presented to full council detailing the impact of the impairment on the security of investments and any revenue consequences arising therefrom.

13.5 This above approach is reasonable and a prudent approach to investing should help to negate this impact. However, a significant market correction, more complicated investment structures (including investments via equity rather than debt) and a default on any of the Council's loans would leave the Council exposed to an impairment on assets. The impact of the impairment will have a greater impact as the council increases its investment portfolio and third-party loans.

14. End of year investment report

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

15. Policy on Use of Derivatives

15.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

15.2 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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

16. Investment Training

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

17. Investment of Money Borrowed in Advance of Need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

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Appendix 2

Borrowing Strategy 2020/21 to 2023/24

1. Background

1.1 Historically the Council has either been debt free or has had a very low-level of debt. This changed significantly in 2012 when, as part of the HRA reform, £265.9m of debt was transferred to the Council's HRA.

1.2 In January 2015, £89m was borrowed for the Council's General Fund (GF) from the European Investment Bank (EIB) to fund the regeneration of Abbey Road 2 and Gascoigne East. Abbey Road 2 is currently operational, bringing in sufficient income to cover the capital and interest costs, as well as generating income for the Council. Gascoigne East will be operational in 2018.

1.3 In November 2016, Cabinet approved the establishment of an Investment and Acquisition Strategy (IAS). Cabinet also approved an initial £250m investment budget and £100m land and property acquisition budget to support delivery of the IAS. The purpose of the IAS is to support the Borough's growth opportunities and to ensure that the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets.

1.4 The IAS has an income objective and a target of delivering £5.12m by 2020/21. The IAS will be delivered primarily by the Council's development vehicle, Be First, and it is expected that Be First will accelerate the regeneration of the borough.

1.5 There may be occasions where refinancing may be used to secure borrowing on the properties when they are operational and, in some cases, properties will be sold to fund new regeneration schemes.

1.6 <u>PWLB Rate Increase and Alternative Borrowing Options</u>

Due to the scale of the regeneration programme borrowing has predominantly been from the Public Works Loan Board (PWLB), especially when rates are low. This has resulted in the average cost of long term borrowing slowly decreasing to 2.3%, which has allowed the Council to increase the level of regeneration and provide additional social housing.

On 9 October 2019 Treasury increased the interest rate for the Public Works Loan Board (PWLB) by one percentage point, resulting in the typical rate for a PWLB loan increasing from 1.8% to 2.8%. While the Council has not yet had to borrow at these rates this does increase significantly the funding risk and there is the potential that some schemes will no longer be viable or that the scale of regeneration will need to be reduced.

As the PWLB rate is no longer competitive, the Treasury Section has been looking at alternative sources of financing. Although there is the potential to achieve similar rates to the previous PWLB rates, the amount of governance involved is significant and there will also be much higher legal and brokerage fees. A range of borrowing periods will also be used based on cashflow requirement, ensuring that not all borrowing is long term and that the debt repayment is linked to the income generated from both the rental returns and the sales receipts.

The Treasury section is also looking at the potential to raise finance through the issuance of a bond.

1.7 Interest Costs

It is important to highlight that the Council's IAS will increase the Council's interest payment costs significantly. Were the Council to borrow a billion pounds at 3.0% then the interest costs would be £30m per year. Although this will be funded by rental income from the various schemes, this will still result in a long-term obligation on future generations as some of the loans that will be taken out have maturity dates of up to 50 years.

1.8 An additional consideration is the cost of borrowing during the construction phase. Borrowing costs are high during the construction period as there are still borrowing costs but no income coming in from the scheme. Short-term borrowing, structured borrowing and cross subsidising from other schemes will reduce the impact of this but there will remain a financing and interest rate risk during this period.

1.9 The Council recognises that investment in other financial assets and property primarily for financial return and taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

1.10 The Council will ensure that all its investments are covered in the IAS and will set out, where relevant, it's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

1.11 The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

2. The Council's Borrowing Strategy

2.1 The decision to borrow is a treasury management decision and is taken by the COO under delegated powers of the Council's constitution and after consultation with the Investment Fund Manager and the Director of Finance. The key objective of the Council's borrowing strategy is to secure long term funding for capital projects and IAS at borrowing rates that are as low as possible.

2.2 Currently the Council has a hollistic approach to borrowing, taking into account cashflow, borrowing costs and investment returns to drive the net cost of borrowing down, while keeping the borrowing transparent and relatively easy to understand. This hollisitc approach has resulted in very low net borrowing costs, with the 2019/20 net interest budget of £3.3m supporting £245m of General Fund long term borrowing. This equates to a net cost (interest payments less interest income) of 0.81% for an average duration of approximately 41 years. While it will not be possible to keep borrowing costs this low for future borrowing, this hollistic approach will be maintained, with transparency a key driver behind any borrowing decision.

