

Notice of Meeting

CABINET

Tuesday, 19 April 2022 - 7:00 pm
Council Chamber, Town Hall, Barking

Members: Cllr Darren Rodwell (Chair); Cllr Saima Ashraf (Deputy Chair) and Cllr Dominic Twomey (Deputy Chair); Cllr Sade Bright, Cllr Evelyn Carpenter, Cllr Cameron Geddes, Cllr Syed Ghani, Cllr Elizabeth Kangethe, Cllr Margaret Mullane and Cllr Maureen Worby

Date of publication: 7 April 2022

Claire Symonds
Chief Executive

Contact Officer: Alan Dawson
Tel. 020 8227 2348
E-mail: alan.dawson@lbbd.gov.uk

Please note that this meeting will be webcast and members of the press and public are encouraged to view the proceedings via this method. Those wishing to attend the meeting in person must provide evidence of a negative Lateral Flow Test on arrival and are encouraged to wear a face mask at all times, including while seated in the public gallery on the second floor of the Town Hall. 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.

3. Minutes - To confirm as correct the minutes of the meeting held on 22 March 2022 (Pages 3 - 8)

4. Investment and Acquisition Strategy Update (Pages 9 - 64)

5. Aids and Adaptations Policy 2022 - 2027 (Pages 65 - 113)

- 6. Contract for Refurbishment of Leys Park Pavilion for Box Up Crime Project (Pages 115 - 120)**
- 7. Procurement of Electrical Testing Services (Pages 121 - 127)**
- 8. Procurement of CCTV Upgrade and Maintenance Services (Pages 129 - 138)**
- 9. Any other public items which the Chair decides are urgent**
- 10. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

Private Business

The public and press have a legal right to attend/observe Council meetings such as the Cabinet, except where business is confidential or certain other sensitive information is to be discussed. The item below is exempt from publication under paragraphs 3 and 5 of Part 1, Schedule 12A of the Local Government Act 1972 (as amended) as the report contains commercially confidential information and legal professional privileged information and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- 11. Disposal of Former Muller Dairy Site - Update (Pages 139 - 165)**
- 12. Any other 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 CABINET

Tuesday, 22 March 2022
(7:00 - 8:29 pm)

Present: Cllr Darren Rodwell (Chair), Cllr Dominic Twomey (Deputy Chair), Cllr Sade Bright, Cllr Evelyn Carpenter, Cllr Cameron Geddes, Cllr Syed Ghani, Cllr Elizabeth Kangethe, Cllr Margaret Mullane and Cllr Maureen Worby

Apologies: Cllr Saima Ashraf

90. Declaration of Members' Interests

There were no declarations of interest.

91. Minutes (21 February 2022)

The minutes of the meeting held on 21 February 2022 were confirmed as correct.

92. Revenue Budget Monitoring 2021/22 (Period 10, January 2022)

The Cabinet Member for Finance, Performance and Core Services presented a report on the Council's revenue budget monitoring position for the 2021/22 financial year as at 31 January 2022 (period 10).

The Council's General Fund revenue budget for 2021/22 was £173.614m and the forecast outturn position at the end of January projected a net overspend of £4.051m once income had been taken into account, which represented a significant improvement of over £3m on the previous month's position.

The Cabinet Member also referred to a new, enhanced parking bay suspension service that was proposed in response to requests from utility contractors who carried out works in the Borough.

Cabinet **resolved** to:

- (i) Note the projected revenue outturn forecast for the 2021/22 financial year as set out in sections 2 and 3 and Appendix A of the report;
- (ii) Note the update on savings proposals, as set out in section 4 of the report; and
- (iii) Agree the introduction of charges for an enhanced parking bay suspension service, as detailed in paragraph 5.1 of the report.

93. Foster Carer Rate and Benefits Uplift

The Cabinet Member for Social Care and Health Integration introduced a report on proposals to increase the payment structure for foster carers in the Borough and other allowances associated with the service.

The Cabinet Member commented on the essential role of foster carers who provided stable and loving environments for the most vulnerable children in society and commended the high-quality provision given by the Borough's 'in-house' carers. The Cabinet Member pointed out that the payment structure had last been fully reviewed in 2008 which reinforced the urgent need to reassess the local rates, not only to properly recognise the role of current foster carers but to also attract new carers.

The review had been conducted in consultation with foster carers and had resulted in the development of a five-tier payment structure across three age groups (0-4, 5-10 and 11+) which reflected the differing needs of those in care. In addition, the allowances for children's holidays, birthday and religious festivals had been revised, with some increasing by 150%, and foster carers would be eligible for free access to the Borough's leisure centres operated by Everyone Active, mirroring the arrangements for foster children who already qualified for free access.

Cabinet Members spoke in full support of the uplift proposals and supported the intention for the allowances to be reviewed annually going forward.

Cabinet **resolved** to:

- (i) Agree the increase of foster carer rates for Children's Care and Support as detailed in Appendix 4 to the report, effective from 1 April 2022;
- (ii) Agree the increase of foster children's holiday, birthday and festival allowances for Children's Care and Support as detailed in Appendix 5 to the report, effective from 1 April 2022;
- (iii) Agree that complimentary access to the Borough's leisure centres be given for in-house carers, effective from 1 April 2022; and
- (iv) Delegate authority to the Operational Director, Children's Care and Support, in consultation with the Cabinet Member for Social Care and Health Integration, to approve the fostering rates on an annual basis, which shall be published via the Council's annual 'Provider Uplift Policy' prior to the start of each fiscal year.

94. Covid-19 Additional Business Rates Relief Fund

The Cabinet Member for Employment, Skills and Aspiration presented a joint report on the proposed local arrangements for the allocation of Covid-19 Additional Relief Fund (CARF) grant for 2021/22, following the publication in December 2021 of the Government's guidance for allocating the grant.

The Council had been allocated £4.59m funding with the expectation that it would be targeted at local businesses that had not received Business Rates relief through previous relief schemes during 2020/21 and 2021/22, such as those in the retail, hospitality, leisure and nursery sectors.

In order to ensure that the funding was allocated to small / medium size businesses that had received limited Government support to date, it was proposed that only those local businesses with a rateable value of up to £51,000 would be

eligible under the local scheme. That would enable an estimated 791 businesses to benefit from 90% Business Rates relief, representing an average 'saving' of £5,747 for each business. The Cabinet Member also spoke on a range of other initiatives that the Council had introduced since the start of the Covid-19 pandemic, such as the Barking and Dagenham Recovery Programme, developed in partnership with the Barking Enterprise Centre, which offered a targeted programme of tailored business support for local businesses most impacted by the pandemic. The main aim of the project was to increase businesses' long-term resilience and sustainability and it was anticipated that up to 200 businesses would receive dedicated 1-2-1 support and mentoring as well as a grant of up to £5,000, thereby helping to safeguard local jobs.

Cabinet **resolved** to approve the local policy for the award of Covid-19 Additional Relief Fund grant, as set out at Appendix 1 to the report.

95. Amendment of Multi-Agency Safeguarding Arrangements for Children

Further to Minute 15 (18 June 2019), the Cabinet Member for Social Care and Health Integration introduced a report on the intention to dissolve the formal arrangement whereby the statutory responsibility for children's safeguarding rested with the Barking, Havering, and Redbridge (BHR) Safeguarding Partnership and return that responsibility to a local level, via the Barking and Dagenham Safeguarding Children Partnership (BDSCP).

