

Notice of Meeting of the

ASSEMBLY

**to be held on Wednesday, 3 March 2021
commencing at 6:00 pm in the
Meeting to be held virtually**



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

Date of publication: 23rd February 2021

Claire Symonds
Acting 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.

To view the webcast click [here](#) and select the relevant meeting (the weblink will be available at least 24-hours before the meeting).

AGENDA

1. Apologies for Absence

2. Declaration of Members' Interests

In accordance with the Council's Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting. 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 6.

3. Minutes - To confirm as correct the minutes of the meeting held on 27th January 2021 (Pages 3 - 12)

4. Death of Former Councillor George Shaw (Pages 13 - 15)

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 2021/22 and Medium Term Financial Strategy 2021/22 to 2024/25 (Pages 17 - 71)

8. Treasury Management Strategy Statement 2021/22 (Pages 73 - 119)

9. Pay Policy Statement 2021/22 (Pages 121 - 130)

10. Motions

There are no Motions.

11. Questions With Notice

There are no Questions with Notice.

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

13. **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.***

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

Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND

Our Priorities

Participation and Engagement

- To collaboratively build the foundations, platforms and networks that enable greater participation by:
 - Building capacity in and with the social sector to improve cross-sector collaboration
 - Developing opportunities to meaningfully participate across the Borough to improve individual agency and social networks
 - Facilitating democratic participation to create a more engaged, trusted and responsive democracy
- To design relational practices into the Council's activity and to focus that activity on the root causes of poverty and deprivation by:
 - Embedding our participatory principles across the Council's activity
 - Focusing our participatory activity on some of the root causes of poverty

Prevention, Independence and Resilience

- Working together with partners to deliver improved outcomes for children, families and adults
- Providing safe, innovative, strength-based and sustainable practice in all preventative and statutory services
- Every child gets the best start in life
- All children can attend and achieve in inclusive, good quality local schools
- More young people are supported to achieve success in adulthood through higher, further education and access to employment
- More children and young people in care find permanent, safe and stable homes
- All care leavers can access a good, enhanced local offer that meets their health, education, housing and employment needs
- Young people and vulnerable adults are safeguarded in the context of their families, peers, schools and communities

- Our children, young people, and their communities' benefit from a whole systems approach to tackling the impact of knife crime
- Zero tolerance to domestic abuse drives local action that tackles underlying causes, challenges perpetrators and empowers survivors
- All residents with a disability can access from birth, transition to, and in adulthood support that is seamless, personalised and enables them to thrive and contribute to their communities. Families with children who have Special Educational Needs or Disabilities (SEND) can access a good local offer in their communities that enables them independence and to live their lives to the full
- Children, young people and adults can better access social, emotional and mental wellbeing support - including loneliness reduction - in their communities
- All vulnerable adults are supported to access good quality, sustainable care that enables safety, independence, choice and control
- All vulnerable older people can access timely, purposeful integrated care in their communities that helps keep them safe and independent for longer, and in their own homes
- Effective use of public health interventions to reduce health inequalities

Inclusive Growth

- Homes: For local people and other working Londoners
- Jobs: A thriving and inclusive local economy
- Places: Aspirational and resilient places
- Environment: Becoming the green capital of the capital

Well Run Organisation

- Delivers value for money for the taxpayer
- Employs capable and values-driven staff, demonstrating excellent people management
- Enables democratic participation, works relationally and is transparent
- Puts the customer at the heart of what it does
- Is equipped and has the capability to deliver its vision

MINUTES OF ASSEMBLY

Wednesday, 27 January 2021
(6:00 - 8:11 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 Sade Bright
Cllr Laila M. Butt	Cllr Evelyn Carpenter	Cllr Peter Chand
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 Margaret Mullane	Cllr Adegboyega Oluwole
Cllr Glenda Paddle	Cllr Simon Perry	Cllr Moin Quadri
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 Dave Miles Cllr Bill Turner

42. Declaration of Members' Interests

There were no declarations of interest.

43. Minutes (25 November 2020)

The minutes of the meeting held on 25 November 2020 were confirmed as correct.

44. Death of Dr Donald Hoskins, MBE and Freeman of the Borough

The Assembly noted with deep regret that following a long illness Dr Donald Hoskins, the former Head of the Music Centre at the University of East London (UEL) passed away in hospital on 30 November aged 88. His burial took place on 14 December near his birthplace of Six Bells, Abertillery in South Wales.

Councillors Carpenter and Ramsay spoke warmly of their memories of concerts performed by Dr Hoskins in Barking, while the Leader of the Council paid tribute to Dr Hoskins legacy.

The Assembly held a minute's silence as a mark of respect.

45. Leader's Statement

The Leader of the Council presented a verbal statement updating the Assembly on a range of matters since the last meeting, beginning by wishing all colleagues and residents a happy new year. 2020 was a difficult year and the Leader was encouraged to see the community spirit in the Borough was still strong.

Issues raised in the Leader's Statement included:

The road to recovery from COVID-19: There were many roads to recovery in the Borough, highlights included a film studio training offer, continuing to lobby Government to fund new industries coming into the Borough, the recent opening of the NTT Data Centre, continuing to build new and affordable homes and continuing efforts to secure support for a cut and cover tunnel over the A13;

Support for Key Workers: The Key Worker car parking permit scheme would be continuing to help those working on the front line;

Finance: In noting the financial struggles of the Council and the high deprivation in the Borough, the Leader reminded residents to contact the Council if they were struggling. The Leader thanked Councillor Jones and the Overview and Scrutiny Committee for their hard work in scrutinising the forthcoming budget;

Commission for Samuel Garside House: Sir Steve Bullock and Diarmaid Ward were independently commissioned to conduct a review of the fire at Samuel Garside House in June 2019. The Samuel Garside House report was received by Cabinet on the 19th January 2021 and the council was now in the process of calling on the Government to implement these recommendations;

Community Champion of the Year Award: The Leader congratulated Councillor Ashraf, who was awarded Community Champion for the Year at the end of 2020 from the LGIU;

Legal Team: The Leader gave special thanks to the Legal Team, who was awarded Best Contribution by an In-house Team at the LawWorks Awards 2020 for pro bono work with victims of domestic abuse in the borough; and

Young Mayor's Challenge: The Leader had been invited by the Young Mayor to take part in an 80's dance challenge online. Funding raised by the challenge would be going to the Young Mayor's chosen charity, Refuge.

The Leader invited the Cabinet Member for Health Integration and Social Care to address the Assembly on the current COVID-19 situation. The Assembly were advised the Cabinet Member that:

- Currently, there 500 people with COVID-19 using the local hospitals at any one time. This was placing extreme pressure on all services and those who were seriously ill had to be moved elsewhere. Staff had shown amazing commitment and humanity throughout the pandemic, however the Cabinet Member confirmed that 370 people had lost their lives in the borough since

- the pandemic started; and
- The Broadway Theatre would shortly become the first large vaccination centre in the Borough. There were still vaccinations taking place at Parsloes Surgery and Barking Hospital. Over 8000 people in the Borough had been vaccinated with 86% of care home residents having now had their first vaccine.

46. Appointments

There were none.

47. BAD Youth Forum Annual Report 2020

The Assembly received the Barking and Dagenham (BAD) Youth Forum and Young Mayor's Annual report, introduced by the Head of Participation, Opportunity and Wellbeing, who was accompanied by representatives of the Youth Forum.

This report detailed the achievements of the BAD 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 BAD Youth Forum was in its 19th year. Its purpose was to provide young people with a formal platform to express their views and be ambassadors for young people locally. In February 2020, the Forum held its annual election, followed by a full Forum meeting and team building session.

Despite the restrictions and difficulties presented to the Forum by the pandemic, the Forum continued to work together in 2020 and updated the Assembly on their achievements:

Community Action Sub-Group: As the first lockdown began, the Community Action Sub-Group was discussing its focus for the year. The Sub-Group decided to focus on domestic abuse, raising awareness amongst young people, highlighting what domestic abuse was, the different types and where to get support. The Sub-Group were consultees for the Barking and Dagenham Domestic Abuse Commission.

Young Mayors Sub-Group: The Young Mayor had picked Refuge for their chosen charity for 2020. The Young Mayor attended many different events and spoke at the Women's Empowerment Month Launch. The Young Mayor held regular monthly meetings with the Leader of the Council to discuss issues for young people. Despite the difficulties faced, the Young Mayor's Fundraising activities continued to go ahead with items such as walking up Mount Everest in their own homes. One of the forum members was a victim of a serious car accident in 2019 and it took him a long time to learn how to walk again. As a personal challenge the forum member challenged himself to walk as far as he could to raise money for Refuge. To date the forum had raised £1006 in 2020.

Young Inspectors Sub-Group: Young Inspector training began in March 2020 however due to the first lockdown, it was cancelled along with any planned inspections. Instead, the Sub-Group worked with Youth Councils in Havering and Redbridge to prepare a survey asking young people about their experiences in

lockdown. A second survey was undertaken during the second lockdown in November 2020. The results indicated that there had been a significant impact on young people's mental health- more than 1 in 4 young people said they were not feeling good and young people expressed concern about pressures in education, which was the biggest concern of all. The Sub-Group wanted to discuss the Black Lives Matter (BLM) movement and met with Barking and Dagenham BLM group who were very inspiring and also attended a workshop they hosted.

The Forum took part in other events during the year, including eight consultations, held two Youth Independent Advisory Group meetings and was represented by two members on the London Youth Assembly.

The Chair of the Forum attended different events during the year including

- Overview and Scrutiny Committee meetings;
- Safer Neighbourhood Board meeting; and
- Chaired the Youth Independent Advisory Group meetings.

The presentation concluded with Forum member expressing how vital the Forum has been during difficult times and because of this, the Forum Members decided to 'leave the door open' to any new members this coming year.

Following the presentation a number of Members congratulated the Forum on their excellent work and inspirational projects during such difficult times. The Chair thanked the Forum Members for their presentation.

48. Local Government Boundary Review - Council Preferred Warding Pattern

Further to a report considered by Assembly in July 2020 (minute 16 refers) on the Council Size proposal of 51 councillors, the Director of Law and Governance presented a further report on Local Government Boundary Commission for England (LGBCE) Ward Boundary Review 2020.

The LGBCE being 'minded to' support the Council's submission, undertook a public consultation exercise, seeking a wide range of local views with reasons as to the Borough's ward boundary pattern, including the number and names of proposed wards, together with the number of councillors per ward. The consultation exercise ran for seven weeks and concluded on 11 January 2021. The Council, as a statutory consultee, was invited to make a submission.

A prospective ward boundary map was drawn up with supporting information, proposing the creation of nineteen wards, made up of a combination of 2 and 3 Member wards, and which given the 11 January 2021 deadline to respond, was presented to the LGBCE as the Authority's in principle view as to its favoured ward pattern arrangements, subject to approval by the Assembly at this meeting.

The Assembly **resolved** to:

- (i) Agree the proposed ward pattern for the Borough of nineteen (19) wards made up of a combination of 2 and 3 Member wards based on the configuration detailed in ward boundary map set out in Appendix 3 with additional information as set out in Appendix 4 (location of schools), Appendix 5 (location of places of worship) and Appendix 6 (supporting

information for each of the 19 proposed wards), and which includes reference to the creation of two new wards named Creekmouth and Roding, and

- (ii) That the decision be reaffirmed with the LGBCE.

49. Council Tax Support Scheme 2021/22

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

Members noted that the Council's CTS scheme required minor administrative changes to improve its clarity and general administration and assist in reaching those that are entitled to support. The scheme requires updating so it is aligned better, is more compatible and has greater clarity in its interactions with Universal Credit as this caseload continues to increase, replacing existing legacy welfare benefits.

The Assembly **resolved** to agree that the Council Tax Support Scheme implemented for 2020/21 be retained for 2021/22, subject to the administrative changes detailed in section 2 of the report which improve clarity, align with other welfare benefits, primarily Universal Credit, and enhance access for those eligible for entitlement.

50. Scrutiny Annual Reports 2019/20

The Chair of the Overview and Scrutiny Committee (OSC) presented an Annual Report highlighting the work of the Overview and Scrutiny Committee on 2019/20.

The Chair of (OSC) advised that the year had begun by meeting with Cabinet Members, directors and officers to find out more about their thoughts around key issues, which also helped to guide the Committee in developing a meaningful work programme. The Chair of OSC took the opportunity to personally thank Cabinet Members for allowing OSC to work so closely with them.

OSC covered a wide range of items during 2019/20 ranging from the Council's 2019 Air Quality Action Plan through to how the Council was developing its Local Offer for care leavers. The Committee undertook two in-depth Scrutiny reviews, 'Improving Household Waste, Recycling and Street Cleansing' and 'Ambition 2020 and its Early Impact'. During the year, the Committee also undertook pre-decision scrutiny on issues such as the Voids Improvement Plan and the draft Housing Allocations Policy, as well as worked to provide extra value, such as through providing a forum for Borough representatives to talk to the Police on crime and disorder.

The programme for 2020/21 included updates into the recommendations arising from the 'Improving Household Waste, Recycling and Street Cleansing', and 'Ambition 2020 and its Early Impact' scrutiny reviews, reviewing the Barking and Dagenham response to Covid-19 alongside a full and engaging work programme.

The Chair of OSC thanked Leanna McPherson, Masuma Ahmed and Claudia Wakefield, Mark Tyson and Fiona Taylor for their ongoing support.

The Chair of the Health Scrutiny Committee (HSC) in 2019/20 then presented an annual report highlighting the work of the Committee in 2019/20.

The Member took the opportunity to remind all Members of the importance of health scrutiny, recognising and acknowledging the enormous strain that the NHS, local authorities and local residents were under at this unprecedented time.

The Member highlighted Barking, Havering and Redbridge NHS Trust's (BHRUT) deficit in 2019-2020, £65 million, and the forecasted deficit for 2020/2021, £100 million, which was of grave concern to the Committee. The forecasted deficit was before Covid-19.

HSC looked at the Trust's response to research by Health Education England and the General Medical Council that found widespread discontent among junior doctors within the Trust. Of the nine recommendations they made, four had been implemented. The Trust assured HSC that the remaining five would be progressed to ensure the concerns of junior doctors would be addressed.

It was also reported to the Assembly that the health commissioning model would move to a single North East London Clinical Commissioning Group (CCG), which will come into force on 5 April 2021 – the Committee sought assurance from BHR CCGs, that the governance of this model would ensure that local needs would be addressed via locally focused boards and that the Committee's representations would be fed into their design.

The Assembly were also updated on the recommendations following the reviewing into Childhood Obesity, which was undertaken in 2018/19.

Moving forward, the Health Scrutiny Committee faced many challenges including Covid-19 and the move to a single CCG for North East London.

The Member thanks Masuma Ahmed, Matthew Cole and the Cabinet Member for Social Care and Health Integration for their support.

The Leader thanked Councillor Keller and the other members of the HSC for the work of HSC during the current difficult times caused by the pandemic.

51. Motions

Motion 1 – Responsible Use of Fireworks

Proposed by Councillor Princess Bright and Seconded by Councillor Chand

“Fireworks are used throughout the year to mark different events. This council welcomes the use of fireworks to celebrate cultural and community events, whilst also recognising the need for regulation in order to support vulnerable people and animals.

The unpredictable, loud and high intensity noises that many fireworks make can cause fear. For example, studies have found fireworks to be the most common cause for fear responses in dogs , and it is estimated that 45 percent of dogs show

signs of fear when they hear fireworks . A New Zealand survey recorded 79 percent of horses as either anxious or very anxious around fireworks or over the Guy Fawkes Day period.

Debris produced by fireworks, if found on the ground, can also pose a hazard to animals, such as horses and farm livestock. Although there is limited direct evidence, it is also likely that fireworks and their debris will cause disturbance to wildlife, and are likely to cause suffering or distress, depending on the distance from the explosive and the noise level.

This Council resolves:

- to require all public firework displays within the local authority boundaries to be advertised in advance of the event, allowing residents to take precautions for their animals and vulnerable people
- to actively promote a public awareness campaign about the impact of fireworks on animal welfare and vulnerable people – including the precautions that can be taken to mitigate risks
- to write to the UK Government urging them to introduce legislation to limit the maximum noise level of fireworks to 90dB for those sold to the public for private displays
- to encourage local suppliers of fireworks to stock ‘quieter’ fireworks for public display.”

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

The motion was **carried** unanimously.

Motion 2 – Union Learning Fund

Proposed by Councillor Mullane and Seconded by Councillor Paddle

“This council notes:

1. On Tuesday 6 October, the TUC received a letter from the Department for Education saying that ministers have decided to end the Union Learning Fund from March 2021.
2. The Union Learning Fund (ULF) was set up in 1998 to support trade unions to widen access to learning and training in workplaces for both union members and non-members. The fund supports workplace projects across England, and is coordinated by the TUC.
3. Each year around 200,000 workers are supported into learning or training with union support through the ULF and the TUC. These learners undertake all sorts of job-relevant learning and training, including basic literacy and numeracy, ICT skills, apprenticeships and traineeships, vocational training, continuing professional development and many other informal and formal courses.
4. In 2019–20, the ULF was worth £12m. If upheld this decision will effectively end union-brokered skills training, and will undermine key government skills and retraining priorities at a crucial moment for our economy.

This council understands that:

1. Union learning reaches people that other DfE programmes do not reach.

2. There is an independent evaluation of the Union Learning Fund every two years. It was most recently evaluated by the University of Exeter in 2018. They spoke to 2,459 learners, and found:
 - Over two-thirds (68 per cent) of learners with no previous qualifications got a qualification.
 - 47 per cent of those with entry level or level 1 qualifications got a qualification at a higher level.
 - Four in five (80 per cent) said they had developed skills that they could transfer to a new job.
 - Two in three (62 per cent) said their new skills made them more effective in their current job.
 - One in five (19 per cent) said they had been promoted or given increased responsibility and one in 10 (11 per cent) got a pay rise.
3. The 2018 independent evaluation found that union learning provided excellent value for money:
 - For every £1 spent on the Union Learning Fund, there is a return of £12.30: £7.60 to the worker, £4.70 to the employer.
 - The Union Learning Fund delivers an estimated net contribution to the economy of more than £1.4bn as a result of a boost to jobs, wages and productivity.
 - The return to the exchequer (through reduced spending on welfare benefits and other factors resulting from the boost to jobs and wages) is £3.57 for each £1 spent on the Union Learning Fund.
4. The £12m government funding levered in an additional £54m from employers, unions and training providers in 2019–20. The government has said it will put reskilling workers at the heart of its economic recovery plans after the pandemic. In September 2020, the government announced a new fully funded entitlement to achieve a first level 3 qualification, delivered through the National Skills Fund. Union learning is ideally placed to support this aspiration, in three ways:
 - directly, through delivering relevant level 3 courses to workplace learners, which is already a core function of the Union Learning Fund and was assessed as highly effective by the 2018 independent evaluation
 - directly, through enabling those with basic skills to learn and develop, putting them in a position to progress to level 3 skills
5. Successive governments of all parties have valued this role – and have supported the Union Learning Fund. As government funding, it is paid as a contract and is subject to stringent monitoring requirements. Union Learning Fund money can only be spent on the direct costs of getting working people into learning and skills training, and the associated costs of delivering this programme.
6. ULF projects adapted quickly to delivering online learning and training for workers during the pandemic and have actually surpassed the number of outcomes expected by government since the beginning of April.