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

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

2.4 In 2020/21 a significant amount of borrowing is required. The COO and treasury section will monitor interest rates and, where possible, make borrowing decisions when rates are low, while taking into account the Council's debt repayment profile and cashflow requirements. The Council's borrowing strategy will give consideration to the following when deciding to take-up new loans:

- Use internal cash balances;
- Using PWLB, the EIB or Local Authorities for fixed term loans;
- Using Institutional investors (Pension Funds and Insurance Companies);
- Ensure new borrowings are drawn at suitable rates and periods; and
- Consider the issue of stocks and bonds if appropriate.

2.5 The Council has £10m of fixed rate Lender's Options Borrower's Option (LOBO) loans. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower (the Council) can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the Lender's discretion. Any LOBO called will have the default position of repayment of the LOBO without penalty, i.e. the revised terms will not be accepted.

3. Council's Current Debt

3.1 The Council currently has £921.1m of debt at an average rate of 2.13%. This can be broken down as follows:

Borrowing	Principal Outstanding £000s	Rate of Return %	Average Life (yrs.)
General Fund Fixed Rate Long Term Borrowing			
PWLB	387,521	2.17%	27.0
European Investment Bank	81,852	2.21%	24.3
Local Authority Long Term	20,000	4.05%	0.1
LOBO	10,000	3.98%	57.5
L1 RENEWABLES	6,815	3.44%	26.8
Total General Fund Debt	**506,188**	**2.30%**	**21.8**
General Fund Fixed Rate Short Term Borrowing			
Local Authority Short Term	141,000	0.81%	0.2
Total GF Debt	**647,188**	**1.98%**	**20.5**
HRA Fixed Rate Borrowing			
PWLB	265,912	3.50	36.1
Market Loans	10,000	3.98	58.4
Total HRA Debt	**275,912**	**3.51**	**36.9**
Total Council Borrowing	**923,100**	**2.13**	**25.4**

3.2 General Fund Debt

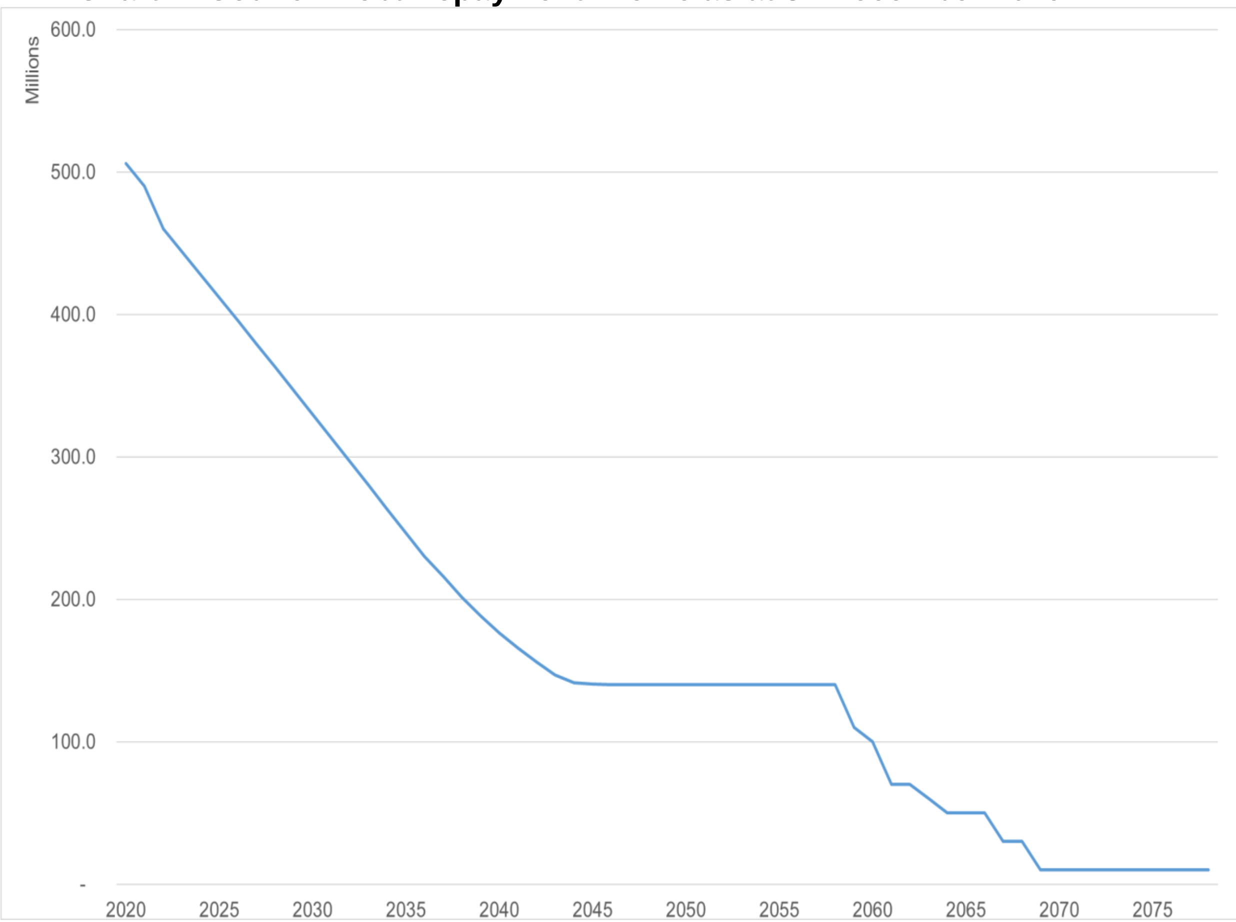
The GF debt can be split Short-Term borrowing and Long-Term borrowing. Short-term borrowing is used to manage the Council daily cash requirements and to allow the council to make strategic, longer term borrowing decisions without a significant impact from the cost of carry.