The Cabinet Member explained that whilst the BHR Safeguarding Partnership had brought a number of benefits, it was now acknowledged by all partners that greater attention needed to be given at a local level to the specific safeguarding issues that each Council was faced with, due to the sheer number of cases being presented. There would continue to be an informal strategic overview arrangement whereby the three Councils would meet to discuss common and/or cross-cutting safeguarding issues; however, the statutory responsibility for children's safeguarding would return to a Borough-based approach as soon as possible.

Cabinet **resolved** to agree that the governance of the statutory responsibility for multi-agency safeguarding children revert to being at the local level with effect from April 2022, led by the statutory safeguarding partners through the Barking and Dagenham Safeguarding Children Partnership.

96. Be First Business Plan 2022-27

The Cabinet Member for Finance, Performance and Core Services presented the five-year rolling Business Plan of Be First, the Council-owned company launched on 1 October 2017 with the key objective of driving forward the delivery of the Council's regeneration and place-making agenda.

The Cabinet Member advised that the Business Plan had been scrutinised and endorsed by Be First's Board and the Council's Shareholder Panel prior to being presented to Cabinet. The Business Plan included a review of the last 12 months' activities, the plans for the year ahead and the ongoing challenges relating to increased labour and materials costs associated with trading in a pandemic environment, Brexit, the situation in Ukraine, new fire safety regulations and

inflationary and interest rate concerns.

Despite those issues, the Cabinet Member advised that Be First expected to deliver 408 new homes in the Borough by the end of the current financial year and had made significant progress with a number of place-shaping projects, such as the new film studios, the relocation of London's main food markets to the Borough and the development of the Borough Local Plan, which was now with the Planning Inspectorate for independent examination. The Cabinet was also particularly pleased to learn that Be First had achieved a range of socio-economic outcomes during the year, which included:

- 140 new Barking and Dagenham jobs;
- 56 apprentices employed across sites;
- 244 work experience weeks delivered;
- 1,365 volunteering days; and
- circa £68m invested locally in the supply chain.

The commitments in the Business Plan for 2022/23 included the delivery of a further 480 new homes, undertaking a business effectiveness review to ensure that the company was "fit for the future" and maximising opportunities that would enable Be First to achieve, and potentially exceed, the annual £10.3m target return to the Council.

Cabinet Members welcomed the Business Plan and praised the partnership arrangements between the Council and Be First. The Chair also called on the Government to better support London local authorities with their regeneration proposals in the face of spiralling costs through enhanced subsidies.

Cabinet **resolved** to:

- (i) Approve the Be First Business Plan 2022-27, as set out at Appendix 1 to the report;
- (ii) Authorise the Finance Director, in consultation with and on the advice of the Investment Panel, to take all necessary action to enable Be First to carry out its proposals under the Business Plan and to agree any minor variations to the Business Plan subject to the conditions in these recommendations;
- (iii) Authorise Be First and/or the Finance Director to enter into any procurement related agreement or commitment, including procuring the new Development Framework, required to enable the delivery of the Business Plan, subject to compliance with Subsidy rules, the Public Contracts Regulations 2015 (or any replacement thereof) and the Council's Constitution; and
- (iv) Authorise the Finance Director, in consultation with and on the advice of the Investment Panel, to grant loans and complete all necessary documents and negotiations to complete the projects set out in the Business Plans subject to all necessary due diligence and compliance with Subsidy rules, the Public Contracts Regulations 2015 (or any replacement thereof) and the Council's Constitution.

97. Air Quality Action Plan Delivery Update

Further to Minute 83 (15 February 2021), the Cabinet Member for Enforcement and Community Safety introduced an update report on the delivery of the Council's Air Quality Action Plan (AQAP).

The AQAP contained 49 actions and interventions that the Council had committed to delivering between 2021 and 2025 to improve air quality and reduce harmful emissions which impacted on public health and blighted local communities. The Cabinet Member highlighted several of the areas of progress that had been achieved in the first year of the AQAP's implementation, which included improvements to cycling and walking networks to encourage active travel, a major tree-planting programme, the introduction of free parking for electric and low emission vehicles, the Council's 'Cosy Homes' programme aimed at reducing emissions from buildings and the transition of the Council's vehicle fleet to electric.

An additional proposal related to introduction of new arrangements to discourage vehicle engine idling and raise driver awareness through positive engagement and targeted communications. The Cabinet Member confirmed that enforcement, via Fixed Penalty Notices, would only be used against those that refused to engage and comply.

The Cabinet Member also paid tribute to the work and support of the Council's Member Champion for Climate Change, who had been particularly helpful in identifying sources of external funding and best practice to support the implementation of the AQAP.

Cabinet **resolved** to:

- (i) Note progress on the delivery of the Air Quality Action Plan;
- (ii) Agree that to promote the use of electric and low emission vehicles with between 0 – 50 emissions (CO₂) g/km, free parking concessions in respect of parking permits and Council on-street bays and car parks shall apply, as detailed in paragraphs 2.8 and 2.9 of the report; and
- (iii) Agree the introduction of new arrangements to discourage vehicle engine idling and raise driver awareness through positive engagement and targeted communications, including enforcement by means of the issue of Fixed Penalty Notices in cases where drivers refuse to comply, as detailed in paragraphs 2.21 - 2.23 of the report.

98. Procurement of a Microsoft Enterprise Agreement

The Cabinet Member for Finance, Performance and Core Services introduced a report on the proposed procurement of a new Microsoft Enterprise Agreement via the CCS RM6068 Framework, which would provide the Council with all of its required Microsoft 365 licenses for the three-year period ending in May 2025.

Cabinet **resolved** to:

- (i) Agree that the Council proceeds with the procurement of a contract for a

new Enterprise Agreement in accordance with the strategy set out in the report; and

- (ii) Delegate authority to the Finance Director, in consultation with the Strategic Director, Law and Governance, to award and enter into contract(s) / agreement(s) and any periods of extension with the chosen supplier(s) in accordance with the strategy set out in the report.

99. Debt Management Performance 2021/22 (Quarter 3)

The Cabinet Member for Finance, Performance and Core Services introduced the performance report covering the third quarter of the 2021/22 financial year in respect of the Council's debt management functions.

The Cabinet Member referred to the plight of many residents who were experiencing severe financial problems due to a combination of COVID-19, the cost-of-living crisis and the Government's welfare reforms, which was borne out by a 115% increase since March 2020 in the number of local residents now claiming Universal Credit. The Council had introduced a range of initiatives to support those in financial difficulty, including the Homes and Money Hub and the Council's discretionary Council Tax relief fund. In respect of the latter, the Cabinet Member pointed to a worrying increase in the number of residents citing their mental health as the main reason for requiring support via the relief fund, which for the first nine months of 2021/22 had already surpassed the total for the whole of 2020/21.

Cabinet **resolved** to note the performance of the debt management function carried out by the Council's Revenues service, including the improvement of collection rates and the continued recovery techniques applied to reduce the impact of the COVID-19 pandemic.

100. Claire Symonds, Interim Chief Executive and Managing Director

The Chair placed on record the Council's appreciation to Claire Symonds, Interim Chief Executive and Managing Director, who was attending her last meeting of the Cabinet before taking up the position of Chief Executive at the London Borough of Redbridge.

The Chair referred to Ms Symonds' significant contribution to the hugely successful transformation of the Council and its many achievements since she had joined the Council in 2015. The Chair referred in particular to Ms Symonds' leadership during her tenure as Interim Chief Executive over the past two years which coincided with the outbreak of the Covid-19 pandemic, for which she was awarded the Freedom of the Borough on behalf of the entire workforce.