This council resolves to:

1. Express its public support for the continuation of the Union Learning Fund
2. Raise this issue with our local MPs and encourage them to call on the government to reverse its decision

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

The motion was **carried** unanimously.

Motion 3 – Ending the Cladding Scandal

Proposed by Councillor Geddes and Seconded by Councillor Ashraf

“This Council notes:

- The tens of thousands of buildings around the country including those in Barking & Dagenham impacted by the cladding crisis, and millions of leaseholders unable to move and facing crippling bills for removal
- The grassroots campaign led primarily by residents affected by fire and building safety issues: including Grenfell United and the London Cladding Action group of affected leaseholders.
- The calls for urgent and nation-wide action from the Government to fix cladding issues which came to light following the Grenfell tower tragedy.
- The impact this has had on leaseholders across the country who now live in homes declared to be unsafe, due to unsafe cladding or other safety defects.
- That these costs mean that leaseholders are unable to sell their homes – leaving them effectively trapped.

- The campaign asks central Government to take responsibility and fund necessary works, reclaiming the costs from those responsible or by a levy on future developments.

This council also notes:

- The campaign has ten asks of Government, which can be summarised by the following actions:
 - Homes to be made safe as quickly as possible
 - Protection and support for those living in unsafe homes
 - Actions to unlock the market and allow people to move on with their lives

This council resolves to:

- Support the *End our Cladding Scandal* campaign and sign up to the 10-point plan to tackle the national cladding scandal which would mean:
 1. The government must lead an urgent national effort to remove all dangerous cladding from buildings by June 2022, including the prioritisation of blocks most at risk
 2. The Building Safety Fund must cover all buildings, regardless of height, and a range of internal and external fire safety defects, not just cladding
 3. The government should provide the money up front and then seek to recover it from any responsible parties or via a temporary levy on development
 4. Social housing providers must have full and equal access to the fund

5. The government must compel building owners or managers to be honest with residents about fire safety defects
6. The government should cover the cost of interim safety measures
7. The government should act as an insurer of last resort and underwrite insurance where premiums have soared
8. A fairer, faster process is needed to replace EWS and funding is necessary to ensure all buildings that require a form are surveyed within 12 months
9. Mental health support must be offered to affected residents
10. Protecting residents from historic and future costs must be a key commitment of new building safety legislation

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

The motion was **carried** unanimously.

Standing Order 7.1 (Chapter 3, Part 2 of the Council Constitution) was suspended at this juncture to enable the meeting to continue beyond the 9pm threshold).

52. Questions With Notice

There were none.

ASSEMBLY**3 March 2021**

Title: Death of Former Councillor George Shaw, Freeman of the Borough	
Report of the Acting Chief Executive	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Leanna McPherson, Principal Governance Officer	Contact Details: Tel: 020 8227 2852 E-mail: leanna.mcpherson@lbbd.gov.uk
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Summary	
<p>The Assembly is asked to note with deep regret that former Councillor and Freeman of the Borough, George Henry Shaw, passed away on Sunday 14 February at the age of 94.</p> <p>Born in Poplar in the east end of London during the 1926 General Strike, George Shaw moved to Barking aged 4 years. He was educated at Roding and Erkenwald Schools and spent 35 years of his working life with a multi-national manufacturer of electric power storage systems.</p> <p>George was an active Trade Unionist all his working life and was a founder member and Chairman for 21 years of the Association of Clerical Technical and Supervisory Staffs – 1/1141 Branch (TGWU). He was also Chairman of the Joint Staffs Negotiating Group covering Dagenham, Manchester and Cannock for eight years before becoming a Member of the TGWU Retired Workers' branch.</p> <p>George was an active Member of the Labour Party for most of his adult life. He held the positions of Ward Chairman, Membership Secretary and Election Campaign Organiser at various points and was a Member of the Barking Labour Party Executive and General Management Committee, as well as a Member of the London East European Constituency Management Committee and the Labour Group Policy Committee.</p> <p>George was first elected to the Council in a by-election for Gascoigne ward in December 1971. At the time, Gascoigne ward straddled the A13 taking in the Thames View Estate, where George and his family lived. He was elected to represent the newly created Thames ward in 1978, a position he held until he stood down from the Council in May 2002. George served on numerous committees, sub-committees, partnership boards and other outside bodies throughout his 31 years on the Council but is best remembered for his role as Chairman of the Council's Housing Committee, becoming affectionately known across the Council and by many residents as "Mr Housing". George had served as Vice-Chairman of the Housing Committee, under the stewardship of his good friend and colleague Councillor John Lawrence, for several years before they swapped roles in 1986 and George became Chairman. George continued in that role until 2000 when the Council moved to its new Executive style of leadership at which point George was</p>	

appointed as the Executive Member for Housing, a position he held until he retired from the Council in 2002.

I believe that it is befitting to share a tribute that I received from Mr Bill Jennings on learning of George's passing. Mr Jennings worked in the Council's Housing Department for almost 40 years before retiring as Group Manager for Housing in 2008.

"It was my good fortune to have known George Shaw since the 1970's.

George was extremely passionate about Barking and Dagenham and particularly about housing within the borough.

In the late 1980's two specific housing initiatives were led by George. The first was the setting up of a group of Councillors and senior officers to look at a specific housing problem, which became known as the 'Targeting of Estates' group. Its brief was to look into the estates in the borough that required major improvements and to develop initiatives, supported by considerable investment, to improve the area and the lives of its residents. The first area chosen was the Castle Green estate. The area consisted of three tower blocks and the various problems experienced there were deemed to be the worst in the borough. Because of the problems, numerous flats were unlet and demand for housing in that area was almost nil. George led the team in setting up major consultation exercises with the local residents to establish what the problems were and also what the 'wish list' was. The main issue was that the residents did not feel safe so the group, led by George, looked at the possibility of installing a Concierge system. A system was designed in-house for a central Concierge Unit to be located between the three tower blocks from where there would be glazed walkways linking the Unit to the blocks. A Concierge Unit was to be manned 24/7 by newly appointed Concierge staff and a large CCTV system was to be installed both inside and outside the blocks. George oversaw the implementation of all of these measures, the blocks were repainted with red and grey stripes and the new name 'Goresbrook Village' was chosen by the residents, who formed a new Residents' Association. Very quickly, all properties at Goresbrook Village were let and there was actually a waiting list. The unique scheme was revolutionary and was copied by many other Local Authorities in later years. This extended the life of these three tower blocks by 20-plus years.

At around the same time, George became very concerned at the shortage of good quality Part 2 Sheltered Units in the Borough, as we had the largest elderly population in London. Once again George led the charge to address this imbalance. He and the Housing Committee negotiated 'barter deals' with large building contractors, which resulted in two state-of-the-art Sheltered Housing complexes being built, one named Catherine Godfrey House in Goresbrook Road and the other Kidd House in St. Georges Road. These were the forerunners of future Sheltered Units in the borough.

George's passing is a very sad moment for the borough."

George was elected by his peers to serve as Borough Mayor for the 1985/86 municipal year and proudly accepted the Freedom of the Borough in 1992.

George derived great pleasure from DIY activity around the family home and was heavily involved in the management of the City Farm on the Thames View Estate. He is also fondly remembered for his continued support to the Barking Labour Party even after he retired as a councillor, always an early riser on election days driving around the Thames View Estate encouraging local residents to vote via the loud speaker on the top of his Ford Cortina and giving many of the elderly residents a lift to and from the polling station.

George leaves behind his wife, Olive, two children, Malcolm and Pam, and two grandchildren.

Recommendation(s)

The Assembly is asked to mark the passing of George Shaw with a minute's silence in his memory.

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ASSEMBLY**3 March 2021**

Title: Budget Framework 2021/22 and Medium Term Financial Strategy 2021/22 to 2024/25	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Philip Gregory, Finance Director (Chief Financial Officer / Section 151 Officer)	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Summary	
<p>The budget framework for 2021-22 is prepared in the context of unprecedented uncertainty arising from the continuing impact of the COVID-19 pandemic. The impact on the community of COVID-19 has resulted in financial pressures to the Council throughout 2020-21 which will have implications for years to come. It must, however, be recognised that the Council has worked in partnership with the local community to ensure that no resident is left behind and many links with the community have been forged and strengthened since March 2020.</p>	
<p>The Council has paid over £29m to local businesses in COVID-19 grants. To support vulnerable local residents the Council has provided additional Council Tax Support in addition to providing food deliveries and other support.</p>	
<p>The Government have had to alter the financial planning framework during the course of the year. The level of uncertainty throughout the public sector has increased in the absence of an Autumn Spending Review and the cancellation of the Budget by Government. As an interim measure another one year funding settlement has been provided for 2021-22. Specific funding changes for Local Government including the Fair Funding Review and the reset of Business Rates have been deferred until 2022-23 at the earliest. This has resulted in an extremely uncertain environment within which the budget and MTFS have been prepared.</p>	
<p>This report sets out the:</p> <ul style="list-style-type: none"> • Proposed General Fund revenue budget for 2021-22 • Proposed level of Council Tax for 2021-22 • Medium Term Financial Strategy (MTFS) 2021-22 to 2024-25 • Draft capital investment programme 2021-22 to 2024-25 • Update on the Dedicated Schools Grant and Local Funding Formula for Schools 	
<p>The General Fund net budget for 2021-22 is £174.326m. The budget for 2021-22</p>	

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 4.99%. This includes 1.99% for general spending and a further 3% that is specifically ringfenced as an adult social care precept. This will increase the level of Council Tax from £1,284.80 to £1,348.91, (£64.11) for a band D property.

The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £31.59 (9.5%) for a Band D property, changing the charge from £332.07 to £363.66; of this £15.00 relates to the Police Precept, £1.59 for the London Fire Brigade and £15 as a contribution towards the cost of discretionary concessionary fares.

The combined amount payable for a Band D property will therefore be £1,712.57 for 2021-22, compared to £1,616.87 in 2020-21. This is a total change of £95.70. At its meeting on 27 January 2021, the Assembly 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 £1,483m for 2021-22 to 2024-25, including £96.805m for General Fund schemes. Details of the schemes included in the draft capital programme for 2021-22 are at Appendix F.

This report was considered and endorsed by the Cabinet at its meeting on 15 February 2021.

Recommendation(s)

The Assembly is recommended to:

- (i) Approve a base revenue budget for 2021-22 of £174.326m, as detailed in Appendix A to the report;
- (ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2021-22 to 2024-25 allowing for other known pressures and risks at the current time, as detailed in Appendix B to the report, including the revised cost of borrowing to accommodate the capital costs associated with the implementation of the MTFS;
- (iii) Note the observations made by the Overview and Scrutiny Committee at its meeting on 26 January 2021 in respect of the Cabinet's savings and growth proposals for 2021/22 and beyond and the outcome of the public consultation on the budget proposals, as set out in section 14 of the report;
- (iv) Approve the budget savings and growth proposals for 2021/22 and beyond, as detailed in section 8 and Appendix C to the report;
- (v) Delegate authority to the Chief Financial 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 2021-22 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2021;

- (vi) Approve the Statutory Budget Determination for 2021-22 as set out at Appendix D 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 3.00% and the final Council Tax proposed by the Greater London Assembly (9.5% increase), as detailed in Appendix E to the report;
- (vii) Note the update on the current projects, issues and risks in relation to Council services, as detailed in sections 8-10 of the report;
- (viii) Approve the Council's draft Capital Programme for 2021-22 totalling £399.105m, of which £30.845m are General Fund schemes, as detailed in Appendix F to the report;
- (ix) Approve the Flexible Use of Capital Receipts Strategy as set out in Appendix G to the report;
- (x) Note the update on Dedicated Schools Funding and approve the Local Funding Formula factors as set out in section 13 and Appendix H to the report; and
- (xi) Note the Chief Financial 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 2021-22 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: no-one left behind and delivery of the priorities within available resources.

1. Introduction and Background

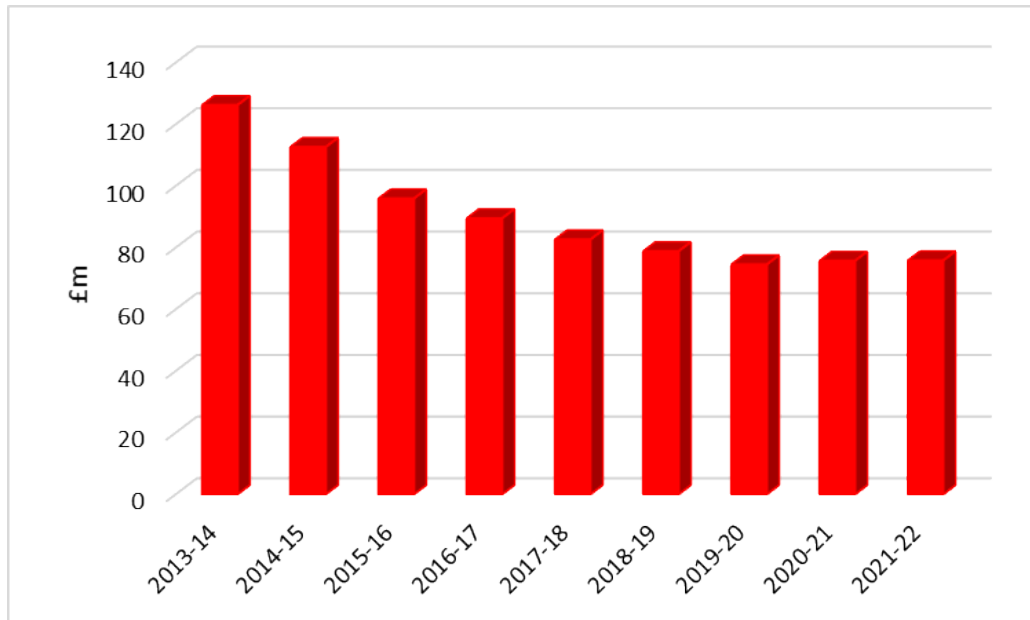
- 1.1. This report sets the context for the future financial position for the London Borough of Barking and Dagenham and to seek agreement to proposals for the revenue budget for 2021-22 of £174.326m. The report also sets out the Medium Term Financial Strategy (MTFS) for 2021-22 to 2024-25 and the Council Tax level for 2021-22.
- 1.2. The MTFS is a statement on the council's approach to the management of its financial resources to meet its Corporate Priorities. The MTFS also considers the appropriate level of reserves that the Council holds to mitigate current and longer-term risks.
- 1.3. 2020-21 was the fourth and final year of the original Ambition 2020 savings and transformation programme. The total programme savings target was £48.8m of which £36.129m was originally profiled as to be delivered by the end of 2019-20 and £12.696m was due to be delivered in 2020-21.
- 1.4. In July 2020, Cabinet approved an updated MTFS for 2020-21 including an

indicative forward forecast for future years. This identified a cumulative savings gap of £39.6m during the MTFs period from 2021-22.

- 1.5. The COVID-19 pandemic has continued to have a profound and unprecedented impact on the activity and finances of the Council. The pandemic has resulted in three major financial effects on the Council's financial position:
 - Additional costs
 - Income loss
 - Agreed savings at risk
- 1.6. The cost to the Council of the COVID-19 response is significant and the impact on the MTFs is unlikely to be contained to 2020-21 and will affect many years to come.
- 1.7. The wider context within which this Budget and MTFs has been prepared is one of unprecedented uncertainty. The financial sustainability of the whole of Local Government has been tested like never before in the response to the COVID-19 pandemic. This Council has stepped up to provide support to the most vulnerable members of the community as they have shielded from COVID-19 whilst still continuing to deliver a full range of services to our residents and businesses.
- 1.8. There have been significant cuts over a number of years to revenue support grant from the Ministry of Housing, Communities and Local Government (MHCLG) which, combined with increasing demographic and demand led pressures and the cost of the COVID-19 response, result in the need to identify savings and transformation proposals to deliver a sustainable MTFs. The 2021-22 Budget includes a number of savings and growth proposals.
- 1.9. The fair funding reforms and 75% business rates retention proposals are expected to be a benefit the council when introduced. These reforms were due to be introduced in 2020-21 following the four-year funding settlement. These reforms have now been delayed until 2022-23 at the earliest. The council has therefore lost the financial benefit from these reforms in 2020-21 and 2021-22 resulting in a wider savings gap in these financial years.
- 1.10. The Spending Review, published by Government in November 2020, provided a single year financial framework for 2021-22 only. The absence of a financial framework over a number of years significantly hampers the ability of the Council to assess the robustness of the MTFs beyond a one-year time frame, thereby increasing the uncertainty of financial projections from 2022-23 onwards.
- 1.11. The approach of the Council continues to be to invest in the borough to generate growth and prosperity, while redesigning and transforming council services to meet the needs of the community at a lower cost.

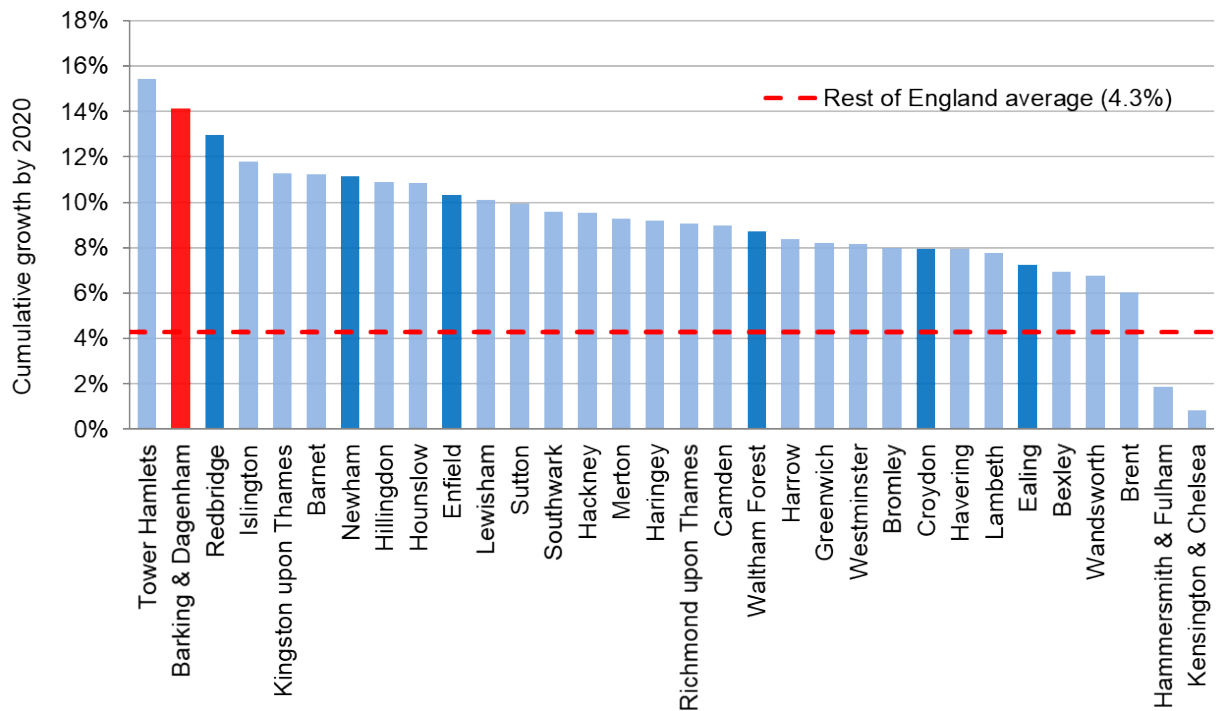
2. Medium Term Financial Strategy

- 2.1. The funding the Council receives from government has consistently reduced since public sector austerity was introduced in 2010-11. In 2013-14 local government were allocated a share of business rates from their area. Since 2013-14 government grants have reduced by over 40%. In 2013-14 our grant was £126m, in 2021-22 our grant will be £76m.