Long-term borrowing has historically been used to Fund the Council's capital expenditure but is now mainly used to fund the Council's IAS. The Council first borrowed over a long-term period in 2008, with more significant borrowing in the past three years. The actual borrowing per year is summarised below:

Year	**Amount**	**Reason for Borrowing**
Pre-2015	£ 30m	Borrowing for Capital Expenditure
2015	£ 89m	Borrowing for Abbey Road and Gascoigne East Regen.
2016	£ 59m	Borrowing for Land and IAS
2017	£ 90m	Borrowing for Street Purchases and IAS
2018	£150m	Borrowing for IAS
2019	£ 88m	Borrowing for IAS
Total	**£506m**	

Although the borrowing is long-term, a part of the Council's debt is repaid each year through either an annuity repayment or equal instalment repayment. As a result, the Councils debt repayment profile is relatively smooth, as outlined in the chart below. Future borrowing will be mapped against this repayment profile and the forecast cashflows to help refinancing risk but also allow for a steady reduction in the Council's debt exposure.

Chart 1: Council Debt Repayment Profile as at 31 December 2019



3.3 Borrowing from Financial Institutions

The treasury section will generally borrow from the PWLB when rates are low. However, where cheaper or more appropriate borrowing is available from other financial institutions then this is used as an additional source of financing. With the recent 1% increase in PWLB margin, borrowing from other financial institutions are more likely in the coming years.

Currently the following loans have been borrowed from financial institutions:

i. European Investment Bank (EIB) Borrowing: In 2014/15 Cabinet agreed to borrow £89m from the European Investment Bank (EIB) as outlined below:

- £66m from the EIB to finance the Gascoigne Estate (East) Phase 1;
- £23m from the EIB to finance Abbey Road Phase 2.

The drawdown of the full £89m was completed on 30 January 2015 at a rate of 2.207%. Currently the balance owed to the EIB is £81.9m.

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

At its meeting on 2 December 2015 the Council agreed to borrow £7.5m from the GIB to finance the Low Energy Street Light Replacement Programme via the UK GIB Green Loan.

On 15 December 2016, a loan of £7.0m was borrowed from the GIB at a rate of 3.44% for a duration of 30 years. The borrowing drawdown period will be over a two-and-a-half-year period and will match the forecast expenditure. The repayment of the loan has been structured to best match the cashflows expected to be generated from the energy savings.

3.4 HRA Self Financing

The Council uses a two loans pool approach for long term debt. The £265.9m of PWLB long-term debt from the HRA reform is allocated to the HRA. An additional £10m of borrowing from Barclays was transferred to the HRA in 2016. A breakdown of the HRA borrowing is provided in table 5 below:

Table 5: HRA borrowing:

Loan Type	Loan Amount	Maturity profile	Interest Rate
	£’000s	Yrs.	%
PWLB	50,000	24	3.51
PWLB	50,000	34	3.52
PWLB	50,000	42	3.49
PWLB	50,000	43	3.48
PWLB	65,912	44	3.48
Barclays	10,000	60	3.98
Total	**275,912**		

The HRA previously had a debt cap of £291.60 but this was removed in 2018. It is likely that the HRA will increase its actual borrowing from, £275.9m.

4. Repayment of Borrowing

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

The reasons for any rescheduling to take place will include:

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

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

5. Policy on borrowing in advance of need

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

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

APPENDIX 3

The Capital Prudential and Treasury Indicators 2019/20 – 2023/24

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

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

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

1. The Council's borrowing requirement (CFR)

1.1 The Council's Capital Financing Requirement (CFR) is the historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

1.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP), a statutory annual revenue charge, reduces the borrowing need in line with each asset's life. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. Table 1 sets out the CFR until 2023/24 and are cumulative.

1.3 The Investment and Acquisitions costs are self-financing, with rental income expected to pay for the borrowing costs and provide an income stream to the Council. MRP for IAS properties is charged after a two-year stabilisation period and then for 50 years based on an annuity repayment schedule for residential properties and 40 years for Temporary Accommodation. Members are asked to be aware that in-year movements to the IAS budgets will occur as development costs are confirmed and, in some cases, investment opportunities are identified. Budgets included in 2020/21 and onwards are best estimates and may change as financing and expenditure are confirmed. Members are asked to approve the capital expenditure forecasts and the CFR projections included in table 1.