Several Cabinet Members expressed their appreciation to Ms Symonds for her commitment and support throughout the last 6½ years and the Chair extended the Council's very best wishes to Ms Symonds in her new role and for the future.

CABINET**19 April 2022**

Title: Investment and Acquisition Strategy Update	
Report of the Cabinet Member for Finance, Performance & Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: David Dickinson, Investment Fund Manager	Contact Details: E-mail: david.dickinson@lbbd.gov.uk
Accountable Strategic Leadership Director: Philip Gregory, Director of Finance and Investments	
<p>Summary:</p> <p>In October 2020 Cabinet approved an updated Investment and Acquisition Strategy (IAS) 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, with this being the fifth version. The delay in producing this report is to allow the report to follow on from the Be First and Reside Business Plans and in future it will be reported each April.</p> <p>An objective of the investment strategy is to generate net income of £6.92m. This report provides an update on the performance of the IAS in 2021/22 (provisional), outlining the changes that have impacted the strategy over the past year. The report also provides the outturn for 2020/21, provides a forecast of the returns expected over the coming four years and the current position of the IAS reserve.</p> <p>This report highlights the financial constraints and opportunities within the IAS. 2021/22 has been a very difficult year for the residential part of the strategy, both on the operational side and the development side. The impact of these pressures and how they have been mitigated against is extensively covered in this report. The industrial parts of the strategy have performed well, both from income generation but also from on-selling and the positive impact of this is also outlined in the report.</p> <p>The report stresses the importance of bringing schemes into operation as soon as possible to ensure both the regeneration of the borough, and the availability of funding available for subsequent schemes. An additional consideration is on the impact of leverage on the strategy and the need to bring a more long-term and measured approach to development.</p> <p>The report is at a point in time and there are schemes in the pipeline that may change and improve the IAS return but there are also challenges posed by increasing build costs and also from the economic impact that Covid-19, Brexit and the conflict in Ukraine may have on the strategy.</p> <p>The report highlights that the Council is in a relatively strong position with its investment</p>	

strategy, and this could result in a very strong balance sheet position going forward if the IAS performs well.

Recommendation(s)

Cabinet is recommended to:

- (i) Approve the updated Investment and Acquisition Strategy 2022-27 at Appendix A to the report;
- (ii) Agree the removal of Lease and Lease back asset class from the IAS and to the removal of external, inflation linked financing arrangements for IAS schemes, as outlined in section 1.15 of this report;
- (iii) Note that the IAS forecast for 2022/23 was a surplus of £6.17m, which was £0.76m below its target of £6.92m;
- (iv) Note that the IAS forecast for 2022/23 to 2026/27 was £30.38m, which was £4.23m below its target of £34.61m;
- (v) Note the governance and controls in place to manage the IAS;
- (vi) Note that gross and net developments costs increased by £100m between Gateway 2 and Gateway 4 and the impact on the IAS viability;
- (vii) Note the amendments that have been made to the IAS assumptions as outlined in paragraphs 3.2 - 3.6 of the report, and their implications;
- (viii) Note the requirement for commercial loans and commercial income to support the IAS, especially over the short-term; and
- (ix) Note the impact of leverage on the IAS, as outlined in section 7 of the report.

Reason(s)

The proposals in this report will support the regeneration and economic growth of the borough and will help to support the long-term financial sustainability of the Council.

1. Introduction and Background

- 1.1 The Council's first Investment and Acquisition Strategy (IAS) was agreed by Cabinet in November 2016 as part of the Council's response to the unprecedented challenges it faced from Government cuts to public sector spending. The strategy has been subsequently reviewed a number of times, with the last review in October 2020.
- 1.2 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 scale of investment within the Borough is significant with in excess of 50,000 new homes to be built over the next 20 years accompanied by increased demand for employment space and

sustainable energy providing the Council with a key leadership and investment opportunity.

- 1.3 The IAS enables the Council to make investments that have the potential to support economic growth and / or deliver economic regeneration within the borough. In some cases, schemes with lower returns may be considered for strategic reasons. To accelerate the Council's regeneration, a development company, Be First, was created. They have reviewed and reconfigured the development pipeline, have brought new investment opportunities to the Council and have identified new asset classes to support private sector led regeneration.
- 1.4 In line with Government Guidance on Local Authority investment activities, this report provides an update on delivering investment objectives and sets-out the criteria to approve and finance investment opportunities going forward.
- 1.5 There are a number of other income streams and reserves that are linked to the IAS that support both the IAS and the Council. These are summarised below but are not included in the IAS forecast numbers within the report
- i) **Capitalised Interest:** the IAS forecast does not include capitalised interest, which provides the council with a fairly short-term additional source of income through reduced interest costs. This has already been included in the MTFS and is principally there to cover the cost of carry-on future borrowing.
 - ii) **Muller Sale:** the sale of the Muller site will provide the Council with a significant one-off source of income. When the site has been sold then the net proceeds will be placed into an investment reserve.
 - iii) **IAS Reserve:** Currently the Investment Strategy has a reserve of £19.8m, as summarised below. The CR27 Reserve is for use only by CR27. The IAS specific reserve is currently £14.8m and is available to cover shortfalls from the IAS income and to fund expenditure to help improve asset management. The IAS reserve has also been used to fund shortfalls in company dividends over the past few years.

Table 1: IAS Reserve as at 31 December 2021

Reserve	Amount
IAS Reserve	10,997,682
Capital Investment Reserve	3,779,051
Total IAS Reserve	14,776,733
CR27 Reserve	5,000,000
Total IAS Reserve	19,776,733

- 1.6 The IAS is underpinned by complex financial and operational models. These models use a number of assumptions which have evolved as the IAS has matured ensuring that the IAS reflects reality and remains up to date. This report sets out where these assumptions have changed in response to external factors outside the control of the Council and the mitigations that are in place to maintain the viability of the IAS. In parallel, the continued success of the IAS relies on Be First and Reside operating effectively alongside the internal governance provided through the Investment Panel (IP) and the Shareholder Panel (SP).

- 1.7 Since 2019 and into 2022 the IAS has come under pressure from scheme delays and significant increases in build costs, high inflation and greater uncertainty over operational costs when schemes are let. The impact of this is to significantly increase the funding requirement of the IAS, increasing the risk profile of the strategy and a reduced forecast. These pressures have resulted in some schemes becoming unviable based on assumptions agreed as part of the 2021/22 IAS. Table 2 below shows the IAS forecast based on the September 2021 assumptions. It shows a large shortfall in return, with an accumulative deficit of £42m over the next 5 years.

Table 2: IAS Income Forecast 2022/23 to 2026/27 as at 30 September 2021

Years	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
IAS Target	-6,922	-6,922	-6,922	-6,922	-6,922	-34,610
Post GW4 & Turnkey	-1,423	-4,134	-1,707	-1,327	-697	-9,288
Reside (Current)	400	400	400	400	400	2,000
Commercial Income	800	800	800	800	800	4,000
Be First Commercial	1,329	1,329	560	560	560	4,336
Travelodge / CR27	1,115	1,197	1,197	1,197	1,197	5,903
Commercial Loans	0	870	589	303	0	1,762
Pianoworks	76	76	76	76	76	378
Expenses	-150	0	0	0	0	-150
Total (shortfall) / Surplus	-4,776	-6,385	-5,008	-4,914	-4,587	-25,670
Accumulative		-11,160	-11,393	-9,923	-9,502	-41,977

- 1.8 The impact of the increase in build costs was discussed at the September 2021 IP. Part of the discussion was on the change to regulations to allow greater use of Right to Buy (RtB) grant on affordable rent schemes, with the limit increased from 30% to 40%. In December 2021, IP agreed to use 40% RtB receipts for all schemes and this significantly improved the viability of the schemes.
- 1.9 The impact of build cost inflation has also been mitigated by a decrease in on-lending rate for the schemes when they are operational, but this has only been possible due to the treasury section locking in borrowing at low rates. It may not be possible for this option to be used in future given the current pressure on interest rates.
- 1.10 A number of other assumption changes were agreed by IP in December 2021, and these are outlined in more detail in the report. However, overall, the change in RtB and the reduction in interest rate has resulted in an improved position for schemes that are Post Gateway 4 (Post GW4).