Government grant funding 2013-14 to 2021-22

2.2. Barking and Dagenham also has seen the second highest population growth in London during the same time period and almost 10% higher than the average English local authority. Our residents tend to be younger than the average in other London boroughs and many of our residents face a range of challenges and disadvantages that mean that they may need help and support from the Council at some point.

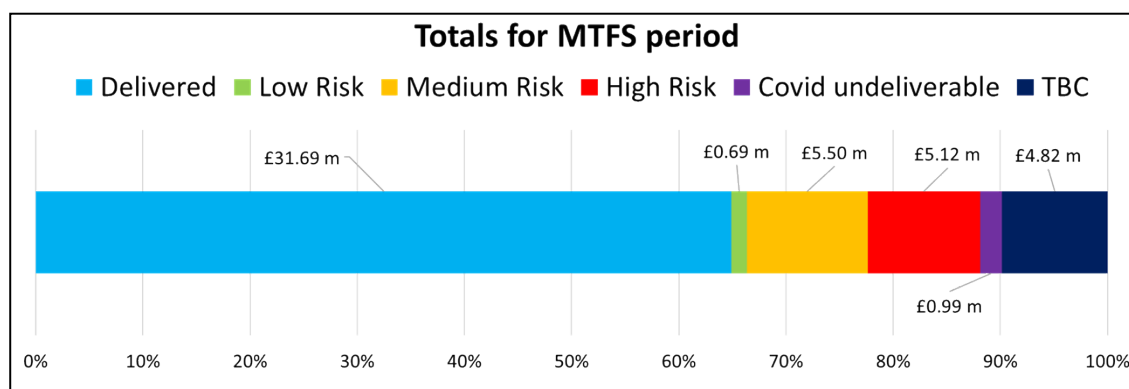


London Population growth 2013-2020

2.3. The combination of reducing funding and a growing population meant the Council had to do something in order to be able to continue to provide services to local residents and businesses. The Ambition 2020 programme began in 2017 and will deliver a New Kind of Council whilst delivering almost £50m in savings. A primary

focus of the programme was to maximise housing, business and economic growth within the borough.

- 2.4. This includes the creation of an investment portfolio, the establishment of subsidiary companies to deliver services more efficiently and generate additional income and the redesign of all Council services into a New Kind of Council. The funding for the programme that delivered this scale of transformation has been largely drawn from the Flexible Use of Capital Receipts and further information on this can be found in Appendix G.
- 2.5. The Ambition 2020 programme identified £48.8m of savings to be delivered over the four years of the programme. The chart below summarises progress to date:

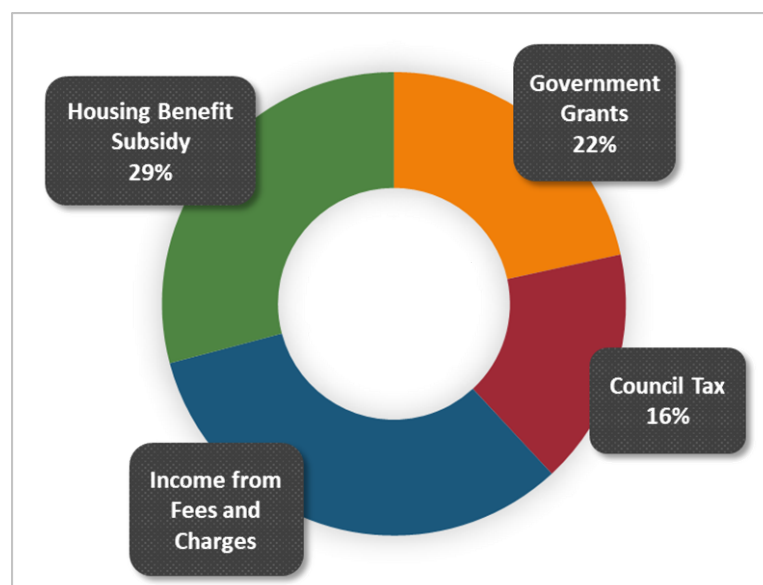


- 2.6. 2020-21 is the fourth and final year of the original Ambition 2020 savings and transformation programme. The total savings for the programme is £48.8m of which £36.129m was originally profiled as to be delivered by the end of 2019-20 and £12.696m was due to be delivered in 2020-21.
- 2.7. The total delivered so far is £31.69m leaving £17.11m so far undelivered, of which £12.7m was planned to be delivered in 2020-21. The total savings yet to be delivered in 2020-21 were already high risk even before the COVID-19 situation arose and the response to the pandemic has considerably worsened the situation. A small number of savings have been assessed as impossible to deliver but may be possible to reinstate in future years. In addition, there are a large number of savings where the original plans have been delayed or are much more difficult/high risk than first anticipated.
- 2.8. The progress of the delivery of approved savings is reported in the regular budget monitoring reports to Cabinet. Any savings that are not delivered in full will result in an overspend and an increased drawdown on reserves.
- 2.9. Delivering agreed savings is essential to deliver a balanced budget for 2021-22 and beyond. Where agreed proposals are deemed to be unachievable these should be replaced with alternative proposals by the service responsible, subject to Cabinet approval.
- 2.10. We have continued to invest in our services by focusing our resources to meet the needs of the community and deliver the priorities set out in the Corporate Plan. Our Borough Manifesto has 11 aspirations which form the long-term vision for the Borough:

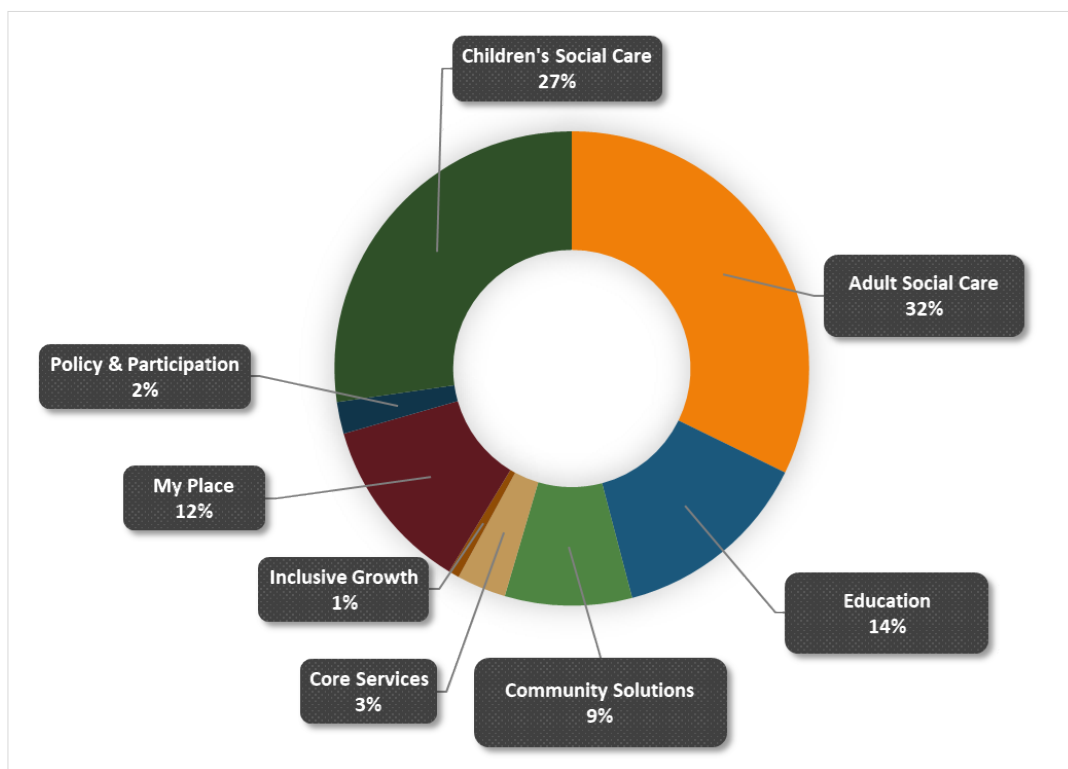


2.11. Over the course of many years the focus of the MTFs has been to deliver a transformed Council whilst maintain our financial sustainability. Over £175m of savings have been delivered since 2010. We have carefully set aside money into reserves and used these when necessary. This careful and prudent approach to financial management has enabled the Council to be in a position to meet the cost to the Council of COVID, which is set out in more detail in section 3 of this report.

2.12. Funding for the Council largely comes from the following sources:



2.13. Our budget allocates funds to services in the proportions set out below. 73% of our budget is spent on Social Care and Education.



2.14. The continued aim of the Council is to prioritise investment in services for the most vulnerable in a sustainable way. The Council takes an innovative approach to the way it delivers services and the way it finances these through the development of its investment and acquisition strategy.

3. COVID-19 Pandemic

3.1. The COVID-19 pandemic has continued to have a profound and unprecedented impact on the activity and finances of the council. The pandemic has resulted in three major financial effects on the council's financial position:

- Additional costs
- Income loss
- Agreed savings at risk

3.2. The cost to the Council of the COVID-19 pandemic response at the time of writing is estimated to be £55.3m in 2020-21. Government have provided emergency grant funding (un-ringfenced and ringfenced) of £28.2m and an income loss guarantee scheme with an expected benefit of £5.5m in addition to NHS funding of £0.9m leaving a residual cost pressure to the Council of £20.7m. If council tax and business rates income losses of £9.6m are excluded the pressure on the general fund is £11.1m (council tax and business rates losses are accounted for within the Collection Fund where deficits are accounted for in future financial years). The £11.1m cost pressure is equivalent to a £50 charge to every resident in the borough. The council can manage this cost pressure of £11.1m by utilising reserve balances.

- 3.3. COVID-19 is driving greater demand for particular services and consequently increases in costs. Anticipated latent demand is expected to emerge in some Care and Support services as lockdown and shielding restrictions ease, e.g. domiciliary care in Adults and LAC support in Children's.
- 3.4. In addition, costs that are not yet quantified may arise and these maybe dependant on the actions that partner organisations take or avoid which results in increased costs for the council. We work closely with partner organisations to ensure that our plans do not cause each other unintended financial consequences.
- 3.5. There are a number of savings proposals that were agreed and built into the 2020-21 budget. Some of these savings proposals are unable to be delivered whilst the council is focused on the pandemic response. Where these savings are not achieved, they will be funded from reserves as described above and the planned saving achieved in 2021-22.
- 3.6. The number of residents claiming Council Tax Support has increased due to the economic effects of COVID-19 during 2020-21 reversing the declining trend over a number of years. This has resulted in the Council Tax base reducing and further detail is included in paragraph 6.4 of this report.
- 3.7. The council has provided grant funding to businesses during 2020-21 of over £29m through 13 different grant schemes. The Revenues and Benefits team have worked incredibly hard to ensure that businesses receive the grants that are available to them in a timely way. In addition, officers have worked to safeguard public funds identifying ineligible and fraudulent claims.
- 3.8. COVID-19 has had a devastating effect on some of our most vulnerable residents. The Council has responded to this need by utilising the strength and breadth of its services that have been developed in the New Kind of Council. Unique and unprecedented needs have emerged and some of the highlights of the Council response are:
- The Council mobilised the community throughout the pandemic through BD_CAN to provide emergency support to over 2,000 households.
 - The Homes and Money Hub have provided advice to over 1,750 residents, maximising their income by over £430k.
 - The Council have provided hardship funding to over 400 households for help with emergency supplies including food, fuel and clothing.
 - The Council operated four community food hubs, visited by over 3,500 residents.
 - Supported Care Homes in the borough with emergency PPE supplies.
 - Delivered community events including the online 'One Borough, One Love' festival, Black History Month event and 3-Style Friday dance battles to name a few.
 - Delivered thousands of holiday activity kits for children over Christmas.
- 3.9. However, the pandemic has not stopped the activity of the Council. We have continued to deliver the priorities set out in the Corporate Plan demonstrating the opportunities available and ensuring we remain focused on 'no one left behind'. Some of the achievements of 2020-21 are:

- Secured the development of Dagenham East Studios creating up to 1,200 jobs.
- Supported local businesses to create over 100 Kickstart training opportunities.
- Over 1,050 new affordable homes have been built since May 2018, with over 2,700 by 2023.
- New specialist housing for residents with Autistic Spectrum Disorder (ASD) approved.
- Delivered over 300 Cosy Homes projects with 160 more booked in.
- Launched the Domestic Abuse Commission.
- The Thames Clipper is coming to Barking Riverside.
- Detected 178 frauds with a total value of £1.4 million.
- Over 30,000 new trees have been planted in the 'Forest of Thanks'.

3.10. There will inevitably be additional costs that will continue beyond 2020-21 due to the extended nature of lockdown through winter 2020-21. The impact of the continued lockdown will continue to be closely monitored and these assumptions may need to be revised, for example to take in to account the effect of a wave of the COVID-19 virus in winter 2021-22 or a significant change in behaviour within the community. In recognition of the ongoing nature of the pandemic the Government have provided further support. A grant of £7.694m has been provided in 2021-22 and the income guarantee scheme for fees and charges will continue for at least the first quarter of 2021-22.

4. Three strategic priorities

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

- **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.
- **Prevention, independence and resilience.** All activity relating to people facing public service is 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.
- **Participation & engagement.** All activity related to community engagement and social infrastructure is 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.

4.2. 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.

5. **Headline Financial Position**

- 5.1. The Provisional Local Government Settlement was published on 17 December 2020. This is subject to the finalisation of business rates baseline and section 31 grant calculations.
- 5.2. 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 Government's Budget and the subsequent Spending Review.
- 5.3. 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 2021** – The Chancellor of the Exchequer has announced that the Budget will be published on 3 March 2020. There is significant uncertainty in relation to local government funding beyond 2021-22 and the Budget will be the first opportunity to see the direction that the Government will take in response to the COVID-19 pandemic.
 - 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. The implementation of the new funding formula to be used to allocate funding has been delayed until at least 2022-23.
 - The **Business Rates Retention** scheme is also being redesigned and is expected to be introduced from 2022-23.
 - The **New Homes Bonus** funding for 2021-22 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 allocations are included in Appendix J.
- 5.4. The Council will receive Government funding through Revenue Support Grant and Business rates baseline funding in 2021-22. The total amounts should be compared and are in line with the MTFP assumptions. 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	2021-22
RSG	36.7	28.8	0.0*	0.0*	18.0	18.1
Baseline funding	52.8	53.9	78.8	74.5	57.7	57.7
TOTAL:	89.5	82.6	78.8	74.5	75.7	75.8

* In 2018-19 and 2019-20 Revenue Support Grant was rolled into the baseline funding allocation as part of the business rates pilot arrangements.

- 5.5. The Council took part in 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 form a business rates pool.
- 5.6. London Councils worked with all London Authorities to set up a business rates pool based on the original business rates 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 shared the benefits of business rates growth across London during 2020-21. The net benefit of the scheme during 2020-21 became marginal as a result of the impact of COVID-19 on business rates across London.
- 5.7. The business rates pool will not operate in 2021-22 due to the financial exposure across London should business rates income fall further as a result of COVID-19. A request to government to underwrite safety net funding for the business rates pool in 2021-22 was made by London Councils on behalf of London Authorities. This request did not receive a response so the pool will be terminated from 31 March 2021. This is particularly unfortunate as the pilot and subsequent pool demonstrated that London Authorities are able to work together and deliver strategic infrastructure for the benefit of London overall.
- 5.8. The forecast for business rate over the MTFS period is shown below.

Business Rates Forecast	2021-22	2022-23	2023-24	2024-25
Baseline Business Rates Funding (incl. S31 Grant)	61.567	58.314	59.471	60.821
RSG	18.119	18.122	18.485	18.854
Change to Baseline (Fair Funding)	-	0.652	1.513	1.513
NET Business Rates	79.686	77.088	79.468	81.188

- 5.9. 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.
- 5.10. The forecast outturn for 2020-21 is an overspend of £9.9m as reported to Cabinet in January 2021. 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).

6. Council Tax

- 6.1. 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.
- 6.2. 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.

- 6.3. The provisional Local Government Financial Settlement for 2021-22 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 3.0%.
- 6.4. The Council tax base report was approved by Cabinet in January 2021. This shows a decrease in the Council tax base of 0.4% compared to an increase of 1.5% that was included in the MTFs. Due to Covid-19 the Council has seen an increase in the number of residents claiming Council Tax Support (CTS) which reduces the number of chargeable properties in the tax base. This represents a reduction in Council Tax income of £1.316m compared to the amount included in the MTFs (the increase in the tax base that will not be realised plus the reduction in actual tax base).
- 6.5. The Government include an estimate of Council Tax income in their Core Spending Power (CSP) assessment of the Council as part of the provisional Local Government Financial Settlement, this is £71.051m for 2021-22. The CSP calculation assumes a 2.9% increase in tax base and a 4.99% increase in Council Tax. In this scenario Council Tax income increases by £1.981m compared to the £1.040 included in the MTFs. The CSP tax base is what the government assume the council will raise from Council Tax which is £2.257m higher than the actual tax base.

	Tax base in MTFs	Actual Tax base	CSP Tax Base
2020-21	51,204.07	51,204.07	51,204.07
2021-22	51,972.13	50,995.71	52,672.93
Variance	786.06	-208.36	1468.86
Value of Variance	*£1,040,130	*(£275,706)	**£1,981,359

* assumed increase in Council Tax in MTFs of 2.99% (£1,323.22) for 2021-22

** CSP assumed increase in Council Tax of 4.99% (£1,348.91) for 2021-22

- 6.6. The Government has provided a grant of £2.022m for 2021-22 to cover the reduction in Council Tax base due to the increase in CTS claimants as a result of COVID-19.
- 6.7. If the number of CTS claimants doesn't decrease after COVID-19, this will represent a permanent reduction in Council Tax in future years and a permanent reduction in the spending power of the Council.
- 6.8. Details of all the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2021-22 are yet to be confirmed.
- 6.9. It is proposed that authority is delegated to the Chief Financial Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, to make the necessary adjustments using the funding provision or from reserves following confirmation of levy and final funding announcements.
- 6.10. The Council proposes to increase Council Tax by:

- 1.99% Local Authority Precept increase; and
- 3.0% increase for the Adult Social Care Precept

- 6.11. These increases will raise the level of Council Tax for a Band D property from £1,284.80 to £1,348.91, an increase of £64.11.
- 6.12. The Greater London Authority has provisionally proposed a 9.5% increase in its charge for 2020/21. This precept will increase the charge to a Band D property from £332.07 to £363.66, an increase of £31.59 (comprising an additional £15 for the Metropolitan Police, £1.59 for the London Fire Brigade and £15 as a contribution towards the cost of discretionary concessionary fares).
- 6.13. The combined amount payable for a Band D property will therefore be £1,712.57 for 2021-22, compared to £1,616.87 in 2020-21. This is a total change of £95.70 in comparison to the Council Tax bill for 2020-21. As always there will be a Council Tax Support Scheme to help the poorest taxpayers.
- 6.14. The calculation of the proposed Council Tax for 2020/21 is shown in Appendix E.
- 6.15. It is proposed that any surpluses on the Collection Fund should be transferred to the Budget Support reserve.
- 6.16. Under the Local Government Act 1992, Council Tax must be set before 11 March of the preceding financial year.