Table 1: Capital Expenditure Forecast and Council's CFR 2019/20 – 2023/24

Capital expenditure	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
General Fund					
Adults Care & Support	2,241	2,241	2,241	2,241	2,241
CIL / TFL	-	4,322	1,323	-	-
Community Solutions	210	-	-	-	-
Core	2,562	3,492	340	340	340
Culture, Heritage & Recreation	1,750	10,015	450	305	150
Education, Youth and Childcare	42,346	42,958	3,895	-	-
Enforcement	1,269	2,908	-	-	-
My Place	8,122	3,625	4,295	4,295	4,295
Public Realm	7,571	3,179	50	-	-
Transformation	4,500	6,495	-	-	-
Financed by:	**-**	**-**	**-**	**-**	**-**
Capital Grants	- 57,465	- 48,449	- 6,136	- 2,241	- 2,241
Section 106	-	-	-	-	-
CIL/TFL	-	- 4,819	- 1,323		-
Revenue Contributions	- 340	- 340	- 340	- 340	- 340
Total Net Borrowing Requirement	**12,767**	**25,627**	**4,795**	**4,600**	**4,445**
Housing Revenue Account (HRA)					
HRA	37,472	48,958	30,302	39,000	39,000
Financed by:	**-**	**-**	**-**	**-**	**-**
HRA Contributions	- 37,472	- 48,958	- 30,302	- 39,000	- 39,000
Total Net Borrowing Requirement	**-**	**-**	**-**	**-**	**-**
Investment and Acquisition Strategy					
Residential	135,062	227,743	313,119	155,660	120,074
Commercial	53,597	25,305	-	-	-
Financed by:	**-**	**-**	**-**	**-**	**-**
HRA & GLA Grant Income	- 23,040	- 21,395	- 5,701	- 32,099	- 19,448
Total RtB Receipts Income	-	- 2,000	- 25,340	- 33,895	- 17,165
Total Sales Income	- 2,486	- 6,017	- 8,538	- 31,167	- 48,407
Total Net Borrowing Requirement	**163,133**	**223,636**	**273,540**	**58,499**	**35,055**
Net financing need for the year	**175,900**	**249,263**	**278,335**	**63,099**	**39,500**

Capital expenditure	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital Financing Requirement					
Opening CFR – General Fund	464,861	606,268	844,325	1,110,789	1,161,579
Net financing need for the year	175,900	249,263	278,335	63,099	39,500
Movement Between HRA and GF	-24,291				
Investment Debt Repayment (MRP)				-141	-418
Other MRP & Financing	-10,202	-11,206	-11,871	-12,168	-10,863
Total General Fund CFR	**606,268**	**844,325**	**1,110,789**	**1,161,579**	**1,189,798**
CFR – Housing	278,472	302,763	302,763	302,763	302,763
Net financing need for the year		0			
Movement Between HRA and GF	24,291				
Total HRA CFR	**302,763**	**302,763**	**302,763**	**302,763**	**302,763**
Total CFR	**909,031**	**1,147,088**	**1,413,552**	**1,464,342**	**1,492,561**
Movement in CFR	**165,698**	**238,057**	**266,464**	**50,790**	**28,219**

2. Affordability prudential indicators

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

2.1 Ratio of financing costs to net revenue stream

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

General Fund Cost of Capital	2020/21 Estimate £000s	2021/22 Estimate £000s	2022/23 Estimate £000s
Net General Fund Base Budget	**148,820**	**155,795**	**154,374**
Cost of Capital			
MRP	7,398	7,548	7,698
GF Net Interest Budget	7,733	8,209	8,667
Investment Income	-5,125	-5,125	-5,125
Net Cost of Capital	**10,006**	**10,632**	**11,240**
Financing Cost to Net Revenue	**6.72%**	**6.82%**	**7.28%**

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

2.2 HRA ratios

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

	2020/21 Estimate £000s	2021/22 Estimate £000s	2022/23 Estimate £000s
HRA debt £m	302,763	302,763	302,763
Number of HRA dwellings	17,148	16,928	16,708
Debt per dwelling £	**17.7**	**17.9**	**18.1**

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

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

£'000s	2020/21	2021/22	2022/23	2023/24
Maximum principal sums invested > 364 days	450,000	350,000	300,000	250,000

4. Treasury Indicators: Limits to Borrowing Activity

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

- Upper limits on variable interest rate exposure: identifies a maximum limit for variable interest rates based upon the debt position net of investments;

- Upper limits on fixed interest rate exposure: is similar to the previous indicator and covers a maximum limit on fixed interest rates; and

- Maturity structure of borrowing: gross limits to reduce the Council's exposure to large fixed rate sums requiring refinancing.