Table 3: IAS Revised Income Forecast 2022/23 to 2026/27

Income Streams	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
IAS Target	-6,922	-6,922	-6,922	-6,922	-6,922	-34,610
Post GW4 and Turnkey	2,597	1,910	4,225	1,239	2,179	12,150
Reside (Current)	400	400	400	400	400	2,000
Commercial Income	800	800	800	800	800	4,000
Be First Commercial	1,329	1,329	560	560	560	4,336
Travelodge / CR27	1,115	1,197	1,197	1,197	1,197	5,903
Commercial Loans		870	589	303	0	1,762
Pianoworks	76	76	76	76	76	378
Expenses	-150	0	0	0	0	-150

Total (shortfall) / Surplus	-756	-340	924	-2,349	-1,711	-4,232
Accumulative		-1,097	584	-1,424	-4,059	-5,996

- 1.11 The figures in table 3 are net of borrowing costs (currently at 2%). Surplus income from on-lending is reported as part of the treasury outturn and will provide additional surplus in future years but there is some uncertainty over this due to the reduction in on lending rates. The figures also exclude surpluses that are allocated to Be First and expenses that are incurred, such as borrowing costs and security costs. The expenses included are contributions from the strategy towards a new build asset manager and the costs of handover programme management and monitoring in the council by My Place.
- 1.12 Currently there are pressures within the operational schemes that are managed by Reside. The pressure is from an increase in management and maintenance costs that are still to be confirmed; from bad debts, voids and the impact of inflation on Reside 1. There is also currently a lack of financial information available from Reside for the current schemes due to the focus on delivering Reside statutory accounts. An estimated £750k pressure/cost/income has been used for 2022/23 onwards for the current schemes (this excludes schemes that are operational from 1 April 2022 onwards).
- 1.13 Work is being carried out with Reside to improve their operational performance and a formal plan is under development. However, there is potentially additional expenditure required within Reside to improve reporting and monitoring.
- 1.14 Each income stream is covered in detail in the rest of the report, with greatest focus on the Post GW4 schemes and Turnkey Schemes as these are currently under construction and will form part of the IAS in the next few years. Pipeline schemes have not been included in the forecast as there is greater uncertainty over these schemes, with a number of the schemes unviable based on current assumptions.
- 1.15 Overall there is a shortfall in the forecast, especially in 2025/26 and 2026/27. While pipeline schemes, additional commercial income and commercial loans could close this gap, given the current pressures within the residential schemes, the position could worsen and currently there is greater monitoring of the impact of schemes to ensure that the forecast income can be achieved, but also that schemes can be transferred to Reside and the Registered Provider (RP) to be managed. For this to happen each scheme needs to be viable at a tenure level, with any unviable tenures, subsidised by surpluses from other schemes. Work is being carried out with Reside to ensure that the current Post GW4 schemes and Turnkey schemes can be transferred when they are completed.
- 1.16 In 2021/22 a number of Temporary Accommodation (TA) schemes became operational and they were forecast to provide surpluses through the IAS to the Council. However, since they became operational forecast surpluses have reduced. Currently the three schemes, Weighbridge, Wivenhoe and Grays Court only provide sufficient returns to initially cover interest costs, whilst there is a need for the schemes to cover the debt repayments from year three in the IAS. As a result, the TA schemes are no longer part of the IAS but are part of the Council's capital programme managed by the TA service, currently forecast to operate at breakeven.

- 1.17 After schemes are completed, they are handed over to Reside, or in some cases the Council, and a Gateway 5 report, covering the development and then a Gateway 6 report, covering the first year of operation, is provided. Currently there are delays in providing the Gateway 5 reports and work is being carried out with Be First to improve the timeliness and usefulness of these reports to IP.
- 1.18 During 2021/22 a new system was introduced to provide enhanced monitoring of the development and their cashflows. The new system, SDS, has significantly improved the reporting and monitoring of developments. During 2022/23 work will be carried out to implement a reporting and monitoring system to provide information on the schemes when they are operational. It is expected that the development system and the operational system will link to provide complete details of each scheme. In addition, the IAS may need to fund additional resources to support the asset management and handover process to ensure properties are completed, transferred to Reside and then marketed and managed in an efficient and cost-effective way, as referred to in paragraph 1.10.
- 1.19 Impact from Russian Invasion of Ukraine (update from Be First)**
- 1.19.1 A number of countries have imposed strict sanctions on Russia in response to its decision to invade its neighbour, causing the rouble to slump in value. There is likely to be some supply chain disruption as a direct consequence, but by far the greatest impact on UK construction is from an expected spike in oil and gas prices – while the UK does not import a huge amount of either commodity directly from Russia, its near neighbours do.
- 1.19.2 The UK doesn't take a lot of Russian gas, but the inflationary impact on the global market will be felt across Europe and will impact the UK. The UK sources a lot of materials and components from Western Europe and there will be a higher and more prolonged inflationary impact. Many materials used in construction contain Petro-carbons or are very energy-intensive to manufacture and are soon likely to cost even more to produce and transport.
- 1.19.3 The pandemic has already tightened supply and ramped up costs. Construction material prices rose in 11 of the 12 months of 2021, according to an index published by the government, with contractors paying on average a fifth more for vital products and components at the end of the year than they were at the start.
- 1.19.4 The wider inflationary effects in construction are already a problem, layering on the impact of the war in Ukraine could be damaging especially if the Bank of England's Monetary Policy Committee decides to put UK interest rates up quicker and harder than already planned. If Europe decides it is no longer going to take Russian gas, then the oil price will rise even higher and have a sharper impact on inflation. Contractors and their supply chains need to discuss their response.
- 1.19.5 Higher prices need to be passed on as the sector can't absorb any more increases. Discussions will be needed as to who shoulders the cost of this inflation. If main contractors are squeezed in the middle, then it will have a direct impact on their levels of profitability and there are not huge margins on projects, so no slack to take up increased costs. After COVID there is a huge amount of demand for building to happen, not enough resource in terms of labour and big increases in material prices.

1.20 Lease and Lease Back Asset Category

- 1.20.1 Over the past ten years, Cabinet has agreed to invest in four lease and lease back arrangements including CR27, Isle of Dogs Travelodge, Reside 1 (William Street Quarter and Thames View East) and Trocoll House. These deals involve a lease and lease back arrangement with an Institutional Investor as the long leaseholder, with an inflation linked lease repayment due over an average 50-year period.
- 1.20.2 These schemes increase the Council's Capital Financing Requirement and are now viewed by HM Treasury as a form of borrowing. Agreeing future lease and lease back arrangements will mean that the Council will no longer be able to access PWLB borrowing, although this will not be impacted by current agreements.
- 1.20.3 These schemes increase the Council's exposure to inflation linked repayments and provide a long-dated obligation (of up to 50 years) with an institutional investor. The combined obligation of the four deals is over £330m, which is a significant exposure, given the current size of the IAS.
- 1.20.4 For these reasons, the Investment Panel has agreed to remove the lease and lease back asset class, including external institutional index linked borrowing, from the IAS list of investible assets. This decision can be reviewed in future but if agreed by Cabinet, investment proposals of this nature will not be considered.