7. Medium Term Financial Strategy Forecasts

- 7.1. Reports to Cabinet in July and November 2020 set out the following financial forecasts over the medium term:

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Budget Gap (incremental)	7.497	6.320	6.132	(0.614)
Budget Gap (cumulative)	7.497	13.817	19.949	19.335

- 7.2. A review of the assumptions has been undertaken and the financial forecast has been updated as shown in the table below.

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Budget Gap (incremental)	-	6.525	7.567	7.117
Budget Gap (cumulative)	-	6.525	14.092	21.209

- 7.3. The MTFs set out in Appendix B shows a balanced budget. This is achieved through the prudent use of reserves and increased investment income as a result of a change in accounting policy. The cumulative spending gap has not materially altered, though the requirement for further savings during the MTFs period is significant.
- 7.4. The strategy to address the funding gap is through the following routes:

- Savings proposals: those that have been identified and those that are proposed for approval in this report.
- Delivery of the corporate plan priorities and agreed transformation programmes to deliver sustainability in the longer term.
- Continue to identify new investment opportunities to secure financial sustainability and deliver regeneration for the borough.

7.5. A summary of the savings and growth proposals is included in Appendix C.

8. Revenue Spending Proposals

8.1. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2020-21 and 2021-22 are summarised below and included in Appendix A. The Statutory Budget Determination is included in Appendix D.

Summary of Revenue Budgets:

Department	Original 20-21	Latest 20-21	Original 21-22
CARE & SUPPORT	82.757	84.521	94.779
CENTRAL	4.792	8.213	9.684
COMMUNITY SOLUTIONS	12.935	16.621	17.218
CONTRACTED SERVICES	0.794	(0.136)	0.00
CORE	4.862	5.128	6.726
EDUCATION, YOUTH & CHILDCARE	20.928	21.038	18.581
INCLUSIVE GROWTH	1.117	1.114	1.305
LAW, GOVERNANCE & HR	(0.588)	(1.137)	(1.386)
MY PLACE	17.844	17.661	15.094
POLICY & PARTICIPATION	3.303	2.947	3.247
SDI COMMISSIONING	7.052	8.907	9.078
TOTAL GENERAL FUND	155.796	164.876	174.326
BUSINESS RATES + S31	(80.608)	(80.608)	(80.593)
C/F	(1.745)	(1.745)	2.663
NON-RINGFENCED GRANTS	(7.656)	(7.656)	(10.947)
COMPANY DIVIDENDS	-	(8.318)	(12.490)
INVESTMENT INCOME	-	(0.762)	(5.712)
NHB	-	-	1.543
COUNCIL TAX REQUIREMENT	65.787	65.787	68.789

- 8.2. The 2021-22 budget is dependent on agreed savings and additional income being delivered totalling £2.641m. These are summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Proposal	2021-22 £k
Education, Youth & Childcare	Staffing changes – transfer to DSG	(42)
Community Solutions	John Smith House retention	(30)
Community Solutions	Management spans of control	(37)
Community Solutions	Housing Benefits FTE (Support)	(110)
Community Solutions	Reduce staffing in Housing Reviews, Culture/Comms (service development)	(94)
Community Solutions	Improving Debt Collection	(388)
Customer Services	Contact Centre Restructure	(561)
LGHR – Regulatory Services	Additional Fine Revenue	(100)
LGHR – Regulatory Services	Financial Investigation Income	(45)
LGHR – Regulatory Services	Barking Market additional day	(80)
LGHR – Parking Services	Additional on-street PCN income	(150)
LGHR – Parking Services	Additional CCTV PCN income	(150)
LGHR – Parking Services	Additional Permit Income	(100)
Policy and Participation	Staffing – Culture & Communications	(55)
Inclusive Growth/Community Solutions	Barking Foyer	(250)
Workforce & OD	Service Restructure – additional income	(137)
Core Services	Dispersed Working	(312)
TOTAL		(2,641)

- 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. The 2021-22 budget also includes new budget growth proposals totalling £5.723m. These are summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Proposal	2021-22 £k
Care and Support	Adults Services Net Revenue Pressures	194
Care and Support	Disabilities Net Revenue Pressures	1,828
Care and Support	Children’s Net Revenue Pressures	1,400
Community Solutions	Homelessness Prevention & Temporary Accommodation	280
Community Solutions	Revenues & Benefits Transformation	300
Community Solutions	Local Community Banking Service	100
Customer Services	Create a Customer Experience Team	559
Inclusive Growth	Economic Development Team	200

Service Area	Proposal	2021-22 £k
Legal Services	Counter Fraud	60
Finance	Counter Fraud	99
Finance	Transformation Review of Structure	150
Workforce & OD	Transformation Review of Structure	373
ICT	Cyber Security	180
TOTAL		5,723

- 8.5. The existing MTFS includes the following budget growth totalling £11.704m. These are summarised below with a full description and any future year impact shown in Appendix B.

Service Area	Approved Growth	2021-22 £k
Care and Support	Adults Services Revenue Pressures	(685)
Care and Support	Disabilities Revenue Pressures	4,992
Care and Support	Children's Revenue Pressures	3,629
Community Solutions	TA Inflationary Pressures	260
Participation and Engagement	Participation & Engagement Structure Costs	(110)
Participation and Engagement	Census Information Scheme	18
Parks	Income Shortfall Pressure	600
Council-wide	Staff Pay Award	2,000
Council-wide	Non-staff inflation	1,000
TOTAL		11,704

- 8.6. The net impact of savings and growth (proposed and approved) is shown in the table below These values have been included in the MTFS.

£'000	2021-22	2022-23	2023-24	2024-25
New Savings	(2,641)	(0.900)	(1.227)	-
New Growth	5,723	(4,333)	(1,468)	-
SUBTOTAL	3,082	(3,433)	(2,695)	-
Approved Savings	-	-	-	-
Approved Growth	11,704	11,652	12,570	12.202
NET BUDGET CHANGE	14,787	6,419	9,875	12.202

- 8.7. 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.

£million	2020-21	2021-22	2022-23	2023-24	2024-25
Be First	4.733	10.390	10.895	10.707	10.707
BDTP	1.225	2.100	2.100	2.100	2.100
TOTAL INCOME TARGET	5.958	12.490	12.995	12.807	12.807

- 8.8. The Council is 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.
- 8.9. The MTFP 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 MTFP is included in Appendix B.

9. Current Service Updates

- 9.1. **Children's Care and Support** – The relatively young demographic make up of our borough and the multiple challenges faced by some of our residents means that supporting our most vulnerable children and families remains our largest area of expenditure. In 2019-20 the Council spent around £40m on Care and Support for vulnerable children and the level of spending has increased by a further £3m during the current financial year. The impact of COVID-19 has meant that additional social workers have been needed in order to ensure children are protected from harm and there has also been an increase in the numbers of specialist placements required – especially for very vulnerable adolescents and also mother and baby placements. These needs are expected to persist into next year and the number of children and adolescents in the borough is continuing to grow year on year. The service has identified a number of efficiency improvements and commissioning savings as a contribution to meeting these pressures. Each individual initiative is small but this will contribute £0.8k and the Council is increasing the budget allocated to the service by £5.3m in order to fund the net growth. This is in addition to substantial budget growth provided in 2020-21.
- 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 and children with significant special educational needs. The recent review of the service and development of the Disabilities Improvement Programme identified the need for significant investment in assessment, support and prevention especially for children and young people. We have recognised these needs by allocating £6.8m 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** – significant budget growth was provided for Adult services in 2020-21. This has allowed us to meet the needs of vulnerable Older People and the increasing numbers of residents with mental health needs. We will maintain this level of investment in 2021-22.
- 9.4. **Community Solutions** - Community Solutions supports residents facing challenges such as unemployment or homelessness as well as providing advice and support and universal services such as libraries for all. During the epidemic and lockdown it has had a particularly important role. Some additional funding of £0.54m has been provided to meet inflationary costs and increased demand on temporary accommodation. The service will continue to find more efficient delivery methods and so will achieve £0.27m savings in office costs and management. In addition, it is proposed to improve debt collection. This will be a small net cost in 2021-22 but will deliver reduced debt levels in future years.

- 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 no changes to this budget in 2021-22 but the service will need to work on achieving savings deferred from the previous year as a result of COVID-19.
- 9.6. **Enforcement**- This service has played a vital role in the lockdown and will continue to do so into 2021-22. However, when normal business does return it is expected to bring in additional income from a mixture of fines and commercial income and potential additional markets activity. An increase in Parking income is also expected.
- 9.7. **Core Support Services** – During the 2020-21 financial year the borough's joint venture with Elevate was wound up and services such as ICT, income collection, procurement and customer services were brought back into the Council. The budgets for these services will be realigned allowing full achievement of the £4.2m saving in the 2020-21. Services such as Finance, HR and ICT provided from the Corporate Centre have been reviewed and will be increased to reflect the increased range of services they are supporting. However, they will still remain extremely lean in comparison with other London Boroughs.
- 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 when contacting the Council. We expect this to achieve £0.56m of savings while improving the customer experience. This is a saving that had been written into the 2020-21 budget and delayed by COVID-19.

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 2021-22. This is dependent on investments delivering the expected return on time as outlined in business plans that have been agreed already. The cumulative General Fund borrowing total is expected to reach £836m in 2020-21, growing to £1,396m 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.
- 10.3. Further detail on the Investment Strategy can be found in the Treasury Management Strategy Statement also on this meeting's agenda.

11. Capital Programme

- 11.1. The Council's current General Fund capital programme for 2020-21 is £40.216m for Services and transformation and £278.300m 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 2021/22 to 2023/24 is

set out below. A more detailed breakdown of the 2021-22 programme is set out in Appendix F.

Capital Expenditure	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
General Fund				
Adults Care & Support	996	2,026	1,841	-
Community Solutions	187	-	-	-
CIL / S106	743	1,198	-	-
Core	1,339	-	-	-
Culture, Heritage & Recreation	1,426	7,088	466	150
Enforcement	937	1,766	1,000	-
Transport for London schemes	1,538	-	-	-
My Place	4,678	6,101	4,850	4,850
Public Realm	3,391	50	-	-
Education, Youth and Childcare	20,205	12,200	4,422	6,400
Other	1,999	416	340	340
Transformation	2,777	-	-	-
TOTAL EXPENDITURE	40,216	30,845	12,919	11,740
Financed by:				
Capital Grants	- 23,812	- 18,832	- 6,262	- 6,400
CIL/S106	- 2,162	- 2,420	- 155	-
Revenue Contributions	-	- 88	-	-
Capital Receipts	- 2,777	-	-	-
Total Net Borrowing Requirement	11,465	9,505	6,502	5,340
Investment and Acquisition Strategy (net costs)				
Committed Funding Requirement	271,845	368,260	351,152	140,106
Potential Funding Requirements	6,455	194,663	151,548	180,296
Total Net Borrowing Requirement	278,300	562,923	502,700	320,402
Net financing need for the year				
	289,765	572,428	509,202	325,742

- 11.3. The budgets are indicative and may change as a result of budget roll-forward from the 2020-21 financial year, for example if there has been programme slippage, if additional external funding is provided or if purchases or sales as part of the Investment and Acquisition Strategy take place. It is likely that the Schools programme will be increased in later years. Potential Funding Requirements of £194.663m are included in the table above for reference but have not been included in Appendix F as they have yet to be approved and are included to reflect the potential budget requirements over the next three years.
- 11.4. The MTFs includes provision of £450k to fund a corporate capital programme of £5m of new capital schemes (actual cost dependent on asset life and interest rate).
- 11.5. There was no bidding round for the 2021-22 capital budget for new capital schemes as internal funding available from non-ringfenced resources is already set aside for existing commitments. Non-ringfenced resources comprise prudential borrowing, capital receipts (excluding HRA right to buy receipts) and revenue contributions from either budgets or earmarked reserves. Given the current pressures on the revenue General Fund budget and the lack of previously accumulated General

Fund capital receipts, the only resource available to meet future capital demands is prudential borrowing for 2021-22, limiting any new capital schemes which are not externally funded to £5m as set out in 11.4. The commitments can be summarised as follows:

	£m
Recurring allocations (see 11.6 below)	1.3
Future year impact of 2020-21 bids (see 11.7 below)	3.7
Total already committed	5.0

11.6. As part of the 2019-20 and 2020-21 budget reports, there were two schemes which were put forward for approval as recurring amounts in the capital programme every year (approved by Cabinet in June 2019 and Feb 2020).

These are:

- £1m for urgent maintenance and health and safety works
- £340k for ward budgets

11.7. There were also a number of capital bids approved as part of the 2020-21 budget which included future year commitments against those schemes approved. These schemes total £3.7m for 2021-22 as set out below:

Scheme Name	Description	20-21 (£'000)	21-22 (£'000)	22-23 (£'000)	23-24 (£'000)	Total Cost (£'000)
In Cab Technology	Procuring in cab tech for waste vehicles and subsequent licences etc	110	30	65	30	235
Highway Improvement Programme	Resurface/Reconstruct Footways and Carriageways on the borough's public highway network.	2,815	3,520	3,485	3,820	13,640
In Borough Specialist Residential Home	Refurbishment of Oval Road South to provide specialist residential care for small group of severely disabled children with potential savings to Care and Education budgets	325	-	-	-	325
Lake Enhancement Schemes	Essential health & safety work and improvements to the physical environment for the lakes at Valence Park, Mayesbrook Park (south) & Eastbrookend Country Park.	150	150	150	150	600
	TOTAL	3,400	3,700	3,700	4,000	14,800

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 in 2021-22. Further information on the Council's approach is set out in Appendix G.

13. Dedicated Schools Budget and Early Years Funding

- 13.1. The Dedicated Schools Grant is a ringfenced grant provided by the Department for Education. The allocation for 2021-22 is based on October 2020 pupil census data and the Department for Education has published the final DSG allocations for 2021-22 which is £312m (pre-recoupment i.e., inclusive of funding for academies and free schools.).
- 13.2. In December Cabinet received a report detailing the Dedicated Schools Grant (DSG) and approved the principles for setting the local funding formula for schools.
- 13.3. 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 2021 and to create a small fund to assist schools facing temporary financial challenges as a result of falling rolls.
- 13.4. 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 2.0% per pupil. The Assembly is recommended to confirm approval of the overall principles and the consequent funding factors for the schools block, which are set out in Appendix H.
- 13.5. The Dedicated Schools Grant also provides funding for Early Years Education and Childcare for eligible two year olds (15 hours per week) and three and four years olds (fifteen or thirty hours depending on eligibility.) The provisional allocation for 2021-22 for Early Years is £23.205m but this is subject to change in line with take up of places. This allocation includes an increase in the hourly rates of 6p for three to four year olds and 8p for two year olds. It is recommended that this increase is passed through to our local providers.
- 13.6. This would increase the basic provider rate to £5.51 per hour for two year olds and £4.84 per hour for three to four year olds.

14. Consultation

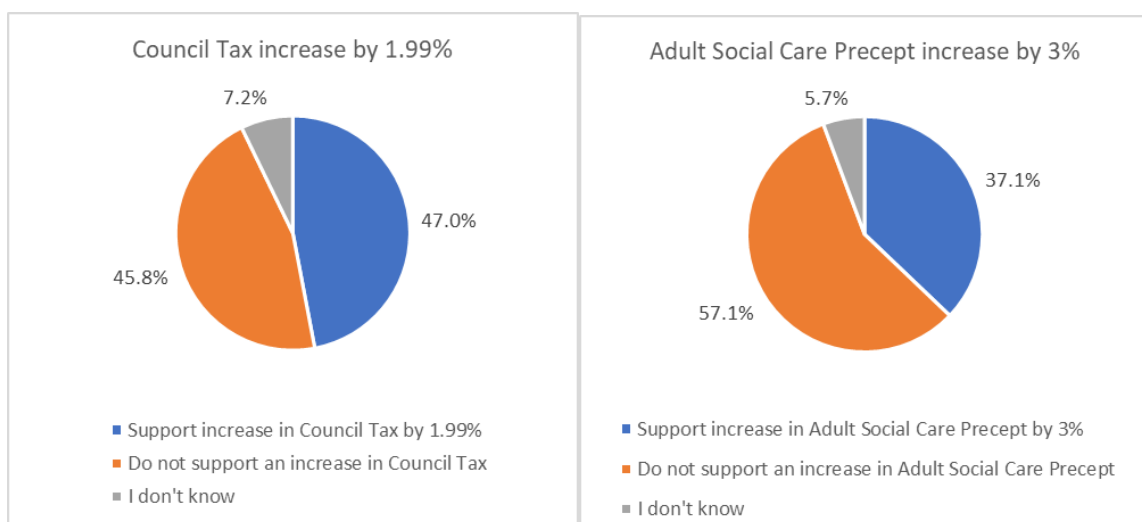
- 14.1. A report on the Budget strategy was presented to Cabinet in November 2020, updating the Committee on funding assumptions and other factors affecting the MTFS.
- 14.2. A consultation exercise on the budget with residents and businesses began in January 2021. The Council was interested to hear 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. As a result of the provisional local government finance settlement being published later than expected in December 2020, the consultation exercises started later than in previous years.

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

- An online budget consultation which ran throughout January and had 83 responses.
- Social media posts from 6 January to 31 January
- Facebook Live Q&A, 28 January 5.15pm

14.5. The online budget consultation was completed by 81 residents and 2 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 proposals.

14.6. When asked for their views on raising council tax and the adult social care precept the results are shown below:



14.7. The proportion of residents who do not support an increase in council tax has decreased by 9%, with an increase in those that do support increasing council tax by 4.7% and a greater proportion of residents who didn't know. The responses on the increase to the Adult Social Care Precept were exactly the same as last year.

14.8. The areas where respondents suggested the council could reduce or remove spending were on social care, new home building, and community events.

14.9. Respondents supported charging or fining people for wear and tear to council properties, HMO landlords, fly-tipping, more controlled parking zones and means testing for social care services.

14.10. There was support for increased street cleansing, improving town centres with planters, investment in highways, improving community safety, enhancing parks and leisure facilities, more anti-social behaviour enforcement and greater support for local businesses. There was also support for council staff to work remotely in order to save money on office accommodation.

14.11. At its extraordinary meeting on 26 January 2021, the Overview & Scrutiny Committee received a report of the proposed savings that underpin the setting of this budget. At their meeting, they also had the proposals set in context through a presentation from the Deputy Leader and Cabinet Member for Finance,

Performance and Core Services. The late notification of the provisional finance settlement for local government meant that the turnaround of questions and comments was quite short. All Members of the Council were invited to attend the meeting, and 38 attended in total (including members of the Committee). Questions were requested in advance, with supplementary questions allowed on the night.