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

Interest rate exposures	2020/21	2021/22	2022/23
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates:			
• ***Debt only***	100%	100%	100%
• ***Investments only***	90%	90%	90%
Limits on variable interest rates			
• ***Debt only***	70%	70%	70%
• ***Investments only***	80%	80%	80%

Maturity structure of fixed interest rate borrowing 2020/21		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to 2 years	0%	60%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	100%

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

5. Treasury Indicators: Limits to Borrowing Activity

5.1 The Operational Boundary - this is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing. Given the uncertainty around the borrowing requirement resulting from the Council's IAS Programme, a margin of approximately £100m has been included in these figures to reflect potential additional borrowing above the current CFR for the IAS.

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

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

Limits to Borrowing Activity	2019/20	2020/21	2021/22	2022/23	2023/24
£'000s	Approved	Estimate	Estimate	Estimate	Estimate
Operational Boundary	1,052,000	1,250,000	1,500,000	1,570,000	1,600,000
Authorised Limit	1,152,000	1,350,000	1,600,000	1,670,000	1,700,000

5.3 HRA CFR – with the proposed removal of the HRA debt limit the HRA CFR will be reviewed. The figures below are based on the previous debt limit and increased to take into account the transfer of Street Purchases to the HRA from the General Fund.

HRA Debt	2019/20	2020/21	2021/22	2022/23	2023/24
£'000s	Approved	Estimate	Estimate	Estimate	Estimate
Total	278,472	302,763	310,628	310,628	310,628

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Appendix 4

Minimum Revenue Provision Policy Statement

Background

1. Minimum Revenue Provision (MRP) is statutory requirement for a Council to make a charge to its General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities. The Council is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). MRP does not need to be set aside for the Housing Revenue Account (HRA).

2. The scheme of MRP was set out in former regulations 27, 28 and 29 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This system was radically revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The revised regulation 28 replaced a requirement that local authorities calculate the MRP pursuant to detailed calculations with a duty to make prudent MRP.

3. The Council is under a statutory duty "to determine for the current financial year an amount of MRP which it considers to be prudent". Local authorities are asked by the Secretary of State "to prepare an annual statement of their policy on making MRP for submission to their full Council". This forms part of the Treasury Management Strategy (TMSS) approved by full council at least annually.

4. In determining a prudent level of MRP the Council is under a statutory duty to have regard to statutory guidance on MRP issued by the Secretary of State. The Guidance provides four options which can be used by the Council when determining its MRP policy and a prudent amount of MRP. The Council however can depart from the Guidance if it has good reason to do so. This policy is consistent with the Guidance. The options do not change the total MRP the council must pay over the remaining life of the capital expenditure; however, they do vary the timing of the MRP payment.

5. MRP adjustments and policies are subject to annual review by external audit.

6. The Chief Operating Officer (COO) has delegated responsibility for implementing the Annual MRP Statement. The COO also has executive, managerial, operational and financial discretion to determine MRP and any practical interpretation issues.

7. A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility.

8. The COO may make additional revenue provisions, over and above those set out, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the general fund. The COO may make a capital provision in place of any revenue MRP provision.

9. This MRP Policy Statement has been revised to consider the Council's recently agreed investment strategy, which requires the use of MRP to be outlined in more detail, as well as to agree additional MRP options that are available for long-term property investments.

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

10. In relation to capital expenditure for which support forms part of the calculation of revenue grant by the government or any capital expenditure incurred before 1 April 2008, the MRP shall be calculated in accordance with the Local Authorities CFR Regulations 2003 as if it had not been revoked. In arriving at that calculation, the CFR shall be adjusted as described in the guidance.

11. In addition, the calculation method and the rate or the period of amortisation referred to in the guidance may be varied by the COO in the interest of affordability.

12. The methodology applied to pre-2008 debt remains the same and is an approximate 4% reduction in the borrowing need (CFR) each year.

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

13. Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP has previously been made in instalments over the life of the asset, with the calculation method and the rate or the period of amortisation determined by the COO.

14. From 1 April 2019 MRP for capital expenditure incurred from 1 April 2008 will be calculated using the annuity method. All balances as at 31 March 2019 will be carried at the same value and the same remaining life of the asset but a revised MRP calculation will be completed using the annuity method of MRP for 2019/20 and onwards. Currently the annuity method is used for the Investment and Acquisitions assets and it not proposed to amend this method, which is outlined in section 19 to 23 of this MRP statement.

15. The COO shall determine how much and which capital expenditure is funded from borrowing and which from other sources. Where expenditure is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply. Nor shall any annual MRP apply where spend is anticipated to be funded from capital receipts or grants due in the future but is in the meantime funded from borrowing, subject to a maximum of three years or the year the receipt or grant is received, if sooner.

16. The asset life method shall be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The COO shall determine the asset life. When borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and postpone MRP until that year.

17. Where capital expenditure involves repayable loans or grants to third parties no MRP is required where the loan or grant is repayable. By exception, based on a business case and risk assessment, this approach may be amended at the discretion of the COO.