2. IAS Borrowing Requirement and Interest Rate Pressures

- 2.1 The net borrowing for the IAS is significant, with the potential borrowing requirement of £3.0 billion. The breakdown of this borrowing is summarised in tables 1 and 2. Most of the borrowing is for residential schemes, with commercial schemes expected to be sold or developed as part of regeneration. The borrowing requirement has been split into a number of areas, including:
- i) where they are being built (Post GW4 - Under Construction);
 - ii) where there has been a significant amount of pre-development expenditure, but final contracts have not been agreed (GW2);
 - iii) schemes not yet agreed and no significant expenditure incurred (Pipeline); and
 - iv) schemes that have been purchased as part of land assembly (commercial).
- 2.2 For schemes under construction (£625m), all of the long-term borrowing has been secured and if there were no further investments, the Council would not have a need to borrow further. Many of these schemes will be operational by 2023/24.
- 2.3 Schemes that are agreed but are not under construction (£396m) are under pressure as borrowing has not yet been secured (so there is interest rate risk) but also still require contracts to be tendered and will be impacted by the high build cost pressures. Improving the schemes viability could be achieved through increased grant, especially from the GLA but this will need to be confirmed prior to any additional schemes being agreed.
- 2.4 Pipeline schemes (£1,384m), includes a mix of Council led regeneration and turnkey schemes. Pipeline schemes do not include regeneration areas such as

Thames Road and, if agreed, will add many hundreds of millions of pounds more to the current total debt forecast.

- 2.5 Commercial schemes are a key driver of return for both Be First and the Council's IAS. Not all schemes, after debt costs, provide a profit but, overall, the commercial strategy provides a return to the Council through a margin on the interest and then to Be First from the surplus. The main contributors are Welbeck, Muller and Restore. The Travelodge hotels have not provided the expected surpluses but will provide positive returns for 2022/23 when the operator is paying full rent. Most of the commercial schemes will be sold or redeveloped but there is still some uncertainty over when this will happen.
- 2.6 At 31 December 2021, the Council had borrowed £729.4m, with approximately £225m of cash to fund the schemes currently under construction. With the schemes that are still undergoing design and planning, this will increase the borrowing within the general fund to £1.125bn and with the Pipeline schemes, this will increase to £2.418bn. With HRA borrowing included, this total potential borrowing would be nearly £3.0bn.
- 2.7 The borrowing does not include the exposure of the Council to the income strip deals and the external financing deals, including Reside 1 and Trocoll. These deals, especially the residential schemes, do expose the Council to expensive, inflation linked obligations, with Trocoll providing a number of years with negative returns that will need to be covered by profits from other schemes. These schemes also increase the Council's Capital Financing Requirement and will likely push this total obligation to nearly £3.5bn.
- 2.8 The report covers a number of areas where issues have been identified and corrective action taken to improve scheme viability. There remain concerns in PRS operational costs, build cost increases and the impact of high inflation. Interest margins have been decreased for several schemes to accommodate the worsening viability metrics. The worsening market conditions will impact pipeline scheme viability.

Table 4: Net Borrowing Required for Current and Pipeline schemes

Investment and Acquisition Strategy Forecast 10 Year Cashflow												
	Pre 2021	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Post-G4												
12 Thames Road	8.69	1.09	32.69	7.35	-	-	-	-	-	-	-	49.81
200 Becontree Avenue	4.69	0.41	-0.01	-	-	-	-	-	-	-	-	5.09
A House for Artists	2.73	0.91	-	-	-	-	-	-	-	-	-	3.64
Crown House	34.20	25.76	-20.10	-	-	-	-	-	-	-	-	39.86
Gascoigne West Phase 1	47.12	32.60	-15.23	-1.96	-	-	-	-	-	-	-	62.54
Gascoigne West Phase 2	1.88	39.48	73.44	18.33	-3.32	-	-	-	-	-	-	129.82
GE Phase 2 Block C	-	23.28	-0.52	-	-	-	-	-	-	-	-	22.76
GE Phase 2 Block E2	-	47.02	7.96	4.95	-	-	-	-	-	-	-	59.92
GE Phase 2 Block F	-	37.80	42.99	-8.28	1.19	-	-	-	-	-	-	73.70
GE Phase 3A Block I	2.05	1.06	18.08	20.07	1.74	-2.00	-	-	-	-	-	40.99
GE Phase 3A Block J	-0.64	11.03	28.63	4.75	-11.15	-	-	-	-	-	-	32.62
Oxlow Lane	0.40	4.00	4.62	4.05	-	-	-	-	-	-	-	13.07
Padnall Lake Phase 1 (Infra)	1.64	2.67	11.26	8.03	-6.98	-	-	-	-	-	-	16.62
Padnall Lake Phase 2	0.21	3.97	7.58	1.93	-	-	-	-	-	-	-	13.69
Sacred Heart	9.89	6.41	-	-	-	-	-	-	-	-	-	16.30
Sebastian Court	18.60	-4.87	-	-	-	-	-	-	-	-	-	13.73
Woodward Road	4.35	7.12	4.21	1.00	-	-	-	-	-	-	-	16.69
Total Completed	135.81	239.75	195.61	60.21	-18.52	-2.00	-	-	-	-	-	610.86
Pre GW4	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Brocklebank	0.53	0.93	1.91	3.72	8.69	-	-	-	-	-	-	15.77
GE Phase 2 Block E1	0.02	4.89	21.62	35.15	-0.14	-	-	-	-	-	-	61.53
GE Phase 3B	0.86	2.33	9.60	50.95	59.74	3.62	-	-	-	-	-	127.10
Jervis Court	1.68	-0.79	13.06	2.20	0.00	-	-	-	-	-	-	16.16
Padnall Lake Phase 3	0.80	0.71	-3.51	1.10	34.08	-1.55	-	-	-	-	-	31.61
Roxwell Road	1.32	-1.37	9.49	4.14	3.07	-0.35	-	-	-	-	-	16.30
Total Under Construction	5.21	6.68	52.17	97.25	105.44	1.72	-	-	-	-	-	268.47
Turnkey	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Beam Park Phase 6	0.26	44.03	4.27	38.69	32.43	11.94	0.19	-	-	-	-	131.81
Beam Park Phase 7	-	17.71	0.15	29.04	8.51	13.81	13.56	14.84	-5.88	0.04	-	91.78
Chequers Lane	10.31	13.04	-7.90	0.16	-	-	-	-	-	-	-	15.60
Town Quay Wharf	-	-1.94	9.46	2.12	-1.42	-0.68	-	-	-	-	-	7.55
Transport House	1.53	-0.62	24.04	14.75	-4.99	-	-	-	-	-	-	34.72
Total GW2	12.11	72.22	30.03	84.75	34.53	25.07	13.75	14.84	-5.88	0.04	-	281.46