- 14.12. The Overview & Scrutiny Committee did not recommend that any of the proposals put before it needed to be fundamentally reconsidered. The Committee noted that the substantial reductions in the budget that were achieved by the Ambition 2020 programme, together with the enhanced commercial capacity of the Council, meant that the following year did not have a large gap to close. They also observed, however, that in later years there was still a substantial gap to bridge for which proposals were not yet developed.
- 14.13. Nonetheless, the Committee asked a number of questions about some of the proposals which indicate matters that it would like Cabinet to consider, whether in agreeing the budget or in its implementation.
- 14.14. The movement in social care budgets is a matter of some complexity. Through its previous work on the Ambition 2020 programme, the Committee has already highlighted how critical the approach to managing demand is, and of course that this impacts very significantly on the potential required spend. The additional resources being committed, on top of previous commitments, are testament to this. Even while sounding this note of caution, however, the Committee welcomed the investment, from the perspective of ensuring that some of our most vulnerable residents are well supported.
- 14.15. In both Education and Parking there were some notable increases in income expected from enforcement activity, and the Committee asked a number of questions to understand how these figures had been arrived at. Whilst the approaches themselves were understandable, the Committee perceived some risk in attaching specific figures to something potentially volatile.
- 14.16. The Committee did question some of the assumptions about the expansion of Barking Market by an additional day, and the solidity of the proposed additional income. Reassurances were received from Members and officers on the preliminary consultation and scoping that had been done, but the Committee were still keen to flag this risk.
- 14.17. Finally, there were a number of smaller savings in Community Solutions, with one in particular that caught the Committee's attention. The proposal to place an emphasis on voluntary sector management of buildings in the Community Hubs programme felt to the Committee to be assuming both that there was interest, and that the sector could run the assets more cheaply and save the Council the money. On both points, there were again reassuring answers about the initial conversations and the sense of an appetite in the local partnership to take this on. However, it was also the case here that the Committee wanted the risks involved to be noted, and potentially would want to return to the subject in a future municipal year's Scrutiny programme to understand how this had turned out in practice.

15. Statutory Report of the Chief Financial (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 Finance Director.
- 15.3. In summary, the Chief Finance Officer considers the budget proposals to establish a net budget requirement of £174.326m and council tax requirement of £68.789m for 2021-22 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 the ongoing impact of the COVID-19 pandemic and further delays to planned changes to the national local government funding framework, now expected from 2022-23. 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 following the 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 2021-22:
- 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 2021-22.
- The Cabinet's proposals do not breach the "excessiveness" principle for 2021-22, where local referendum is required. The threshold for 2021-22 for general council tax if it rises by 2% or more, alongside a maximum 3% social care precept.
- Appropriate assessment has been made of the council tax and business rate base 2021-22 and the likely levels of collection and bad debt recovery. There is a risk that may emerge during 2021-22 if business rate revaluations take place as a result of COVID-19.

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 2021-22 and 2022-23 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 £49.6m at 31 March 2020. These are forecast to be £40.3m by 31 March 2021.

15.9. The Budget Support Reserve, intended to provide short term support and pump prime efficiencies, stood at £8m at 31 March 2020. This reserve balance is forecast to be fully utilised by 31 March 2021. The underlying 2021-22 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 2021-22 is reliant on delivering new savings of £2.641m in addition to those outstanding from previous years. Further savings will need to be identified in 2022-23, 2023-24 and 2024-25. There is significant uncertainty in relation to local government funding beyond 2021-22 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 Standards & Governance Lawyer

- 17.1. As set out in the main body of the report, local authorities are under an explicit statutory duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This is set by sound public accounting practice guidance. As part of this requirement a forward-thinking medium-term budget strategy is key to ensuring stability. This includes taking account of future income, liabilities, risks, investments, contingencies, statutory compliances, contractual obligations and of course securing best value for money.
- 17.2. The Local Government Act 2003 Section 25 sets a specific duty on an Authority's Chief Financial Officer (Finance Director) to make a report to the authority for it to take into account when it is considering its budget and funding for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget and the Authority must have regard to the report in making its decisions. Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that 'the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty'.
- 17.3. The proposals are founded on the information known at the time however circumstances can change such as we have seen in the current financial year (2020-21) with the Covid 19 Pandemic and its significant impact on both incomes and additional costs, an event which no one could have reasonably foreseen. Budgetary tools such the MTFs are living documents which must adjust according to the situation the authority encounters and further anticipates. As a consequence, there is an ongoing need to prepare for contingencies including maintaining sound risk management and level of reserves which enables the authority to be prepared to deal with risks, contingencies and its future strategic vision.
- 17.4. 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 may be 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 any agreed savings options. Relevant legal considerations are identified below.
- 17.5. 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 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. 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.

17.6. 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.

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 put forward that require EIAs and these have 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-2021-to-2022>
- Calculation and Setting of Council Tax Base 2021/22
<https://modgov.lbbd.gov.uk/internet/mglIssueHistoryHome.aspx?IId=78638>
- Council Tax Support Scheme 2021/22
<https://modgov.lbbd.gov.uk/internet/mglIssueHistoryHome.aspx?IId=78637>
- Dedicated Schools Budget and Schools Funding Formula 2021/22
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=82486>
- Fees and Charges 2021
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=82479>

List of appendices:

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

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Appendix A - Revenue Budgets 2021-22

	Initial Base	Capital	Recharges	Savings	Growth	Reserves	Other MTFS Adjustments	Central Items	Service Adjustments	TOTAL
CARE & SUPPORT	77,536,934	1,248,640	5,547,700	0	11,358,590	0	0	(913,000)	0	94,778,864
CENTRAL	32,181,441	(32,716,900)	2,513,280	0	3,860,000	2,248,000	(7,694,000)	8,334,030	958,399	9,684,250
COMMUNITY SOLUTIONS	9,975,024	4,697,070	2,495,750	(909,000)	940,000	0	0	0	18,700	17,217,544
CONTRACTED SERVICES	36,078	0	0	0	0	0	0	0	(36,078)	0
CORE	13,161,084	324,000	(8,329,380)	(561,000)	1,006,000	0	762,000	0	363,638	6,726,342
EDUCATION, YOUTH & CHILDCARE	2,104,656	14,566,510	1,952,250	(42,000)	0	0	0	0	0	18,581,416
INCLUSIVE GROWTH	(232,307)	104,170	1,233,050	0	200,000	0	0	0	0	1,304,913
LAW, GOVERNANCE & HR	1,146,244	346,680	(2,550,410)	(762,000)	433,000	0	0	0	0	(1,386,486)
MY PLACE	9,168,122	10,135,450	(2,938,580)	(312,130)	0	0	0	0	(958,400)	15,094,462
POLICY & PARTICIPATION	2,669,884	1,294,380	(951,980)	(55,000)	(110,000)	0	0	745,980	(346,260)	3,247,004
SDI COMMISSIONING	8,049,320	0	1,028,320	0	0	0	0	0	1	9,077,641
TOTAL GENERAL FUND	155,796,480	0	0	(2,641,130)	17,687,590	2,248,000	(6,932,000)	8,167,010	0	174,325,950

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2019/20 Outturn	2020/21 Budget	2020/21 Forecast Outturn	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
£m	£m	£m	£m	£m	£m	£m

NET COST OF SERVICES	157.933	152.869	152.869	161.318	176.365	176.909	179.817
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Financial Planning

Savings - Existing Plans	-	(12.696)	(12.696)	(2.641)	(0.850)	(1.227)	-
Savings - to be identified	-	-	-	-	(6.525)	(7.567)	(7.117)
Growth	-	18.896	23.357	17.428	7.319	11.102	12.202
Capital	-	0.040	0.040	0.260	0.600	0.600	-

COVID-19 Response

Additional Costs	-	-	27.610	-	-	-	-
Income Reductions	-	-	12.307	-	-	-	-
Reprofiled Savings	-	-	5.723	-	-	-	-
Government Grants & Funding	-	-	(34.636)	(7.694)	-	-	-
Net Expenditure	157.933	159.109	174.575	168.671	176.909	179.817	184.902

Reserves

Contributions to Earmarked Reserves	5.400	3.407	3.407	7.062	-	-	-
Contributions from Earmarked Reserves	(8.592)	-	(4.461)	(3.407)	(6.756)	(1.600)	-
COVID-19 use of Reserves	-	-	(9.005)	-	-	-	-
Use of General Reserve	-	-	(2.000)	2.000	-	-	-
Net Expenditure after Reserves	154.741	162.516	162.516	174.326	170.153	178.217	184.902

Funding

NDR/RSG	(81.160)	(80.608)	(80.608)	(80.593)	(77.088)	(79.468)	(81.188)
Section 31 Grants	-	-	-	-	-	-	-
Other Grants	(7.707)	(7.656)	(7.656)	(10.948)	(8.676)	(8.590)	(8.513)
(Surplus)/Deficit on Collection Fund	(1.793)	(1.745)	(1.745)	2.663	3.100	3.100	-
Company Dividends	(2.295)	(5.958)	(5.958)	(12.490)	(12.995)	(12.807)	(12.807)
Investment Income	-	(0.762)	(0.762)	(5.712)	(2.377)	(4.542)	(3.042)
NHB Payments	-	-	-	1.543	0.499	-	-
Demand on Collection Fund	61.786	65.787	65.787	68.789	72.616	75.910	79.352

Council Taxbase	50,009	51,204	51,204	50,996	52,271	53,055	53,850
Council Tax at Band D (£)	1,235.50	1,284.80	1,284.80	1,348.91	1,389.24	1,430.78	1,473.56

Council Tax Precept £m	61.786	65.787	65.787	68.789	72.616	75.910	79.352
Percentage Increase in Council Tax	-	3.99%	3.99%	4.99%	2.99%	2.99%	2.99%

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2021-22 SAVINGS AND GROWTH PROPOSALS

		2021/22	2022/23	2023/24	2024/25	TOTAL
		£k	£k	£k	£k	£k
* negative values (in brackets) are savings proposals						
SERVICE AREA	SAVINGS PROPOSAL					
Care & Support	There are continuing demand pressures emerging that will continue in 2021-22. Some of these relate to ongoing pressures resulting from the COVID-19 pandemic beyond 2020-21. There are a number of savings and growth proposals that underpin the net position included below. In future years, the MTFs includes significant growth in each year. The work undertaken by and investment in Care and Support services will result in a reduction in the amount of growth required from 2022-23. The values included below from 2022-23 reduce the growth that has already been included in the MTFs.					
	Adults Services Net Revenue Pressures	194	(430)	(324)	-	(560)
	Disabilities Services Net Revenue Pressures	1,828	(2,058)	(990)	-	(1,220)
	Children's Services Net Revenue Pressures	1,400	(1,845)	(154)	-	(599)
Education Youth and Childcare	Staffing - reduce/move to DSG	(42)	-	(35)	-	(77)
Education Youth and Childcare	Increase FPN income	-	(50)	(15)	-	(65)
Community Solutions	John Smith House retention (Universal) JSH closed August 2020 but retained in order to maximise income opportunities.	(30)	-	-	-	(30)
Community Solutions	Management spans of control (Universal)	(37)	-	-	-	(37)
Community Solutions	Homelessness Prevention & Temporary Accommodation Increased demand pressures. Investment may result in cost avoidance within Care & Support.	280	-	-	-	280
Community Solutions	Housing Benefits FTE (Support)	(110)	-	-	-	(110)
Community Solutions	Building transfer - Leys Children's Centre to the VCS (Universal) Depends on availability of VCS to take over premises. Reduced control/influence over operation and impact/service offer.	-	(40)	-	-	(40)
Community Solutions	Building transfer - Becontree Children's Centre to VCS (Universal) Depends on availability of VCS to take over premises. Reduced control/influence over operation and impact/service offer.	-	(30)	-	-	(30)
Community Solutions	Building transfer - Sue Bramley Children's Centre/Library to VCS (Universal) Depends on availability of VCS to take over premises. Reduced control/influence over operation and impact/service offer.	-	(20)	-	-	(20)
Community Solutions	Building transfer - Park Centre to VCS (Universal) Depends on availability of VCS to take over premises. Reduced control/influence over operation and impact/service offer.	-	-	-	-	-
Community Solutions	Reduce staffing in Housing Reviews, Culture/Comms (Service Development) Housing Reviews is part of a necessary independent service that provides the Service and Council with assurance that we are operating in a way that will not lead to costly judicial reviews. Our Comms and Culture/L&D activity has been critical to the development of the ComSol model; connecting staff across a significantly part of the Council workforce and in several areas leading the way for how we engage staff and managers in the journey to meeting our individual and shared objectives.	(94)	-	-	-	(94)
Community Solutions	Revenues & Benefits Transformation (subject to Workforce Board approval)	300	(300)	-	-	-
Community Solutions	Improving Debt Collection Invest to Save bid. 12 month pilot cost for 3 inspectors, £112k with estimated income to Collection Fund, £500k	(388)	-	-	-	(388)

2021-22 SAVINGS AND GROWTH PROPOSALS

		2021/22	2022/23	2023/24	2024/25	TOTAL
		£k	£k	£k	£k	£k
* negative values (in brackets) are savings proposals						
Community Solutions	Local Community Banking Service Partner with a London Credit Union to provide a community banking offer. £300k cost over 3 years. Aim to reach 4,500 members, generate £2.7m cost savings for local households, £11.4m in wider social, health & wellbeing benefit, and £1.7m financial benefit for the local economy. First £100k funded by the Council, £200k year 2 & 3 costs to be funded externally.	100	(100)	-	-	-
Customer Services	Contact Centre Restructure	(561)	-	-	-	(561)
Customer Services	Creating a Permanent Customer Experience Team (CIT)	559	-	-	-	559
LGHR - Regulatory Services	Additional Fine Revenue An increase in fine revenue, particularly targeted at landlords through the issuing of civil penalty notices for breaches of licence conditions including failure to manage anti-social behaviour or fly tipping adequately.	(100)	(50)	-	-	(150)
LGHR - Regulatory Services	Financial Investigation Income Commercial income through providing financial investigation services on behalf of other local authorities.	(45)	-	-	-	(45)
LGHR - Regulatory Services	Barking Market additional day Providing an additional day at Barking market (a Monday), which will support local businesses, increase accessibility for the public and generate income for the council through pitch/licence fees.	(80)	(20)	-	-	(100)
LGHR - Parking	The council adopted the Parking Strategy in 2016 which set out a vision "To provide Safe, Fair, Consistent & Transparent Parking Services". To deliver this strategy the parking team is expanding the areas in the borough where restrictions are in place and reviewing operational deployment, policies and charging structures to make them fairer and more consistent and meet local needs. Parking enforcement is controversial with residents and businesses so expansion and changes to policies needs to be based on good evidence and changed gradually so that they can be assessed and modified to ensure the right balance between regulation and compliance. The impact will be changes to parking and permit prices so that they are more consistently applied and reflect emissions based charging, and an increase in on-street and CCTV enforcement so that the increase in controlled parking across the borough can be regulated fairly. There is a need to increase the establishment to manage the extra demands in the team but this will lead to increases in income to the council.					
	Additional on street PCN income	(150)	(100)	-	-	(250)
	Additional CCTV PCNs	(150)	(100)	-	-	(250)
	Additional Permit income	(100)	(50)	-	-	(150)
Policy and Participation	Everyone Everyday Reduction in committed contribution from 2022-23	-	-	(100)	-	(100)
Policy and Participation	Staffing - Culture and Comms Deletion of vacant post	(55)	-	-	-	(55)
Policy and Participation	Parks Further soil importation schemes 2023 onwards	-	-	(500)	500	-
Inclusive Growth	Barking Foyer There is an opportunity to increase rental income from the use of Barking Foyer as Temporary Accommodation.	(250)	-	-	-	(250)
Inclusive Growth	Economic Development Team One off request for transformiaon activity to create capacity alongside the subsidiary companies Subject to CSG and Workforce Board agreement	200	(200)	-	-	-
Legal Services	Income generation Assess opportunities to generate income through traded work	-	-	-	-	-
Legal Services	Counter Fraud Legal assistant post creation (subject to Workforce Board approval)	60	-	-	-	60
Finance	Counter Fraud Service review (subject to Workforce Board approval)	99	-	-	-	99

2021-22 SAVINGS AND GROWTH PROPOSALS

		2021/22	2022/23	2023/24	2024/25	TOTAL
		£k	£k	£k	£k	£k
* negative values (in brackets) are savings proposals						
Finance	Transformation Review Structure Changes Additional capacity to maintain financial oversight (subject to Workforce Board approval)	150	-	-	-	150
Finance	Bad Debt Provision Review	tbc	-	-	-	-
Finance	Collection Fund Review	tbc	-	-	-	-
Workforce & OD	Human Resources and Organisational Development Service Restructure - Base Budget proposals	373	-	(577)	-	(204)
Workforce & OD	Dispersed Working Project OD support		-	-	-	-
Workforce & OD	Human Resources and Organisational Development Service Restructure - Income	(137)	-	-	-	(137)
Core	New Procurement Savings Contract management savings are being developed for 2022-23 and beyond			-	-	-
Core	Dispersed Working Roycraft House closure, transferring services to the Town Hall and other buildings where appropriate. A further £188k saving would be realised if Roycraft House was disposed of.	(312)	-	-	-	(312)
Core	Community Hubs & Dispersed Working These proposals are in development. It is likely that the initial costs will be funded from capital receipts within Transformation. Any costs outside transformation activity will require a growth bid to be approved.	*1	-	-	-	-
Core	Innovation Fund One-off resources available to Directors to design and deliver innovations in service delivery to deliver the priorities within the Corporate Plan over the next 2 years. Funds will be allocated by CSG against a set of agreed criteria on an Invest-to Save basis.	*2	-	-	-	-
ICT	Cyber Security There are specific mitigations that can be introduced to increase the security of our ICT network. This work is being developed and will be procured during 2021.	180	(40)	-	-	140
TOTAL		3,082	(5,433)	(2,695)	500	(4,546)

*1 - estimated total £2.1m cost funded through capital receipts within Transformation.

*2 - estimated £1.0m innovation fund available from 2021-22.