18. Where capital expenditure involves a variety of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major

element itself. An estimate of the life of capital expenditure may also be made by reference to a collection or grouping of expenditure type or types.

Loans to Special Purpose Vehicles

19. As part of its Investment and regeneration programme, the Council will use several Special Purpose Vehicles (SPV) held through Reside to manage its property regeneration schemes. This will require the Council borrowing to provide funding for the SPV and for the SPV to repay the loan based on the cashflow forecast to be generated from the properties.

20. MRP using the annuity method will be charged over a period of 50 years for each scheme. An MRP period of 25 years will be used for modular / prefabricated properties. The MRP will therefore reflect the repayment profile of the SPV to the Council and any borrowing made by the Council will made to match the cashflow requirements of the SPV.

21. For each IAS scheme a set two-year stabilisation period will be used, although this can be extended, with the agreement of the COO, to three year in cases where there are significant pressures on a scheme’s cashflow. A stabilisation period for each scheme is required to:

    - allow sufficient funds to cover any additional costs;
    - allow the property to be fully let; and
    - cover any initial letting and management costs.

22. The MRP annuity method makes provision for an annual charge to the General Fund which takes account of the time value of money (whereby paying £100 in 10 years’ time is less of a burden than paying £100 now). The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years). This re-profiling of MRP therefore conforms to the DCLG “Meaning of Prudent Provision” which provide that “*debt [should be] repaid over a period that is reasonably commensurate with that which the capital expenditure provides benefits*”.

23. Subsequently, where an investment property is operational and has been valued at sufficiently more than its net cost, as at each financial year end, at the discretion of the COO, no MRP will need to be set aside during that year. A key consideration of the COO will be if the property can be sold in an open market and that sale will potentially take place within a five-year period. Any MRP that has already been set aside for the investment property will be retained as a reserve against the property. For subsequent years a revaluation of the property will need to be completed. Where the asset is valued at less than its net cost, then MRP, net of any MRP already charged and based on the remaining life of the asset, will need to be set aside.

PFI, leases

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

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APPENDIX 5

Scheme of Delegation and Section 151 Officer Responsibilities

Treasury management scheme of delegation

(i) Full board/council

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

(ii) Boards/committees/council/responsible body

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

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

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

The treasury management role of the section 151 officer

The S151 (responsible) officer

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

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ASSEMBLY

26 February 2020

Title: Pay Policy Statement 2020/21	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: Gail Clark, Head of Workforce Change	**Contact Details:** Tel: 0208 724 3543 E-mail: gail.clark@lbbd.gov.uk
Accountable Strategic Leadership Director: Fiona Taylor, Director of Law and Governance (and Monitoring Officer)	
Summary Under the terms of the Localism Act 2011 the council must agree, before the start of the new financial year, a pay policy statement covering chief officer posts. The Act also sets out the matters which must be covered in the policy. The Council's draft Pay Policy Statement for 2020/21, attached at Appendix A, sets out the expected position at 1 April 2020. The Cabinet considered this report at its meeting on 17 February 2020 and, in recommending it to the Assembly, also agreed to apply the uplift in the London Living Wage with effect from 4 November 2019, which increased the minimum hourly rate of pay from £10.55 to £10.75 per hour. That decision is reflected at paragraph 3.3 of the Pay Policy Statement.	
Recommendation(s) The Assembly is recommended to approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2020/21 as set out at Appendix A to the report, for publication on the Council's website with effect from April 2020.	
Reason(s) Under the terms of the Localism Act 2011 the Council must agree a pay policy statement in advance of the start of each financial year	

1. Introduction and Background

1.1 Section 38(1) of The Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior officers (Chief Officers) to be agreed by all councillors at an Assembly meeting before the beginning of each financial year. This policy is timetabled to go to the Assembly on 26 February 2020.

1.2 The Council produced its first Pay Policy Statement for the 2012/13 financial year in accordance with the Localism Act 2011. The definition of Chief Officer covers the Chief Executive, the Chief Operating Officer and other Strategic Leadership Directors, Commissioning Directors and Operational Directors. The matters that must be included in the pay policy statement are as follows:

- The level and elements of remuneration for each Chief Officer.
- The remuneration of its lowest paid employees (together with its definition of 'lowest paid employee' and the reasons for adopting that definition).
- The relationship between the remuneration of its Chief Officers and other officers.
- Other specific aspects of chief officer's remuneration: remuneration on recruitment, increase and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.
- The Localism Act defines remuneration widely to include not just pay but also charges, fees, allowances, benefits in kind.
- Enhancements of pension entitlement and termination payments.