Pipeline	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Dagenham Heathway	-	-	-	12.52	6.31	6.15	-11.54	29.76	49.73	55.98	46.35	195.26
Gascoigne East Phase 4	-	-	4.83	10.76	8.26	74.29	75.71	-8.08	-	-	-	165.77
Gascoigne West Phase 3	-	-	1.89	2.49	2.77	25.29	25.59	-2.94	-	-	-	55.10
Heath Park Infill	-	-	1.35	1.97	2.22	19.10	42.76	-7.78	-	-	-	59.63
Hepworth Gardens-AR	-	-	5.00	-7.22	16.26	7.86	0.84	-	-	-	-	22.74
Ibbescott GW1	-	-	-	-	2.83	5.67	5.73	-5.77	44.97	64.15	64.79	182.38
John Burns Drive - AR & TR	-	-	0.73	1.26	0.80	0.47	-	-	-	-	-	3.27
Padnall & Reynolds	-	-	3.12	-11.56	45.22	46.38	18.11	-	-	-	-	101.26
Rest of Gascoigne West	-	-	-	-	9.99	8.02	8.27	8.17	28.87	101.42	122.78	287.51
Other Schemes	-	-	-	9.69	25.74	36.80	40.74	36.80	25.74	9.69	-	185.19
Total Pipeline	-	-	16.93	19.91	120.41	230.03	206.21	50.17	149.31	231.24	233.91	1,258.12
Total Residential	153.13	318.65	294.73	262.13	241.86	254.81	219.97	65.01	143.43	231.28	233.91	2,418.91
	Pre2021	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
Commercial	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms
23 Thames Road	5.60	0.13	-	-	-	-	-	-	-	-	-	5.72
26 Thames Road	4.44	1.31	0.10	-	-	-	-	-	-	-	-	5.85
3 Gallions Close	6.33	0.00	-	-	-	-	-	-	-	-	-	6.33
8 River Road - Welbeck	25.03	1.25	0.00	-	-	-	-	-	-	-	-	26.28
Dagenham Heathway	7.30	0.03	-	-	-	-	-	-	-	-	-	7.33
Film Studio	44.40	-	-	-	-	-	-	-	-	-	-	44.40
Industria	1.25	9.01	26.83	-	-	-	-	-	-	-	-	37.09
11-12 Riverside Industrial	0.60	-	-	-	-	-	-	-	-	-	-	0.60
1-4 Riverside Industrial	1.21	-	-	-	-	-	-	-	-	-	-	1.21
44-52 River Road	12.58	0.00	-	-	-	-	-	-	-	-	-	12.59
47 Thames Road	3.66	-	-	-	-	-	-	-	-	-	-	3.66
Barking Business Centre	27.70	0.05	-	-	-	-	-	-	-	-	-	27.75
Muller Site	47.92	-	-	-	-	-	-	-	-	-	-	47.92
Leisure Centre	-	0.05	3.82	17.34	-4.94	0.47	-	-	-	-	-	16.75
Travelodge - Dag East	7.25	-	-	-	-	-	-	-	-	-	-	7.25
GF Pianoworks	9.48	-	-	-	-	-	-	-	-	-	-	9.48
Total Commercial	204.76	11.83	30.75	17.34	-4.94	0.47	-	-	-	-	-	260.21
Total IAS	357.88	330.48	325.48	279.47	236.93	255.28	219.97	65.01	143.43	231.28	233.91	2,679.12

3. Cashflow and Performance Summary Update

3.1 Issues around the ability to fund the IAS were first raised in late 2020 and included:

- delays in scheme becoming operational causing a cost of carry pressure;
- a significant increase in build costs, which made unit sales unviable and reduced the margin on all schemes, but especially impacting London Affordable Rent (LAR) units due to the fixed grant;
- optimistic model assumptions both on rental inflation and on lifecycle costs;
- removal of sales and increased build costs increased long-term borrowing requirement, which increased the interest rate risk exposure for the strategy;
- a lack of income from alternative investments (commercial loans).

3.2 These pressures were mitigated in a number of ways, including:

- i) capitalising of interest reducing the development period cost pressure caused by delays, the removal of sales and cost increases. Capitalising interest costs has increased the overall build costs, although by a relatively small margin;
- ii) cost assumptions changed in October 2020 making schemes less viable but more realistically modelled, including:
 - Short-term Interest rate increased from 1.5% to 2.0%;
 - Long-term interest rate reduced from 3% to 2.75% for LAR schemes;
 - MRP start date from year 2 to year 3;
 - Operational cost inflation from 2.0% to 19/20 - 1.9%; 20/21 to 22/23 - 2.1% and 2023/24 onwards 2%;
 - CPI for 80% rent & CPI+1% for LAR to 1/4/2024; then CPI to CPI+1% up to and including 31 March 2030 and then CPI thereafter for 80% and any social rent.
 - Lifecycle costs from £1,440 per unit p.a. from year 5 after PC to £2,500 per unit p.a. from year 8 but to be overridden when QS LCC reports are agreed.
 - Service charge of £20 smaller estates to £25 (larger estates) per unit per week for all tenures, changed to only private and SO.
 - Separate out Public Realm costs from tenure figures.

iii) Alternative income from commercial schemes and Treasury outperformance.

3.3 Subsequently, development conditions have worsened, with Covid and Brexit both leading to a significant and sustained increase in build costs. A report was taken to IP in September 2021, outlining the impact of the cost increases, as well as the impact from a number of changes to assumptions.

3.4 The IP paper included a recommendation to:

- review assumptions for PRS, including inflation and management costs;
- reallocate HRA costs to LAR units;
- reduce LAR interest rate to 2.75% (from 3.0%);
- separately recording Public Realm costs; and
- review Shared Ownership (SO) first tranche assumptions.

3.5 Table 5 shows the figures taken to September IP for the schemes that had been agreed at Gateway 4, with negative cashflows in 10 of the first 15 years (the largest

negative year of £4.1m). There were significant negative cashflows for Shared Ownership and LAR and these negative cashflows impacted the total returns. It is important to note that the return target is not a £1 surplus but it is expected that the schemes provide £5.12m per year in surplus, although not all of this return will come from residential schemes.

Table 5: Post GW4 Cashflows over 20-years as at September 2021

Post Gateway 4 Schemes Net Surpluses Forecast as at September 2021								
	Total £'s	Market Rent £'s	Affordable Rent £'s	Shared Ownership £'s	London Affordable Rent £'s	Comm- ercial £'s	Parking £'s	Comm unity £'s
2021/22	-339,638	0	84,028	-39,589	-284,681	-246	-22,233	-76,916
2022/23	-1,422,562	-569,105	-8,201	-66,669	-689,026	9,808	-33,292	-66,077
2023/24	-4,133,958	-1,271,746	-69,261	-284,944	-2,359,069	1,188	-109,710	-40,420
2024/25	-1,707,209	101,187	628,558	-262,564	-2,446,457	436,398	-108,399	-55,927
2025/26	-1,327,028	363,528	742,067	-215,221	-2,493,126	436,565	-107,057	-53,784
2026/27	-697,435	631,375	940,468	-166,850	-2,387,437	442,293	-105,682	-51,596
2027/28	-685,609	860,939	776,162	-117,426	-2,496,304	442,470	-104,274	-47,177
2028/29	-1,575,575	855,882	166,128	-66,912	-2,952,083	568,671	-102,830	-44,432
2029/30	-2,089,575	726,718	-9,102	-15,291	-3,217,022	568,809	-101,352	-42,332
2030/31	-1,899,730	946,615	517	37,472	-3,312,121	568,951	-99,837	-41,321
2031/32	-1,420,169	1,178,089	144,431	91,409	-3,271,975	575,381	-98,287	-39,220
2032/33	-900,572	1,471,128	273,088	146,563	-3,235,985	575,533	-96,697	-34,199
2033/34	-248,156	1,721,160	422,531	202,959	-3,190,035	721,209	-95,069	-30,910
2034/35	202,602	2,006,363	518,179	260,646	-3,181,716	721,370	-93,400	-28,840
2035/36	517,183	2,237,176	575,798	319,668	-3,217,835	721,538	-91,691	-27,467
2036/37	1,047,155	2,513,863	731,379	380,066	-3,191,400	728,821	-89,941	-25,632
2037/38	1,674,049	2,863,535	889,950	441,902	-3,139,983	729,000	-88,147	-22,208
2038/39	2,225,845	3,112,371	969,691	505,228	-3,149,810	893,825	-86,310	-19,144
2039/40	2,805,222	3,427,878	1,133,071	570,113	-3,118,316	894,016	-84,427	-17,113
2040/41	3,476,242	3,807,996	1,299,760	636,629	-3,065,435	894,213	-82,499	-14,417
Total	-6,498,918	26,984,952	10,209,242	2,357,189	-54,399,816	10,929,813	-1,801,134	-779,132