APPROVED GROWTH PROPOSALS

	2021/22	2022/23	2023/24	TOTAL
	£k	£k	£k	£k
* negative values (in brackets) are savings proposals				
SERVICE AREA				
Staff pay award and capacity building	2,000	2,000	2,000	6,000
Non staff inflation	1,000	1,000	1,000	3,000
Public Realm	-	530	-	530
LAC/Care	600	600	600	1,800
Adults	1,000	1,000	1,250	3,250
Disabilities	500	500	500	1,500
Adults Revenue Pressures	(1,685)	119	1,132	(434)
Disabilities Revenue Pressures	4,492	3,128	3,628	11,248
Children's Revenue Pressures	3,029	800	1,400	5,229
Community Solutions	260	260	260	780
Participation & Engagement	(110)	(50)	-	(160)
Parks	600	-	-	600
Census Information Scheme 2021	18	-	-	18
ELWA levy increase	-	765	800	1,565
Pensions remove advance payment element	-	1,000	-	
Unallocated central grants & growth	-	-	-	-
TOTAL	11,704	11,652	12,570	34,926

DRAFT STATUTORY BUDGET DETERMINATIONS

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

1. At its meeting on 19 January 2021 the Council approved the Council Tax Base 2021-22 calculation for the whole Council area as 50,995.71 [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 2021-22 in accordance with Sections 31 to 36 of the Act:-

(a)	771,619,474	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	702,830,851	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£68,788,623	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)	£1,348.91	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
£899.27	£1,049.15	£1,199.03	£1,348.91	£1,648.67	£1,948.43	£2,248.18	£2,697.82

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 2021-22 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
£242.44	£282.85	£323.25	£363.66	£444.47	£525.29	£606.10	£727.32

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 2021-22 for each of the categories of dwellings shown below:-

Valuation Bands

A	B	C	D	E	F	G	H
£1,141.71	£1,332.00	£1,522.28	£1,712.57	£2,093.14	£2,473.72	£2,854.28	£3,425.14

Calculation of the Proposed Council Tax for 2021/22

	£000
Revised 2020/21 Budget before reserves usage	161,318
Roll forward of last year's surplus	(3,407)
New MTFS Items	17,428
Approved Savings	(2,641)
Covid-19 Grant	(7,694)
Technical Items	260
Transfer to Earmarked Reserves	<u>9,062</u>
Total Adjustments	13,008
Base Budget Requirement for 2021/22	<u>174,326</u>
Funded By:	
Retained Business Rates Income	(80,593)
Company Returns	(12,490)
Specific Grants	(9,405)
Investment Income	(5,712)
Collection Fund Deficit	2,663
Total Funding	(105,537)
Council Tax Requirement	<u>(68,789)</u>
Council Tax Base (Equivalent Band D properties)	50,995.71
Council Tax:	
London Borough of Barking & Dagenham	1,348.91 TBC
Greater London Authority	<u>363.66 TBC</u>
Overall Council Tax - Band D equivalent	<u>£1,712.57</u>

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2021-22 CAPITAL PROGRAMME

Project No.	Project Name	Forecast Slippage	2021/22 New	2021/22 Total
		£'000	£'000	£'000
Adults Care & Support				
FC00106	Disabled Facilities Grant	185	1,841	2,026
	Total for Adults Care & Support	185	1,841	2,026
CIL (external)				
FC05027	Kingsley Hall	-	90	90
FC05028	Box Up Crime	170	-	170
FC05029	East End Women's Museum	150	-	150
FC05030	Green Comm. Infrastructure "Company Drinks"	-	13	13
FC05031	Becontree Centenary - Create London	475	-	475
FC05063	BRL Thames Clipper (CIL)	-	300	300
	Total for CIL & S106 Schemes	795	403	1,198
Culture, Heritage & Recreation				
FC03032	Parsloes Park Activation	-	5,900	5,900
FC03090	Lakes	118	150	268
FC04013	Park Infrastructure Enhancements	-	20	20
FC04017	Fixed play facilities	35	50	85
FC04018	Park Buildings– Response to 2014 Building Surveys	39	75	114
FC04043	The Abbey: Unlocking Barking's past, securing its future	92	50	142
FC04080	Children's Play Spcs & Fac (CIL)	148	55	203
FC04081	Parks & Open Spcs Strat 17	10	100	110
FC04085	Play Facility at Valence Park'	-	5	5
FC05060	Safer Parks (CIL)	84	-	84
FC05061	B&D Local Football Facility (CIL)	157	-	157
	Total for Culture, Heritage & Recreation	683	6,405	7,088
Enforcement				
FC02982	Consolidation & Expansion of CPZ	533	1,000	1,533
FC04015	Enforcement Equipment		233	233
	Total for Enforcement	533	1,233	1,766
My Place				
FC03065	HIP 2016-17 Footways & Carriageways	-	3,520	3,520
FC04064	Bridges and Structures	500	300	800
FC05018	Stock Condition Survey	20	1,000	1,020
FC05055	Road Safety Improvements Programme	67	150	217
FC04063	Flood Risk and Drainage Grant	180	-	180
FC04029	Engineering Works (Road Safety)	86	-	86
FC05048	Procuring in cab tech for waste vehicles and subsequent licences etc	-	30	30
FC05075	Reside Capital - Abbey Road	88	-	88
FC05077	Community Hubs and Dispersed Working	160	-	160
	Total for My Place	1,101	5,000	6,101
Public Realm				
FC04012	Bins Rationalisation	-	50	50
	Total for Public Realm	-	50	50
Education Youth & Childcare				
FC04059	Chadwell Heath	-	100	100
FC04072	School Condition Alctns 18-19	-	57	57
FC04052	SEND 2018-21	-	1,057	1,057
FC05033	SCA PRIORITY WORKS 20/22	-	2,063	2,063
FC05034	Schools Expansion Programme 20/22	-	1,008	1,008

Project No.	Project Name	Forecast Slippage	2021/22 New	2021/22 Total
		£'000	£'000	£'000
FC05069	SCA 20-21	-	3,500	3,500
	Primary	-	-	-
FC04058	Marks Gate Infants & Juniors 2018-20	-	1,800	1,800
FC04098	Ripple Suffolk Primary	-	103	103
TBC	Greatfields Primary	-	300	300
	Secondary			
FC03022	New Gascoigne (Greatfields) Secondary School	-	1,612	1,612
FC03054	Lymington Fields New School	-	600	600
FC03078	Barking Abbey Expansion 2016-18	-	-	-
	Total for Education Youth & Childcare	-	12,200	12,200
	Other			
FC02811	Ward Capital Spend	-	340	340
FC03099	Abbey Green & Barking Town Centre Project	76	-	76
	Total for Other	76	340	416
		-	-	-
	General Fund Total	3,373	27,472	30,845
	Investment Strategy & Be First			
	Commercial Investments			
TBC	Job Centre		1,540	1,540
TBC	8 Cromwell		230	230
TBC	23 Thames Road		560	560
TBC	Barking Business Centre		800	800
TBC	Muller		800	800
TBC	Other Commercial		44,000	44,000
TBC	Heathway		800	800
	Total for Commercial	-	48,730	48,730
	Residential Developments			
FC04067	12 Thames Road		22,227	22,227
FC04065	200 Becontree		1,570	1,570
FC03072	Sacred Heart		1,210	1,210
FC04069	Crown House		18,339	18,339
Various	Gascoigne (East and West Phases 1 to 3)		172,706	172,706
FC03086	A House for Artists		1,197	1,197
FC04068	Oxlow Road		2,572	2,572
FC05035	Padnall Lake		22,328	22,328
FC04066	Roxwell Road		6,144	6,144
FC03080	Royal British Legion		1,884	1,884
FC03084	Sebastian Court		1,425	1,425
FC05065	Chequers Lane		3,745	3,745
FC05066	Beam Park		23,275	23,275
FC05020	Woodward Road		9,484	9,484
TBC	Brocklebank		1,144	1,144
TBC	Industria		26,847	26,847
	Total for Residential	-	316,098	316,098
	Temporary Accommodation			
FC04101	Margaret Bondfield		3,432	3,432
	Total for Temporary Accommodation	-	3,432	3,432
	Total for Investment Strategy	-	368,260	368,260
	Total Overall Budget	3,373	395,732	399,105

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 2016², 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 direction² 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

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

out how the flexible use of Capital Receipts will be utilised in 2021-22. 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 2021-22, £6.5m capital receipts are forecast and will be available to provide funding for transformation.

The Council has successfully used Capital Receipt funding to fund its 2016-2021 Transformation Programme which has delivered £29.314m to date and is expected to deliver a further £15.254m in 2020/21 and 2021/22.

In addition the Cabinet has approved the use of receipts for further programmes in Core, Children's Services, Adults and Disabilities and Dispersed Working.

Approved expenditure for 2020/21 is shown in the table below.

2016-2021 Transformation Programme	Budget £000	Spend £000	Forecas t £000	Forecas t Varianc e
Customer Access Strategy (CAS)	620	383	467	-153
New Ways of Working (formerly Smarter Working) Programme	517	158	158	-359
Community Solutions	1,111	665	740	-371

Programmes Added in 2019/20				
Children's Improvement Programme	528	415	467	-61
Core and B&D Way	2,892	1,153	2,930	38

New Programmes Added in 2020/21				
Adults and Disability Improvement Programme	307	25	25	-282
Dispersed Working	420	-	420	-

TOTAL for 2020/21	6,395	2,799	5,207	-1,188
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The first four programmes listed are expected to finish at the end of this financial year with the exception of any minor delays.

The following programmes will be operational during 2021/22 and are eligible for the use of capital receipts.

	2021/22 Budget £000
Core Programme	1,824
Adults and Disabilities	420
Dispersed Working	1,705
TOTAL	3,949

Further Information on each of the programmes is provided below.

Core Programme

The Core Programme business case was approved by Cabinet in January 2019 and is forecast to deliver £5.9m of savings by the full completion of the programme as follows:

Core Programme	2020/21`	2021/22	2022/23
Costs	2892	1824	
Savings Forecast	2315	4457	5875

Adults, Disability and Mental Health.

There is an improvement programme in Adults, Disabilities and Mental Health that is expected to improve services and provide savings through process improvements and increased income as shown below.

Adults Disabilities and Mental Health	Costs		
	2020/21`	2021/22	2022/23
Programme Management, Design and Analysis	225	255	0
Social Work and Financial Assessment Implementation	82	165	0
	307	420	0
	Savings		
Process Improvements and Income collection	375	25	
Disability savings and CHC income		136	290
	375	161	290

Dispersed Working and Flexible Hubs

The updated Corporate Plan 2020 – 2022 sets out our commitment to the implementation of “*a digitally enabled, truly **dispersed** model, which is less reliant on central offices and allows more of our staff to spend more of their time in the community, closer to residents. This model will be built around the reconfiguration of our buildings, so that they can act as more resident-centred, integrated **community hubs**.*”

Over the next year, the Core will work in partnership with the Council’s Operational Divisions to develop, test, and implement this model. This work will be structured around two phases:

- **Phase one: Development January to March 21.** Focused on reviewing evidence and testing initial thinking with a view to developing more detailed proposals.
- **Phase two: Implementation April to December 21.** Focused on the implementation of proposals related to Community Hubs and Dispersed Working.

The implementation of proposals during phase two will require new resources above and beyond those that have been identified above to support phase one. To support phase two implementation, we are proposing the creation of an indicative funding envelope based on initial estimates about the work required to deliver the desired outcomes – Table 1.0 below.

The specific size and shape of this resource ask will depend upon the outcome of phase one activity. Before any resource is fully committed, these estimates will need to be supplemented by more detailed proposals/designs that will be signed off by the relevant officer boards.

Strategic priority	Description and key deliverables	Infrastructure, buildings, IT costs	Project and programme costs
Community Hubs and Dispersed Working	Improvements to existing core hubs at Dagenham Library and BLC.	£150k	N/A
	Options for future redevelopment of existing hubs into new core Hub provision as part of wider regeneration opportunities.	N/A <i>part of any future capital programme</i>	100k
	Development of wider network of local hubs including local access points.	£200k	N/A
	Design and delivery of specific hub-based initiatives to address identified local issues.	N/A	£200k
	Reconfiguration of the Town Hall to support a dispersed working model.	£440k	£80k
	Reconfiguration of Frizlands and digitisation of My Place frontline services to support a dispersed working model.	£90k	N/A
	Development of facilities management, internal communications, OD, wellbeing functions to support a dispersed working model.	N/A	£120k
	Overall programme management	N/A	£115k
	20% contingency	£180k	£130k
Totals		£1.06m	£645k
		Overall total	£1.705m

This programme will make corporate accommodation savings of at least £0.375m and may also generate capital receipts in future.

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.

APPENDIX H

	A	B	C	D
	2020-21 Unit Rates (£s)	2021-22 Unit Rates (£s)	2021-22 Pupil Numbers	2021-22 Funding (£s)
Primary (Years R-6)	3,375	3,820	24,796	94,721,904
Key Stage 3 (Years 7-9)	4,365	5,025	9,375	47,110,640
Key Stage 4 (Years 10-11)	5,010	5,654	5,625	31,803,749
Primary:				
FSM	508	520	5,272	2,741,210
FSM6	633	650	6,246	4,060,044
IDACI Band F	237	243	4,586	1,114,504
IDACI Band E	282	294	9,101	2,675,569
IDACI Band D	424	463	3,785	1,752,661
IDACI Band C	458	503	2,825	1,421,178
IDACI Band B	491	537	383	205,438
IDACI Band A	678	701	5	3,512
Secondary:				
FSM	508	520	3,425	1,780,863
FSM6	921	949	5,394	5,118,683
IDACI Band F	339	350	2,809	983,105
IDACI Band E	458	469	5,232	2,453,979
IDACI Band D	604	655	2,341	1,533,284
IDACI Band C	655	712	1,682	1,197,407
IDACI Band B	706	768	307	236,144
IDACI Band A	949	977	4	3,890
EAL 3 Primary	604	621	7,160	4,446,298
EAL 3 Secondary	1,627	1,678	791	1,326,627
Mobility - Primary	989	1,117	297	332,256
Mobility - Secondary	1,412	1,596	16	25,572
Primary Low Attainment	1,203	1,237	7,187	8,889,997
Secondary low attainment (year 7)	1,819	1,876	3,384	6,348,297
Lump Sum	129,255	133,096	56	7,453,376
Split Sites				1,360,000
Rates				4,736,789
PFI funding				3,261,647
Minimum Funding Guarantee				1,931,257
Total Funding for Schools Block Formula				241,029,880

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APPENDIX I - FORECAST RESEVES	Opening Balance 2020-21 (1st April 2020)	Transfer to Reserves	Drawdown from Reserves	Forecast Closing Balance 2020-21 (31st March 2021)
General Fund Balances	(17,030,171)		2,000,000	(15,030,171)

Earmarked Reserve Balances

BUTLER COURT (REFURBISHMENT)	(89,323)			(89,323)
SKILLS & LEARNING PROGRAMME RESERVE	(1,093,129)			(1,093,129)
TOTAL DEPARTMENTAL RESERVE	(1,182,452)			(1,182,452)
CAPITAL INVESTMENT RESERVE	(3,575,842)			(3,575,842)
TOTAL CAPITAL INVESTMENT RESERVE	(3,575,842)			(3,575,842)
Entities	(1,106,203)			(1,106,203)
TOTAL ENTITIES RESERVE	(1,106,203)			(1,106,203)
PFI RESERVE	(5,706,277)			(5,706,277)
JO RICHARDSON AND EASTBURY PFI	(7,698,827)			(7,698,827)
TOTAL PFI	(13,405,104)			(13,405,104)
OTHER MISCELLANEOUS	(3,643,637)			(3,643,637)
GRANTS - DEPARTMENT FOR EDUCATION	(38,700)			(38,700)
PARKING RESERVE	(254,181)			(254,181)
TREWERN OUTDOOR CENTRE RESERVE	(94,432)			(94,432)
YOS - HEALTH & JUSTICE (FROM CCG)	(115,766)			(115,766)
LEAVING CARE SERVICE (NEET FUNDING - RE CMF GRANT)	(140,074)			(140,074)
TOTAL OTHER MISCELLANEOUS	(4,286,790)			(4,286,790)
SERVICE GRANT CARRY FORWARDS	(1,351,026)		1,351,026	0
ELHP	(912,033)			(912,033)
INVESTMENT RESERVE	(3,265,410)			(3,265,410)
PUBLIC HEALTH RESERVE	(1,094,561)			(1,094,561)
CORPORATE RESTRUCTURING - REDUNDANCIES RESERVE	(735,000)			(735,000)
INSURANCE FUND - LIABILITY RESERVE	(1,639,009)			(1,639,009)
BUDGET SUPPORT RESERVE	(8,026,163)	(3,407,000)	11,433,163	(0)
VAT MARKET REPAYMENT	(223,406)			(223,406)
LEGAL TRADING RESERVE (LBBD SHARE)	(440,059)			(440,059)
COLLECTION FUND EQUALISATION RESERVE	(4,073,767)			(4,073,767)
ELECTIONS RESERVE	(296,755)			(296,755)
LEP HOUSING RENTAL RESERVES	(43,508)			(43,508)
EDUCATION, YOUTH & CHILDCARE RESERVE	(2,887,165)			(2,887,165)
IT RESERVE	(1,105,000)			(1,105,000)
NET EARMARKED RESERVE BALANCES	(49,649,254)			(40,272,065)

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New Homes Bonus Calculator

Barking & Dagenham

[Return to homepage](#)

Current housing stock (Oct 20): 76,650
 Net change in stock (Oct 20)^{1,2}: 617
 Affordable housing supply (19/20)³: 101
 Stock of empty homes (Oct 20): 224

Year of Payment →

Year of Delivery ↓

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		
Payments for Year 11											£606,588	
2021/22: Total Payments											£1,542,789	

Total Payments (2021/22)

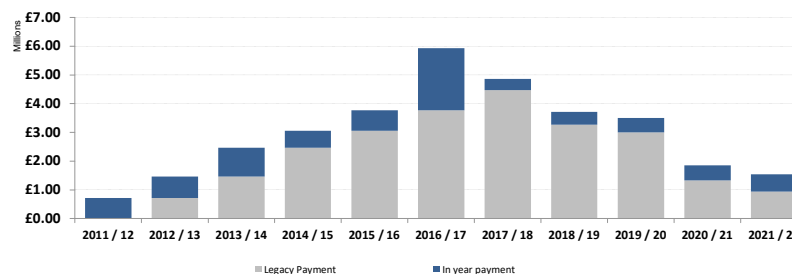
Year 8 **£437,256**

Year 9 **£498,946**

Year 11 **£606,588**

Total Payment: £1,542,789

Total New Homes Bonus Payments



Notes:

1. Net additional dwellings are calculated by subtracting effective stock (total stock less long-term empty homes, and demolitions) as recorded on the CTB in one year from the previous year: See 'Calculating the New Homes Bonus' in the first page of this spreadsheet
2. Data taken from the Council Tax Base form: <https://www.gov.uk/government/statistics/council-taxbase-2020-in-england>
3. Data taken from Live Table 1008 - <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

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ASSEMBLY**3 March 2021**

Title: Treasury Management Strategy Statement 2021/22	
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, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Summary	
<p>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.</p> <p>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.</p> <p>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.</p> <p>The Prudential Code was revised in 2017 with the main changes being the inclusion of the Capital Strategy 2021-22 requirements. The Capital Strategy is largely driven by the Council's Investment and Acquisition Strategy, which will be revised in March 2021 and will be based on the Be First Business Plan, which is due to come to Cabinet in March 2021.</p> <p>This report was considered and endorsed by the Cabinet at its meeting on 15 February 2021.</p>	
Recommendation(s)	
<p>The Assembly is recommended to adopt the Treasury Management Strategy Statement for 2021/22 and, in doing so, to:</p> <ul style="list-style-type: none"> (i) Note the current treasury position for 2021/22 and prospects for interest rates, as referred to in sections 4 and 8 of the report; (ii) Approve the Annual Investment Strategy 2021/22 outlining the investments that the Council may use for the prudent management of its investment balances, as set 	

<p>out in Appendix 1 to the report;</p> <p>(iii) Approve the Council's Borrowing Strategy 2021/22 to 2023/24, as set out in Appendix 2 to the report;</p> <p>(iv) Note that the Capital Strategy 2021/22, incorporating the Investment and Acquisitions Strategy, shall be updated and presented for approval in April 2021;</p> <p>(v) Approve the Capital Prudential and Treasury Indicators 2021/22 to 2023/24, as set out in Appendix 3 to the report;</p> <p>(vi) Approve the Minimum Revenue Provision Policy Statement for 2021/22, representing the Council's policy on repayment of debt, as set out in Appendix 4 to the report;</p> <p>(vii) Approve the Operational Boundary Limit of £1.70bn and the Authorised Borrowing Limit of £1.80bn for 2021-22, 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</p> <p>(viii) Delegate authority to the Finance Director, 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 short-term cash held from borrowing.</p>
<p>Reason(s)</p> <p>To enable the Council to accord with the requirements of the Local Government Act 2003.</p>

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 2021-22 and the Borrowing Strategy, which are set out in detail in the appendices attached to this report.