1.3 The Pay Policy statement:

- Must be approved by the full council (Assembly).
- Must be approved by the end of March each year.
- Can be amended in-year.
- Must be published on the Council's website (and in any other way the Council chooses).
- Must be complied with when the Council sets the terms and conditions for a chief officer

2. Proposal and Issues

2.1 Attached at Appendix A is the draft Pay Policy Statement which reflects the expected position as at 1 April 2020.

2.2 The Statement includes reference to the increase to the rate of pay for Council employees and 'Green Book' apprentices to ensure that they are paid the London Living Wage as a minimum. The increase, from £10.55 to £10.75 per hour, is backdated to 4 November 2019.

3. Options Appraisal

3.1 The Council is required to publish its pay policy and there is no alternative option to be appraised.

3.2 The council has previously given a commitment to ensure that it pays, as a minimum, the London Living Wage.

4. Consultation

4.1 The Pay Policy Statement was considered and endorsed by the Workforce Board on 15 January 2020 and by the Cabinet on 17 February 2020.

5. Financial Implications

Implications completed by: Katherine Heffernan, Group Manager, Service Finance

5.1 The Council's lowest pay rate for employees currently exceeds the London Living wage rate and therefore there is no financial impact from approving this recommendation. Increasing the rate of pay for apprentices to the London Living Wage introduces an average increase of circa £364 per apprentice with a total cost, based upon the existing apprentice numbers, of circa £10k per year.

6. Legal Implications

Implications completed by: Dr Paul Field, Senior Governance Lawyer

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

7. Other Implications

7.1 **Contractual Issues –** This makes no changes to employee's contractual position.

7.2 **Staffing Issues -** The staffing issues are fully explored within the main body of the report. There is no requirement to consult with the trade unions on this policy.

7.3 **Corporate Policy and Equality Impact –** The Council's approach to pay is based on the use of established job evaluation processes to determine the salary for individual roles, eliminating the potential for bias in the process

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

List of appendices:

- Appendix A – Pay Policy Statement 2020/21

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APPENDIX A

LONDON BOROUGH OF BARKING AND DAGENHAM

PAY POLICY STATEMENT 2020/21

1. Introduction – Requirement for Council Pay Policy Statement

1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement to be agreed by Members before the beginning of each financial year. The Act does not apply to local authority schools. This document meets the requirements of the Act for the London Borough of Barking and Dagenham. This Pay Policy Statement presents the expected position at 1 April 2020.

1.2 The provisions of the "Act" require that councils are more open about their own local policies and how their local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks councils to follow three principles when publishing data they hold: responding to public demand, releasing data in open formats available for re-use, and, releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.

2. Organisational Context

2.1 The Council continues to recognise that if it is to serve its communities well and deliver the agreed vision and objectives, it needs to attract and retain talented people at all levels of the organisation.

2.2 The Council continues to ensure that its Leadership Team is structured in a manner that enables it to deliver the borough's manifesto. This is reflected in this Pay Policy Statement which shows that the number of chief officer posts remains unchanged from the previous year.

3. Pay and Reward Principles

3.1 The approach to pay and reward continues to be based on the following principles:

- Pay levels are affordable for the Council, at a time when it is making some very difficult decisions about spending on services to the community;

- The Council can demonstrate fairness and equity in what it pays people at different levels and in different parts of the Council; and

- Pay is set at levels which enable the Council to recruit and retain the quality of staff needed to help achieve its objectives at a time of financial hardship.

3.2 Pay levels are determined through "job evaluation". For staff at PO6 and below, the Council generally uses the Greater London Provincial Council job evaluation system. For posts at PO7 and above, the HAY job evaluation system is used. Each system assesses the relative "size" of the role against a range of criteria, relating to its complexity, the number of resources managed, and the knowledge required to undertake the role.

3.3 Pay rates are generally set against the national pay spine agreed by the National Joint Council, although there are local pay points at the top of the LBBD pay scale. The Council has committed to pay no less than the "London Living Wage" to its own staff or agency workers working with the Council. The "London Living Wage" hourly rate increase to £10.75 from £10.55 was announced on 11th November 2019[1]. The Council continues to ensure that it pays its employees and apprentices at or above the London Living Wage.

4. Defining "Chief Officers"

4.1 At the start of the 2020/21 financial year, the Council expects to have within its structure the following Chief Officer posts:

- Chief Executive (and Head of Paid Service)
- Chief Operating Officer & Deputy Chief Executive (and Section 151 Officer)
- Director, Law and Governance (and Monitoring Officer)
- Interim Director, Policy and Participation
- Director, Inclusive Growth
- Director, People and Resilience
- Transformation Director
- Finance Director
- Director of Public Health
- Commercial Director
- Commissioning Director, Children's Care and Support
- Commissioning Director, Adults' Care and Support
- Commissioning Director, Education
- Operational Director, Community Solutions
- Operational Director, My Place
- Operational Director, Enforcement
- Operational Director, Adults' Care and Support
- Operational Director, Children's Care and Support

5. Accountability for Chief Officers Pay

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

6. Current Pay Policy and Base Pay Rates

6.1 **Setting Salary Levels**

6.1.1 Chief Officer roles are evaluated using the HAY job evaluation system. There is a commitment to review salary levels about every three years, this has not been undertaken since the changes to the senior management structure was put in place in 2017. In undertaking reviews, account is taken of the market, particularly

[1] https://www.livingwage.org.uk/

the market in London, to ensure the Council can compete successfully for the talent it needs to lead and manage in the current challenging environment.