3.6 Most of the deterioration in performance has been due to the increase in build costs, with both gross and net costs increasing on the post GW4 schemes by approximately £100m since GW2 (see table 6). The cost increases has impacted the LAR units the most, as they have a fixed grant amount and then the overall schemes. Schemes with a high LAR allocation are now generally not viable. Tenures need to be viable to be able to transfer the units into Reside or the RP.

Table 6: Gross and Net Development Costs GW2 to Latest (excluding pipeline schemes)

Project	Gross Development Costs			Net Development Costs		
	GW2 £Ms	GW4 £Ms	Latest £Ms	GW2 £Ms	GW4 £Ms	Latest £Ms
12 Thames Road	57.54	67.84	77.44	50.44	55.20	51.11
200 Becontree Avenue	5.41	7.52	7.92	4.88	5.77	5.09
A House for Artists	4.03	5.99	6.20	2.79	3.55	3.64
Crown House	44.35	60.71	61.88	42.10	40.75	39.85
Gascoigne West Phase 1	67.13	81.59	85.61	55.54	64.72	62.54
Gascoigne West Phase 2	155.22	165.91	165.91	53.46	133.61	129.82
GE Phase 2 Block C	20.29	20.29	31.07	10.52	13.17	22.76
GE Phase 2 Block E2	69.97	69.97	68.22	70.42	58.76	59.92
GE Phase 2 Block F	106.89	106.89	99.80	60.76	80.36	73.69
GE Phase 3A Block I	88.53	39.94	43.36	72.73	38.60	40.99
GE Phase 3A Block J	see Block I	48.58	50.58	inc. Block I	33.71	32.62
Oxlow Lane	15.21	22.08	22.53	9.93	15.24	13.07
Padnall Lake Phase 2	27.62	27.62	27.63	45.65	35.36	30.33
Sacred Heart	8.02	12.94	13.12	6.02	9.27	16.30
Sebastian Court	18.63	25.93	26.07	14.21	15.98	13.73
Woodward Road	20.48	21.22	23.37	15.19	16.38	16.69
Total Net Costs	709.33	785.02	810.71	514.63	620.43	612.15

3.7 For the Post GW4 schemes a number of additional changes have been made, following IP approval, to ensure that the schemes can have positive cashflows at a scheme and tenure level so that they can be transferred into Reside and / or the Registered Provider (RP). These changes, agreed specifically for the post GW4 schemes are summarised below and are outlined in greater detail in section 4:

- i) Increase Right to Buy Receipts from 30% to 40%;
- ii) Decrease on-lending interest rates from 3% to 2.75% for Affordable Rent (AR) schemes and to 2.25% for LAR, public realm, parking and community;
- iii) Increased the GLA grant allocation where possible.
- iv) Update lifecycle costs to reflect when cost incurred rather than the previous approach of smoothing costs – this results in a decrease in lifecycle costs in early periods but does result in some years having significant lifecycle expenditure.
- v) Reside to arrange for SO schemes to be transferred to the Registered Provider to allow cross subsidy for LAR and Target Rent (TR).
- vi) Increase operational costs for PRS schemes to reflect costs that would be incurred if an external provider were to manage the PRS units.

3.8 The impact of these changes has significantly improved the cashflow for all LAR, TR and AR but has made the cashflows worse for SO and MR, as shown in table 7 below. Overall, the schemes have positive surpluses but the SO, LAR and TR cashflows need to be improved to allow them to be transferred into the RP. As the interest rate that is charged for these schemes has been reduced to near the cost of borrowing in some cases it is essential that any S106, GLA grant or RTB grants that is available, is utilised for these schemes first. Negative cashflows from Parking, Community, PR and Commercial will need to be covered by the other commercial surpluses in the IAS.

Table 7: Latest Cashflows over 20-years (excluding pipeline and Turnkey schemes)

	Total	Market Rent	Affordable Rent	London Living Rent	Shared Ownership	London Affordable Rent	Target Rent	Parking, Community, PR & Commercial
2022	2,344,600	-141,992	1,582,970	41,046	541,704	276,899	12,460	31,513
2023	1,631,192	-287,854	2,533,117	53,455	-864,849	423,111	-92,942	-132,846
2024	2,880,644	712,278	2,771,526	-71,845	-45,653	347,332	-186,391	-646,603
2025	1,046,346	5,006	2,167,482	-58,604	-402,926	-1,864	-381,421	-281,327
2026	804,599	-163,023	2,266,901	-44,925	-354,284	-81,864	-368,341	-449,865
2027	1,417,765	102,361	2,467,569	-36,876	-304,548	-15,913	-357,325	-437,503
2028	1,605,546	299,618	2,463,480	-60,283	-253,694	-58,795	-362,371	-422,409
2029	1,957,980	485,253	2,498,920	-52,546	-201,688	-82,011	-384,544	-305,404
2030	2,156,567	689,535	2,517,606	-44,650	-148,508	-170,063	-385,477	-301,876
2031	-976,077	262,606	1,020,356	-335,240	-94,106	-1,034,680	-496,848	-298,165
2032	423,369	411,171	1,706,311	-28,388	-38,445	-707,168	-635,872	-284,240
2033	2,052,093	782,984	2,514,092	-49,783	18,512	-500,750	-448,887	-264,075
2034	4,714,458	1,851,721	3,227,512	-11,468	76,807	79,636	-378,835	-130,915
2035	5,071,862	2,204,131	3,256,025	-2,753	136,504	-41,795	-352,484	-127,766
2036	-2,525,175	934,990	-281,197	-694,707	197,639	-1,928,103	-627,463	-126,334
2037	-39,226	1,010,464	1,096,709	15,204	260,275	-1,388,265	-922,923	-110,690
2038	3,841,579	1,787,468	3,044,631	24,451	324,478	-765,604	-485,332	-88,513
2039	8,735,220	3,743,562	4,348,608	33,887	390,320	467,373	-310,362	61,832
2040	8,773,747	4,139,283	4,168,649	43,506	457,877	199,064	-301,161	66,529
2041	-4,613,708	1,819,532	-1,894,566	-1,073,598	527,234	-3,310,702	-752,773	71,165
Total	41,303,381	20,649,094	43,476,701	-2,354,117	222,649	-8,294,162	-8,219,292	-4,177,492

3.9 Turnkey Schemes (internally funded)

- 3.9.1 Turnkey Schemes are schemes that are purchased by the Council when they are built at a pre-agreed price and to a pre-agreed specification. This reduces the Council's risk to build cost increases but does have certain limitations on how the schemes are built. The Council has two turnkey schemes already, Reside 1 and Abbey Road 2. Reside 1 is a turnkey scheme that has external funding and is covered in more detail in section 3.9. Abbey Road 2 is a turnkey that was funded by the Council and is a similar approach to the ones outlined in this section.
- 3.9.2 Initially, as part of the update to IP in September, turnkey schemes provided better cashflows, but a number of them were only marginally better and were not yet agreed. A number of schemes have subsequently been agreed, most notably Beam Park and there have also been updates to the assumptions used for the Turnkeys, including an increase in rents but also an increase in operational costs, due to most of the schemes containing a substantial amount of PRS units.
- 3.9.3 The initial cashflows are in table 8 below and show that the cashflows are mainly positive and even at tenure level the cashflows are positive. The table also shows that the combination of LAR, TR and SO provides provided positive cashflows. Although the cashflows are positive, the PRS units only provided marginally positive returns and if operational costs were to increase further, the PRS and many of the overall schemes cashflows would be negative.