3. Treasury Management Strategy Statement for 2021-22

- 3.1 The strategy for 2021-22 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 2020 (section 4);
- Medium Term Capital Finance Budget (section 5);
- Treasury Position at 31 December 2020; forward projections 2023-24 (section 6);
- Economic Update (section 7);
- Interest rate forecast (section 8);
- Investment and Borrowing Rates (section 9);
- The Capital Expenditure Plans 2021/22 to 2023/24 (section 10);
- Treasury Management Advisors (section 11);
- Minimum Revenue Provision Policy Statement (section 12);
- Appendix 1 – Annual Investment Strategy 2021/22;
- Appendix 2 - Borrowing Strategy 2021/22 to 2023/24;
- Appendix 3 – The Capital Prudential and Treasury Indicators 2021/22 to 2023/24;
- Appendix 4 – Minimum Revenue Provision Policy Statement 2021/22; 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 IAS was agreed at the October 2020 Cabinet meeting. This will be updated to reflect the updated Be First Business Plan and presented to the April 2021 Cabinet.

4. Current Portfolio Position at 31 December 2020

4.1 The Council holds cash balances from its operational activities, which are offset by expenditure to run services. The timing of these cash flows can result in surplus cash which is then invested. Cash balances are also affected by working capital.

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;
- Borrowing (Financial Institutions and PWLB)

4.3 Table 1 shows the Council's investments, loans and borrowing balances at 31 December 2020, including the Average Life and the Average Rate of Return.

Table 1: Council's Treasury Position at 31 December 2020

	Principal £000s	Return %	Average Life (yrs.)
General Fund Fixed Rate Long Term Borrowing			
PWLB	512,490	2.06	25.83
European Investment Bank	79,363	2.21	23.30
DEXIA BANK LOBO	10,000	3.98	56.50
L1 RENEWABLES	6,803	3.44	25.76
Total General Fund Debt	608,656	2.13	26.00
General Fund Fixed Rate Short Term Borrowing			
Local Authority Short Term	92,000	0.2	0.11
Total GF Debt	700,656	1.87	22.6
HRA Fixed Rate Borrowing			
PWLB	265,912	3.5	35.10
Market Loans	30,000	4.03	44.96
Total HRA Debt	295,912	3.55	36.06
Total Council Borrowing	996,568	2.37	26.60
MMF / Cash	76,490	0.10	-
Local Authority Deposits	163,250	1.65	1.07
Bank Deposit	15,500	1.52	0.89
Loans	132,379	4.20	Various
Total Council Investments	387,619	2.21	Various

4.4 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. The elevated short-term cash position is due to £60m borrowed towards the end of December 2020, which will reduce as short-term borrowing is repaid.

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. Table 2 also includes the MRP budget, Investment and Acquisitions target and HRA interest costs.
- 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	2020-21	2021-22	2022-23	2023-24
	Budget £000	Budget £000	Budget £000	Budget £000
General Fund				
MRP	7,398	8,352	8,502	8,652
Net Interest Budget	7,733	7,041	8,491	8,391
Investment Income	-5,725	-5,725	-5,725	-5,725
Net General Fund Cost	9,406	9,668	11,268	11,318
HRA Interest Payable	10,059	10,059	10,059	10,059

6. Treasury Position at 31 December 2020; Forward Projections 2023/24

- 6.1 The Council's treasury position at 31 December 2020, 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 a significant increase in borrowing to fund the IAS. To ensure borrowing is only for a capital purpose Gross Debt should, except in the short term, be below the CFR over the period.

Table 3: Treasury Position at 31 December 2020, with Forward Projections

£'000s	2020/21	2021/22	2022/23	2023/24
	Estimate £000s	Estimate £000s	Estimate £000s	Estimate £000s
External Debt				
Debt at 1 April	981,688	1,140,465	1,616,825	2,090,630
Expected change in Debt	30,000	350,000	350,000	250,000
Finance Lease Liability	82,906	82,441	81,952	81,470
PFI Liability	45,871	43,919	41,853	39,617
Gross Debt at 31 March	1,140,465	1,616,825	2,090,630	2,461,717
CFR	1,147,096	1,707,653	2,204,687	2,519,566
Under/(over) borrowing	6,631	90,828	114,058	57,850

- 6.2 The £950m increase in expected debt from 2021-22 to 2023-24 largely relates to Be First portfolio schemes within the IAS that have been agreed or which are in the development pipeline within the Be First Business Plan. The schemes which have been approved so far are expected to deliver 4,396 new homes, delivering a positive financial return to the Council. Business cases for each scheme have been approved by Investment Panel and Cabinet.
- 6.3 Within the development pipeline there is potential to deliver a total of 9,000 homes by 2032 although this will require further funding to be approved which may include additional borrowing by the Council.
- 6.4 The Borrowing Strategy for the Council is set out in Appendix 2. This documents the treasury management considerations when undertaking borrowing and shows both the debt repayment profile and expected interest rates for the duration of the debt.
- 6.5 Further detail on the CFR, affordability, and limits to borrowing activity can be found in Appendix 3.

7. Economic Update by Link Asset Management

7.1.1 United Kingdom

The Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".

7.1.2 Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:

- The economy would recover to reach its pre-pandemic level in Q1 2022.
- The Bank also expects there to be excess demand in the economy by Q4 2022.
- CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".

7.1.3 Significantly, there was no mention of negative interest rates in the minutes, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.

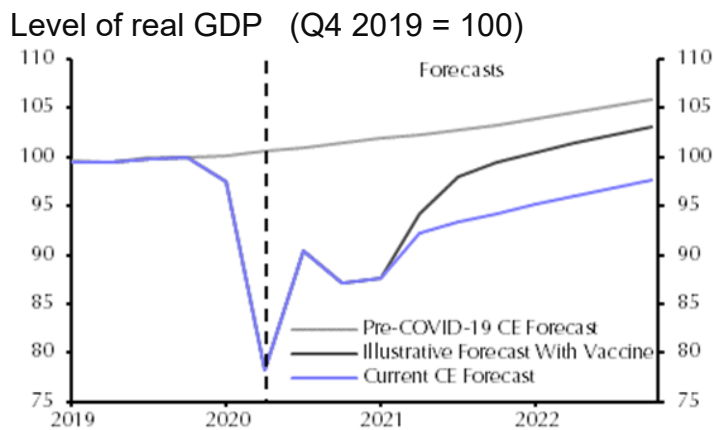
7.1.4 One key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in

effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. The Bank Rate forecast currently shows no increase through to Q1 2024 but there could be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly. Inflation is unlikely to pose a threat requiring increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2% towards the end of 2021, but this is a temporary short-lived factor and so not a concern.

- 7.1.5 However, the minutes did contain several references to downside risks. The MPC reiterated that the “recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside”. It also said “the risk of a more persistent period of elevated unemployment remained material”. Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and lots of regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31st March will limit the degree of damage done.
- 7.1.6 Upside risks include news that various COVID19 vaccines would be cleared as being safe and effective for administering to the public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.
- 7.1.7 However, there has been even further encouraging news since then with another two vaccines announcing high success rates. Together, these three announcements have enormously boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could begin to be eased, possibly in Q2 2021, once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals

could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% next year instead of 9%. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would still remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be noted that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.

- 7.1.8 Public borrowing is forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means the total interest bill paid by the Government is manageable despite the increase in the total amount of debt. The OBR was also forecasting that the government will be running a budget deficit of £102bn (3.9% of GDP) by 2025-26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- 7.1.9 Overall, the pace of recovery was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the second national lockdown starting on 5th November for one month is expected to depress GDP by 8% in November while the rebound in December is likely to be muted and vulnerable to the previously mentioned downside risks. It was expected that the second national lockdown would push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023. However, the graph below shows what Capital Economics forecast could happen if successful vaccines were widely administered in the UK in the first half of 2021; this would cause a much quicker recovery.



7.1.10 There will be some painful longer-term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

7.2 World growth

7.2.1 While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the crisis.

7.2.2 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. 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 massive financial support, (i.e. subsidies), 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.

7.2.3 This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China 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.

7.3 Summary

- 7.3.1 Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this is likely to result in more quantitative easing and keeping rates very low for longer. It will also put pressure on governments to provide more fiscal support for their economies.
- 7.3.2 If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.
- 7.3.3 **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.
- 7.3.4 **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.

8. Interest rate forecast

- 8.1 The interest rate forecasts provided by Link Asset Services in table 4 are predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31st December 2020.
- 8.2 Downside risks to current forecasts for UK gilt yields & PWLB rates include:
- **UK** - further national lockdowns or severe regional restrictions during 2021.
 - **UK / EU trade negotiations** – may cause economic disruption and downturn in the rate of growth.
 - **UK - 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**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU agreed a €750bn fiscal support package.
 - Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
 - **German minority government & general election in 2021**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD

party, because of the rise in popularity of the anti-immigration AfD party. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who the major guiding hand and driver of EU unity will be when she steps down.

- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU.
- **Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, could lead to increasing safe haven flows.

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

- **UK** - stronger than currently expected recovery in UK economy, especially if effective vaccines are administered quickly to the UK population and lead to a resumption of normal life and a return to full economic activity across all sectors of the economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic 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.

9. Investment and borrowing rates

9.1 Borrowing: the interest rate forecast is provided in table 4 below:

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

Link Group Interest Rate View 9.11.20														
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

9.1.1 As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis,

emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

9.1.2 Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.

9.1.3 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The new margins over gilt yields are as follows:

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

9.2 Alternative Borrowing

During 2020 a number of alternative borrowing options were looked at, including:

- private placements;
- income strips; and
- bonds.

Bonds and private placements proved to be competitive against a PWLB rate when it included a 180-basis point (bps) margin, with bonds generally around 100 to 120 bps (including all costs) and private placements at around 120 to 130 bps. Income strips were competitive if duration was 35 years and the net initial yield rate of 2.70% but this was generally only in the first ten years and their competitiveness relied on the index linkage being at around the historical average. All alternative borrowing included a number of additional costs and resource requirements, with income strips also having additional risks as the borrowing is index linked.

Subsequently, with the reduction in PWLB rate to a margin over gilts of 80 bps, other funding options are much more expensive, with the exception of bonds. Bonds remain competitive but do require a significant amount of additional work and incur additional costs both around issuing the bond and managing the reporting requirements once the bond has been issued.

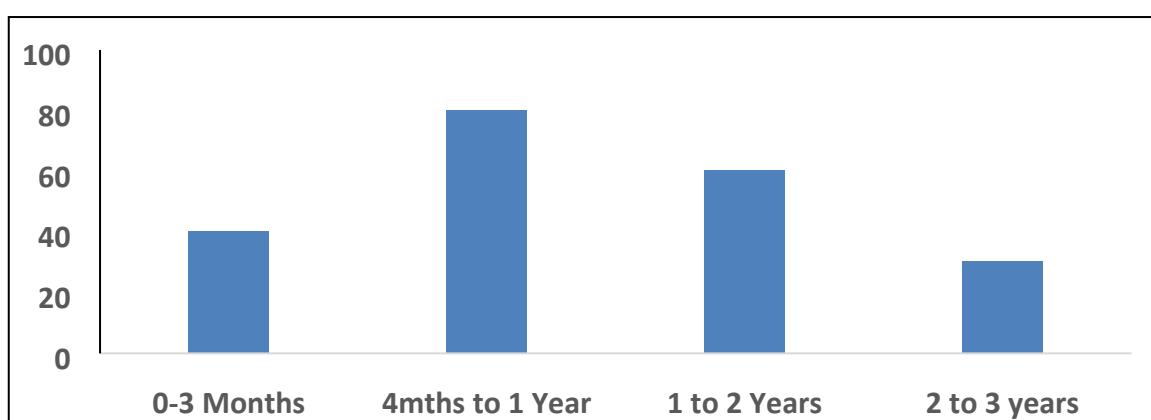
As the Council's IAS is focused on regeneration of the borough and the provision of social housing, the PWLB is available to fund these projects. The reduction in

PWLB borrowing rates has made some schemes that were marginally viable, predominantly due to the high level of social housing being provided, now viable.

9.3 Treasury Investment Returns

Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years. Due to the very low reinvestment rates for the majority of 2020/21 and the relatively high costs of PWLB borrowing prior until its rate reduction, cash has been used to fund capital spend. At the start of the year the Council had elevated cash levels of £354.5m and this has reduced to £251.2m.

Overall, the Council's cash holding will likely reduce to approximately £90m over the next couple of years, with treasury investments being replaced with loans and long leases to Reside. The maturity profile of the Council's current treasury investments is provided below:



9.4 **Return Target 2021/22 to 2023/24**

9.4.1 To achieve the interest target, the following average returns need to be achieved:

2021/22	1.60 on an average cash balance of £150m (£2.4m)
2022/23	1.70 on an average cash balance of £120m (£2.04m)
2023/24	1.50 on an average cash balance of £90m (£1.80m)

9.4.2 The return reflects the current investment positions (i.e. most of the return has already been secured) but if opportunities are available to secure competitive rates then further investments will be made.

9.5 **HRA Investments and abolition of HRA debt cap**

9.5.1 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.

9.5.2 Where there is agreement by the S151 Officer, 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.

10. The Capital Expenditure Plans 2021-22 – 2023-24

- 10.1 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.
- 10.2 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 2020-21 to 2023-24

Capital Expenditure	2020-21 Estimate £000s	2021-22 Estimate £000s	2022-23 Estimate £000s	2023-24 Estimate £000s
Capital Financing Requirement				
Opening CFR - General Fund	553,199	832,362	1,392,919	1,889,953
Net financing need for the year	289,765	572,428	509,202	325,742
MRP & Financing	-10,602	-11,871	-12,168	-10,863
Total General Fund CFR	832,362	1,392,919	1,889,953	2,204,832
CFR - Housing	314,734	314,734	314,734	314,734
Net financing need for the year	-	-	-	-
Total HRA CFR	314,734	314,734	314,734	314,734
Total CFR	1,147,096	1,707,653	2,204,687	2,519,566
Movement in CFR	279,163	560,557	497,034	314,879

- 10.3 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.
- 10.4 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.

11. Treasury Management Advisors

- 11.1 The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.
- 11.2 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.

- 11.3 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..

12. Minimum Revenue Provision Policy Statement

- 12.1 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.
- 12.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 4.

13. Financial Implications

Implications completed by: Philip Gregory, Finance Director

- 13.1 The financial implications are discussed in detail in this report.

14. Legal Implications

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

- 14.1 It is a statutory requirement under the Local 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 of its finance team to ensure that the local authority's budget is robust and sustainable.
- 14.2 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.
- 14.3 Part 1 of the Local Government Act 2003 (the "Act") requires ELWA as a joint local authority body to each year set out its Treasury Management 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.

15. Other Implications

- 15.1 **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.

15.2 **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 2021/22
- Appendix 2 - Borrowing Strategy 2021/22 to 2023/24
- Appendix 3 – The Capital Prudential and Treasury Indicators 2021/22 – 2023/24
- Appendix 4 – Minimum Revenue Provision Policy Statement 2021/22
- Appendix 5 – Scheme of Delegation and Section 151 Officer Responsibilities

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Annual Investment Strategy 2021/22

1. Investment Policy

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

- MHCLG's 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 potential 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 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 account opportunities from low interest rates, cash flow needs and a range of borrowing options available. 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 has been further delayed and is being adopted for 2022/23. This will 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 for Ultra-Short Dated Bond Funds, credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds, credit score of 1.5
Purple	2 years
Blue	2 year (only applies to semi / nationalised UK Banks)
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 acknowledges that it is ultimately responsible for all treasury management decisions and will ensure that undue reliance is not placed on the external advisors.

The Council recognises that there is value in receiving advice from external treasury advisors to acquire access to specialist skills and resources and 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.

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 S151 officer, 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 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. This additional market information (e.g. 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	£50m	N/A	N/A
Lloyds Banking Group SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	A	Up to 1 year	£50m	1 to 3 years	£50m
Government Supported UK Bank – Royal Bank of Scotland SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	Blue	Up to 1 year	£30m	1 to 2 years	£30m
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	£30m per counterparty	1 to 5 years 1 to 2 years N/A N/A N/A	£30m 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	£40m per authority	1 to 4 years	£40m per authority
UK Government - Treasury Bills, Gilts DMADF	UK Sovereign Rating	Up to 1 year	£50m	1 to 5 years	£20m
Money Market Funds CNAV	AAA	T+1	£30m per Manager	N/A	N/A
Money Market Funds LVNAV	AAA	T+1	£30m per Manager	N/A	N/A
Money Market Funds VNAV	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 so 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.

8. Investing with Local Authorities

All loans made to other Local Authorities are based on the Local Government Act (LGA) 2003 s13, which outlines that the credit risk attached to English, Welsh and Scottish local authorities is an acceptable one. LGA 2003 s13 Security for money borrowed is provided below:

- 1) Except as provided by subsection (3), a local authority may not mortgage or charge any of its property as security for money which it has borrowed or which it otherwise owes.
- 2) Security given in breach of subsection (1) shall be unenforceable.
- 3) All money borrowed by a local authority (whether before or after the coming into force of this section), together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority.
- 4) All securities created by a local authority shall rank equally without any priority.
- 5) The High Court may appoint a receiver on application by a person entitled to principal or interest due in respect of any borrowing by a local authority if the amount due remains unpaid for a period of two months after demand in writing.
- 6) The High Court may appoint a receiver under subsection (5) on such terms, and confer on him such powers, as it thinks fit.
- 7) The High Court may confer on a receiver appointed under subsection (5) any powers which the local authority has in relation to:
 - (a) collecting, receiving or recovering the revenues of the LA,
 - (b) issuing levies or precepts, or
 - (c) setting, collecting or recovering council tax.

- (8) No application under subsection (5) may be made unless the sum due in respect of the borrowing concerned amounts to not less than £10,000.
- (9) The Secretary of State may by order substitute a different sum for the one for the time being specified in subsection (8).

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 sovereign and individual ratings meet its AA- minimum criteria.

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	Norway	Canada	Abu Dhabi, UAE	Belgium
Denmark	Singapore	Finland	France	Hong Kong
Germany	Sweden	United States		Qatar
Luxembourg	Switzerland			U.K.
Netherlands				

12. Provisions for Credit-related losses

- 12.1 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.
- 12.2 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 IAS 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.
- 12.3 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.
- 12.4 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.
- 12.5 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 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.

13. 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.

14. Policy on Use of Derivatives

- 14.1 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).
- 14.2 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.

- 14.3 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.

15. 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.