6.1.2 The salary benchmarking information comes from the London Councils' Chief Officers Salary Survey. The latest information held is from 2018. There were 30 responses to this survey among London Boroughs. The median rates of pay for roles in London, based on the information from the survey, were as follows:

	Median
Head of Paid Service / Chief Executive	£186, 850
Tier 1 Managers	£139,434
Tier 2 Managers	£102,907

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

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

6.2 **Chief Executive**

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

6.3 **Chief Officer Pay Range**

6.3.1 The Chief Officer pay structure was last reviewed in 2013. The pay levels have increased in line with nationally negotiated pay awards in April each year. There are no formal proposals to review this pay range in 2020/21. The pay range from April 2020 is as follows:

CO1	£85,241
CO2	£97,173
CO3	£107,402
CO4	£115,325
CO5	£127,359
CO6	£139,837
CO7	£152,367

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

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

Position	Grade of Post	Salary cost to LBBD
Chief Executive (and Head of Paid Service)	Individual spot salary	£175,117
Chief Operating Officer	CO7	£152,367
Director of Public Health	Individual spot salary	£97,173
All other Directors & Operational and Commissioning Directors	CO2 – CO6	£97,173 - £139,837

7. Contingent Pay

7.1 The Council pays its Chief Officers a spot salary. There is no element of performance pay nor are any bonuses paid. No overtime is paid to Chief Officers. There are no lease car arrangements. A market supplement of £11,602 is paid to the Operational Director – Children's Care and Support. This payment was agreed as part of the recruitment exercise in 2018 but is currently subject to review based on recent benchmarking information.

8. Pensions

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

9. Other Terms and Conditions

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

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

9.2 From time to time, variations in terms and conditions of employment will be negotiated and agreed at national or local level with the union or unions recognised by the Authority as representing your employment group. Where these are adopted by the Authority, they will, within a period of 28 days from the date of the change, be separately notified to you or otherwise incorporated in the documents to which you have reference."

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

10. Election Expenses

10.1 The fees paid to Council employees for undertaking election duties vary according to the type of election they participate in and the nature of the duties and responsibilities they undertake. All election fees paid are additional to Council salary and are subject to normal deductions of tax.

10.2 Returning Officer duties (and those of the Deputy Returning Officer) are contractual requirements but fees paid to them for national elections / referendums are paid in accordance with the appropriate Statutory Fees and Charges Order.

11. Termination / Severance Payments

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

12. Retirement

12.1 Employees who contribute to the Local Government Pension Scheme who elect to retire at age 60 or over or who are retired on redundancy or efficiency grounds over age 55 are entitled to receive immediate payment of their pension benefits in accordance with the Scheme. Early retirement, with immediate payment of pension benefits, is also possible under the Pension Scheme with the permission of the Council in specified circumstances from age 55 onwards and on grounds of permanent ill-health at any age.

12.2 The Council will consider applications for flexible retirement from employees aged 55 or over on their individual merits and in the light of service delivery needs.

13. Redundancy

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

14. Settlement Agreements

14.1 Where an employee leaves the Council's service in circumstances which are, or would be likely to, give rise to an action seeking redress through the Courts from the Council about the nature of the employee's departure from the Council's employment, or where an existing employee has an employment dispute with the Council which may give rise to the litigation, the Council may settle such claims by way of a settlement agreement where it is in the Council's interests to do so. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Legal advice will be sought in all cases.

15. Fairness and Equality

Pay Ratios

15.1 It was agreed as of 1 January 2013 that no permanent employee should be paid less than the London Living Wage. This supports the Council's ambition to raise average local household incomes and reflects its commitment to pay fairness. The Council has also agreed that this should apply to all agency staff working on Council assignments. This minimum rate increased to £10.75 per hour (equivalent to an annual salary of £19,617) with effect from November 2019.

15.2 Based on this figure, the Council's pay multiple - the ratio between the highest paid employee (the Chief Executive) and lowest paid employee - is 1- 8:5. This means that the chief executive is paid, 8.5 times the lowest salary. This ratio is marginally lower than the previous year.

15.3 The ratio between the Chief Executive's salary level and the median salary figure for all employees in the Council is currently 1 - 5.70. The median annual salary for all employees at 1 April 2019 was £30,708 per annum, with the average salary being £34,451. This ratio is marginally lower than the previous year. Both median and average salaries referenced are full time equivalent and are adjusted according to individual contractual arrangements.

15.4 Across London the average ratio between the highest and median salaries is 1 to 7, based on a Chief Executive's average of £181,500 (taken from London Councils' 2017 Senior Staff Pay Data).

16. Any Additional Reward Arrangements

16.1 No additional reward arrangements are in place.