16. 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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Borrowing Strategy 2021/22 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 (Weavers). Both schemes are now operational, bringing in sufficient income to cover the management and maintenance, lifecycle, capital, and interest costs, as well as generating income for the Council.
- 1.3 In November 2016, Cabinet approved the establishment of an Investment and Acquisition Strategy (IAS), with an initial £350m 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. The IAS is reviewed annually by Cabinet, with the next review to be taken to the March 2021 Cabinet.
- 1.4 The IAS has an income objective and a target of delivering £5.72m 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 The Council will ensure that all its investments are covered in the IAS and will set out, where relevant, its 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.
- 1.6 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.
- 1.7 Capitalisation of Development Interest
 - 1.7.1 The Council's IAS will increase the Council's interest payment costs. Were the Council to borrow a billion pounds at 2.0% (the current target average long-term debt rate) then the interest costs would be £20m per year, although this would decrease as debt is repaid. This will be funded by rental income from the various schemes but will result in a long-term obligation for future generations as some of the loans that will be taken out have maturity dates of up to 50 years.
 - 1.7.2 The Council's borrowing is largely to fund its IAS, which includes a number of large-scale developments. During the construction stage there is a cost of carry as there is no income from the scheme. To reduce this cost, from 1 April 2019, interest incurred during the construction phase will be capitalised against developments that cost over £10m and that take in excess of two years to build.

- 1.7.3 Capitalisation of interest will start from when the development has been agreed at Gateway 2. Where land has been purchased as part of land assembly the capitalisation of interest will be from the later date of either the completion date of the purchase or the date of this accounting policy.
- 1.7.4 Interest will be capitalised on a quarterly basis and will be based on the weighted average of the borrowing costs that are outstanding during the period. Cessation of capitalisation will occur when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.
- 1.7.5 As part of the Treasury outturn report, an outturn figure for the amount of interest that was capitalised for the year, will be provided to Members.

2. The Council's Borrowing Strategy

- 2.1 The decision to borrow is a treasury management decision and is taken by the S151 Officer under delegated powers of the Council's constitution and after consultation with the Investment Fund Manager (IFM). 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 holistic approach to borrowing, taking into account cashflow, borrowing costs and investment and loan returns to drive the net cost of borrowing down, while keeping the borrowing transparent and simple. This holistic approach has resulted in very low net borrowing costs, with the 2019/20 net interest budget of £5.1m supporting £608.65m of GF long term borrowing. This equates to a net cost (interest payments less interest income) of 0.84% for an average duration of approximately 31 years.
- 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 The IFM will monitor interest rates and will recommend 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;
 - Short-term borrowing from other Local Authorities;
 - Using PWLB, the EIB or financial Institutions;
 - Ensure new borrowings are drawn at suitable rates and periods; and
 - Consider the issue of stocks and bonds if appropriate.
- 2.5 In 2021/22 to 2023/24 a significant amount of borrowing is required, with the main borrowing required to fund the IAS. The borrowing requirements include for schemes that have been agreed and are in various stages of development and also pipeline schemes that have not been agreed but are included in the Be First

Business Plan. A summary of the borrowing requirement for the IAS to 2023/24 and then the total forecast borrowing forecast for the Council is below:

Investment and Acquisition Strategy (net costs)	2020/21	2021/22	2022/23	2023/24
	£000s	£000s	£000s	£000s
Committed Funding Requirement	271,845	388,813	351,152	140,106
Potential Funding Requirements	6,455	174,434	151,548	180,296
Total Net Borrowing Requirement	278,300	563,247	502,700	320,402
Total Accumulative Borrowing	1,140,465	1,616,825	2,090,630	2,461,717

2.6 An increase from a debt rate of approximately £1bn by the end of 2019/20 to nearly £2.5bn potentially by £2023/24 is a significant increase in borrowing. With borrowing rate currently at historic lows, it will be essential to lock in these low rates. This level of borrowing will also have an impact on managing the increase in cash held resulting from the borrowing.

3. Council's Current Debt

3.1 The Council currently (as at 31/12/2020) has £996.57m of debt at an average rate of 2.37% and average duration of 26.6 years. This is broken down as follows:

	Principal £000s	Return %	Average Life (yrs.)
General Fund Fixed Rate Long Term Borrowing			
PWLB	512,490	2.06	25.83
European Investment Bank	79,363	2.21	23.30
DEXIA BANK LOBO	10,000	3.98	56.50
L1 RENEWABLES	6,803	3.44	25.76
Total General Fund Debt	608,656	2.13	26.00
General Fund Fixed Rate Short Term Borrowing			
Local Authority Short Term	92,000	0.20	0.11
Total GF Debt	700,656	1.87	22.60
HRA Fixed Rate Borrowing			
PWLB	265,912	3.50	35.10
Market Loans	30,000	4.03	44.96
Total HRA Debt	295,912	3.55	36.06
Total Council Borrowing	996,568	2.37	26.60

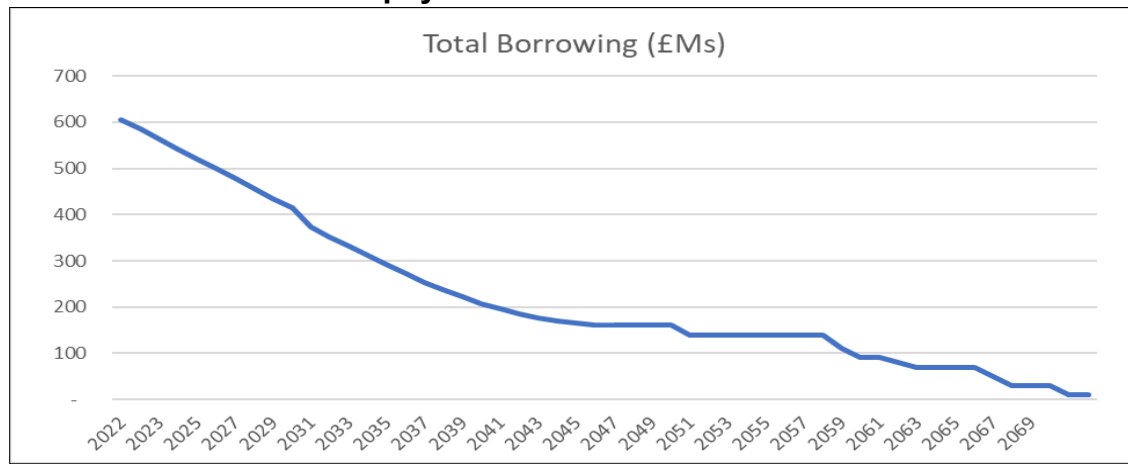
3.2 General Fund Debt

The GF debt can be split into Short and Long-Term borrowing. Short-term borrowing is used to manage the Council daily cash requirements and allows treasury to make strategic, longer term borrowing decisions without a significant impact from the cost of carry. Annual long-term borrowing amounts are summarised below:

Year	Amount	Reason for Borrowing
Pre-2015	30.0	Capital Expenditure
2015	89.0	Abbey Road 2 and Gascoigne East Regen (Weavers)
2016	60.0	Film Studio Land and IAS
2017	120.0	Street Purchases and IAS
2018	150.0	IAS
2019	140.0	IAS
2020	60.0	IAS
Various	(40.3)	Borrowing Repaid
Total	608.7	

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 Council's 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.

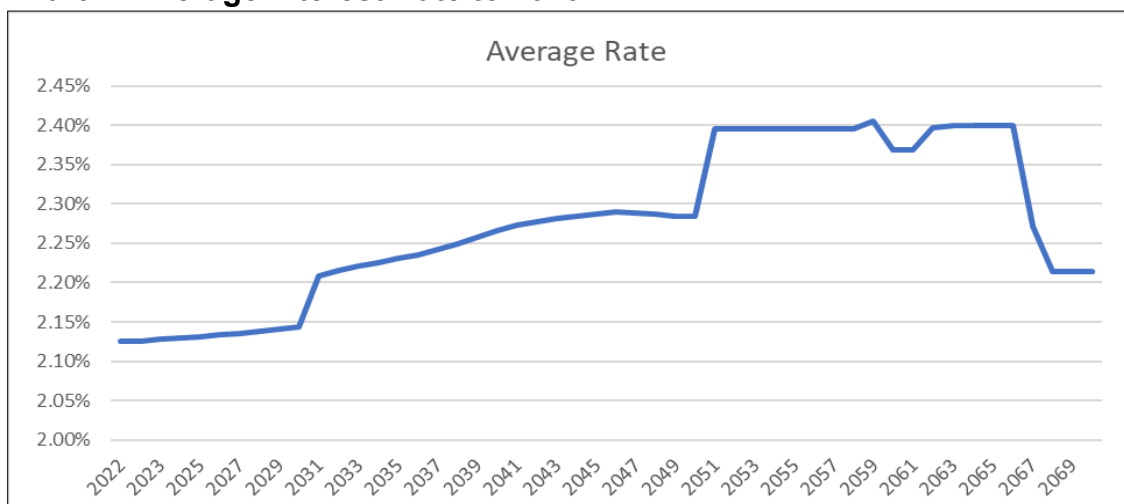
Chart 1: Council Debt Repayment Profile as at 31 December 2020



3.3 General Fund Interest Costs

Currently the average long-term interest rate on borrowing is 2.13% for £608.7m borrowed. However, this rate increases to 2.4% by 2051 but on a reduced balance of £140m, as cheaper borrowing is repaid and older (borrowed when rates were higher), more expensive borrowing remains. The rate drops to 2.21% in 2068 but this is on a remaining balance of £30m. The average interest rate to 2070 is provided in chart 2 below:

Chart 2: Average Interest Rate to 2070



Utilising short-term borrowing does reduce the average rate to 1.87% but this is just for the current year, with the short-term borrowing being used for strategic purposes. The interest rate forecast is for rates to stay low for the next few years and there is a target to reduce the long-term average borrowing to below 2%.

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 PWLB margin back to 0.8% above Gilts, this provides an excellent source of finance to support the Council regeneration strategy.

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% and currently the balance owed is £79.4m. The EIB loan does contain financial covenants that may be restrictive to the Council's overall investment strategy. Discussions are being held with the EIB to seek to review the financial covenants or potentially to refinance the borrowing through an early repayment and refinancing through the PWLB.

- 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 is from the HRA reform in 2012, with an additional £30m of borrowing transferred to the HRA in 2016 and 2020 to finance HRA new builds. The HRA previously had a debt cap of £291.60 but this was removed in 2018. A breakdown of the HRA borrowing is provided in table 5 below:

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
Lancashire CC	20,000	40	4.05
Total	295,912		

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.

The Capital Prudential and Treasury Indicators 2021/22 – 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.

The 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 2020/21 – 2023/24

Capital Expenditure	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
General Fund				
Adults Care & Support	996	2,026	1,841	-
Community Solutions	187	-	-	-
CIL / S106	743	1,198	-	-
Core	1,339	-	-	-
Culture, Heritage & Recreation	1,426	7,088	466	150
Enforcement	937	1,766	1,000	-
Transport for London schemes	1,538	-	-	-
My Place	4,678	6,101	4,850	4,850
Public Realm	3,391	50	-	-
Education, Youth and Childcare	20,205	12,200	4,422	6,400
Other	1,999	416	340	340
Transformation	2,777	-	-	-
TOTAL EXPENDITURE	40,216	30,845	12,919	11,740
Financed by:				
Capital Grants	- 23,812	- 18,832	- 6,262	- 6,400
CIL/S106	- 2,162	- 2,420	- 155	-
Revenue Contributions	-	88	-	-
Capital Receipts	- 2,777	-	-	-
Total Net Borrowing Requirement	11,465	9,505	6,502	5,340
Housing Revenue Account (HRA)				
HRA	31,294	44,556	38,000	38,000
Financed by:				
HRA Contributions	- 31,294	- 44,556	- 38,000	- 38,000
Total Net Borrowing Requirement	-	-	-	-
Investment and Acquisition Strategy (net costs)				
Committed Funding Requirement	271,845	368,260	351,152	140,106
Potential Funding Requirements	6,455	194,663	151,548	180,296
Total Net Borrowing Requirement	278,300	562,923	502,700	320,402
Net financing need for the year				
	289,765	572,428	509,202	325,742
Capital Expenditure				
	2020/21	2021/22	2022/23	2023/24
	Estimate	Estimate	Estimate	Estimate
	£000s	£000s	£000s	£000s
Capital Financing Requirement				
Opening CFR - General Fund	553,199	832,362	1,392,919	1,889,953
Net financing need for the year	289,765	572,428	509,202	325,742
MRP & Financing	- 10,602	- 11,871	- 12,168	- 10,863
Total General Fund CFR	832,362	1,392,919	1,889,953	2,204,832
CFR - Housing	314,734	314,734	314,734	314,734
Net financing need for the year	-	-	-	-
Total HRA CFR	314,734	314,734	314,734	314,734
Total CFR	1,147,096	1,707,653	2,204,687	2,519,566
Movement in CFR	279,163	560,557	497,034	314,879

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	2021/22	2022/23	2023/24
	Estimate	Estimate	Estimate
	£000s	£000s	£000s
Net General Fund Base Budget	173,982	171,258	177,330
Cost of Capital			
MRP	8,352	8,502	8,652
GF Net Interest Budget	7,041	8,491	8,391
Investment Income	-5,725	-5,725	-5,725
Net Cost of Capital	9,668	11,268	11,318
Financing Cost to Net Revenue	5.56%	6.58%	6.38%

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:

	2021/22	2022/23	2023/24
	Estimate	Estimate	Estimate
	£000s	£000s	£000s
HRA debt £m	310,628	310,628	310,628
Number of HRA dwellings	16,447	16,112	15,763
Debt per dwelling £	18.9	19.3	19.7

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	2021/22	2022/23	2023/24
Maximum principal sums invested > 364 days	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%	50%
12 months to 2 years	0%	50%
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	2020/21	2021/22	2022/23	2023/24
£'000s	Approved	Estimate	Estimate	Estimate
Operational Boundary	1,250,000	1,700,000	2,100,000	2,500,000
Authorised Limit	1,350,000	1,800,000	2,200,000	2,600,000

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	2020/21	2021/22	2022/23	2023/24
£'000s	Approved	Estimate	Estimate	Estimate
Total	302,763	310,628	310,628	310,628

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Minimum Revenue Provision Policy Statement 2021/22

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 S151 Officer has delegated responsibility for implementing the Annual MRP Statement. The S151 Officer 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 S151 Officer 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 S151 Officer 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 S151 Officer 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 S151 Officer.
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 S151 Officer 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 S151 Officer 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 S151 Officer.

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 40 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 be 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 S151 Officer, to three years 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 provides 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 S151 OFFICER, no MRP will need to be set aside during that year. A key consideration of the S151 Officer 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.

MRP on Commercial Purchases and Land Assembly

24. As part of the Council's Investment and Acquisition Strategy, commercial property may be purchased as part of land assembly for future regeneration. In these cases, MRP will not be set aside but a review of the progress will be made every three years.
25. Where commercial property is purchased, and it is not for regeneration purposes then MRP will be charged at the rate based on the commercial properties useful asset life.

PFI, leases and lease and lease back (income strips)

26. 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 and lease contract terms.

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**3 March 2021**

Title: Pay Policy Statement 2021/22	
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, Director 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	
<p>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 statement.</p> <p>The Council's draft Pay Policy Statement for 2021/22, attached at Appendix A, sets out the expected position at 1 April 2021.</p> <p>The Cabinet considered this report at its meeting on 15 February 2021 and, in recommending it to the Assembly, also agreed to apply the uplift in the London Living Wage with effect from 9 November 2020, which increased the minimum hourly rate of pay from £10.75 to £10.85 per hour. That decision is reflected at paragraph 3.3 of the Pay Policy Statement.</p>	
Recommendation(s)	
<p>The Assembly is recommended to approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2021/22 as set out at Appendix A to the report, for publication on the Council's website with effect from April 2021.</p>	
Reason(s)	
<p>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</p>	

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 3 March 2021.
- 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, with changes published on the Council's website.
 - 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 2021.
- 2.2 It is also proposed to increase 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 £10.75 to £10.85 per hour, would be backdated to 9 November 2020.

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 20 January 2021 and by the Cabinet on 15 February 2021.

5. Financial Implications

Implications completed by: Philip Gregory, Finance Director

5.1 The Pay Policy Statement at Appendix A updates the existing policy. The Medium Term Financial Strategy includes a provision to part-fund any pay award that may be agreed during 2021-22.

6. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

6.1 There is a requirement under the Localism Act 2011 to publish a statement of the Council's Pay Policy. It sets out clearly and concisely the Authority's approach to Pay. However, there are no direct legal implications in publishing this Policy and the approach which it outlines are consistent with employment law and 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 2021/22

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LONDON BOROUGH OF BARKING AND DAGENHAM**PAY POLICY STATEMENT 2021/22****1. Introduction – Requirement for Council Pay Policy Statement**

- 1.1 Section 38 (1) of the Localism Act 2011 (the Act) 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 the 1 April 2021.
- 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 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 and a global pandemic.
- 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 LBBB 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 £10.85 from £10.75 was announced on 9 November 2020. 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 2021/22 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)
- Director, Policy and Participation
- Director, Inclusive Growth
- Director, People and Resilience
- Finance Director
- Director of Public Health
- Commercial Director
- Commissioning Director, Adults and Children’s Care and Support
- Commissioning Director, Education
- Director of Workforce Change
- 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 approximately 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 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 2020. There were 22 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	£193,737
Tier 1 Managers	£139,837
Tier 2 Managers	£104,927

(Note: This benchmark data is based upon basic pay plus additional payments such as performance related pay or bonus payments which LBBD do not pay.)

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. The Council's Chief Executive is currently on secondment and the Interim Chief Executive's salary is £156,558 plus honoraria.

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. The pay range from April 2021 is as follows:

CO1	£87,586
CO2	£99,846
CO3	£110,356
CO4	£118,497
CO5	£130,862
CO6	£143,683
CO7	£156,558

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	£179,933
Interim Chief Executive	Individual spot salary	£156,558
Chief Operating Officer	CO7	£156,558
Director of Public Health	Individual spot salary	£99,846
All other Directors & Operational and Commissioning Directors	CO2 – CO6	£99,846 - £143,683

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.
- 7.2 The Chief Operating Officer receives a temporary honoraria payment of £22,750 in recognition of undertaking the interim Chief Executive role.
- 7.3 The Finance Director receives a temporary honoraria payment of £10,700 in recognition of taking on the Chief Financial Officer (Section 151) role.
- 7.4 The Director, Law and Governance (Monitoring Officer) receives a temporary honoraria payment of £25,008 for undertaking the role of Deputy Chief Executive.
- 7.5 No other additional payments are made.

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 that 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.
- 11.2 On 4 November 2020, the Government’s legislation on the £95,000 cap on exit payments for public sector workers came into force; redundancy and pension lump sum payments are counted towards the cap, as is the strain to the pension fund. The Legislation as enacted affects all staff at age 55 and over who are in the Local Government Pension Scheme and made redundant. The full impact will not be known though until the pension regulations are amended to be able to enforce the Legislation, and which at the time of writing is subject to a judicial review legal challenge.

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 litigation, the Council may settle such claims by way of a settlement agreement where it is in the Council's best 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 £10.85 per hour (equivalent to an annual salary of £19,800) with effect from 9 November 2020.
- 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 1.8:40. This means that the Chief Executive is paid 8.4 times more than the lowest salary.
- 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 2020 was £30,708 per annum, with the average salary being £34,451. 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 pay of £194,969 (taken from London Councils' 2020 Senior Staff Pay Data).

16. Any Additional Reward Arrangements

- 16.1 No additional reward arrangements are in place.