Table 8: Cashflows for Turnkey over 20-years as at September 2021

Yar	Total	PRS	AR	SO	LAR & TR	SO, LAR and TR Combined
2021/22	252,375	-	195,003	-	57,372	57,372
2022/23	278,924	-	213,947	-	64,977	64,977
2023/24	1,344,789	-18,427	245,251	993,111	124,854	1,117,965
2024/25	711,247	8,930	278,007	278,795	145,515	424,310
2025/26	1,336,247	440,593	204,091	575,235	116,328	691,563
2026/27	1,589,370	581,502	228,799	619,186	159,883	779,069
2027/28	698,298	49,672	222,919	545,697	-119,990	425,707
2028/29	953,097	200,019	242,467	594,319	-83,708	510,611
2029/30	2,015,543	937,638	262,402	867,112	-51,609	815,503
2030/31	1,459,612	981,181	-148,167	941,722	-315,124	626,598
2031/32	1,417,248	745,765	165,817	848,974	-343,308	505,666
2032/33	608,028	198,507	153,906	929,399	-673,784	255,615
2033/34	1,063,255	450,566	202,998	1,029,828	-620,137	409,691
2034/35	1,456,704	711,088	222,151	1,111,893	-588,428	523,465
2035/36	877,655	980,348	-427,069	1,195,306	-870,930	324,376
2036/37	1,544,934	756,052	261,608	1,280,091	-752,817	527,274
2037/38	1,958,011	1,033,581	281,928	1,366,263	-723,761	642,502
2038/39	2,382,875	1,320,509	302,658	1,453,830	-694,122	759,708
2039/40	2,819,873	1,617,130	323,800	1,542,835	-663,892	878,943
2040/41	1,668,259	1,923,776	-744,409	1,633,281	-1,144,389	488,892
Total	7,056,667	4,400,501	-110,715	17,806,877	-6,977,070	10,829,807

3.9.4 Prior to Beam Park being agreed, the operational costs were remodelled, based on a report commissioned from Savills and this resulted in Beam Park being unviable as the operational costs significantly increased the management costs. However, an improvement in rent assumptions, based on some of the units being let at Beam Park, improved the cashflows and resulted in both improvements to the overall and PRS cashflows. This improved position is shown in table 9 below:

Table 9: Cashflows for Turnkey over 20-years latest Position

Years	Total	PRS	AR	SO	LAR & TR	SO, LAR and TR Combined
2021/22	252,375	-	195,003	-	57,372	57,372
2022/23	278,924	-	213,947	-	64,977	64,977
2023/24	1,344,789	-18,427	245,251	993,111	124,854	1,117,965
2024/25	711,247	8,930	278,007	278,795	145,515	424,310
2025/26	1,336,247	440,593	204,091	575,235	116,328	691,563
2026/27	1,589,370	581,502	228,799	619,186	159,883	779,069
2027/28	698,298	49,672	222,919	545,697	-119,990	425,707
2028/29	953,097	200,019	242,467	594,319	-83,708	510,611
2029/30	2,015,543	937,638	262,402	867,112	-51,609	815,503
2030/31	1,459,612	981,181	-148,167	941,722	-315,124	626,598
2031/32	1,417,248	745,765	165,817	848,974	-343,308	505,666
2032/33	608,028	198,507	153,906	929,399	-673,784	255,615
2033/34	1,063,255	450,566	202,998	1,029,828	-620,137	409,691
2034/35	1,456,704	711,088	222,151	1,111,893	-588,428	523,465
2035/36	877,655	980,348	-427,069	1,195,306	-870,930	324,376
2036/37	1,544,934	756,052	261,608	1,280,091	-752,817	527,274
2037/38	1,958,011	1,033,581	281,928	1,366,263	-723,761	642,502
2038/39	2,382,875	1,320,509	302,658	1,453,830	-694,122	759,708
2039/40	2,819,873	1,617,130	323,800	1,542,835	-663,892	878,943
2040/41	1,668,259	1,923,776	-744,409	1,633,281	-1,144,389	488,892
Total	26,436,344	12,918,430	2,688,107	17,806,877	-6,977,070	10,829,807

3.9.5 Combining Post GW4 Scheme and the Turnkey schemes results in improved, although still negative cashflows in LAR and TR. By combining these with SO the cashflows are still negative but additional grant or S106 money would result in all of the early years being positive and the accumulative being positive.

Table 10: Cashflows for Turnkey and Post GW4 over 20-years latest Position

	Total	PRS	AR	LLR	SO	LAR & TR	Parking, Community & Commercial	LAR, TR & SO combined
2022	2,596,975	-141,992	1,777,973	41,046	541,704	346,731	31,513	888,435
2023	1,910,116	-287,854	2,747,064	53,455	-864,849	395,146	-132,846	-469,703
2024	4,225,433	693,851	3,016,777	-71,845	947,458	285,795	-646,603	1,233,253
2025	1,757,593	13,936	2,445,489	-58,604	-124,131	-237,770	-281,327	-361,901
2026	2,140,846	277,570	2,470,992	-44,925	220,951	-333,877	-449,865	-112,926
2027	3,007,135	683,863	2,696,368	-36,876	314,638	-213,355	-437,503	101,283
2028	2,303,844	349,290	2,686,399	-60,283	292,003	-541,156	-422,409	-249,153
2029	2,911,077	685,272	2,741,387	-52,546	392,631	-550,263	-305,404	-157,632
2030	4,172,110	1,627,173	2,780,008	-44,650	718,604	-607,149	-301,876	111,455
2031	483,535	1,243,787	872,189	-335,240	847,616	-1,846,652	-298,165	-999,036
2032	1,840,617	1,156,936	1,872,128	-28,388	810,529	-1,686,348	-284,240	-875,819
2033	2,660,121	981,491	2,667,998	-49,783	947,911	-1,623,421	-264,075	-675,510
2034	5,777,713	2,302,287	3,430,510	-11,468	1,106,635	-919,336	-130,915	187,299
2035	6,528,566	2,915,219	3,478,176	-2,753	1,248,397	-982,707	-127,766	265,690
2036	-1,647,520	1,915,338	-708,266	-694,707	1,392,945	-3,426,496	-126,334	-2,033,551
2037	1,505,708	1,766,516	1,358,317	15,204	1,540,366	-3,064,005	-110,690	-1,523,639
2038	5,799,590	2,821,049	3,326,559	24,451	1,690,741	-1,974,697	-88,513	-283,956
2039	11,118,095	5,064,071	4,651,266	33,887	1,844,150	-537,111	61,832	1,307,039
2040	11,593,620	5,756,413	4,492,449	43,506	2,000,712	-765,989	66,529	1,234,723
2041	-2,945,449	3,743,308	-2,638,975	-1,073,598	2,160,515	-5,207,864	71,165	-3,047,349
Total	67,739,725	33,567,524	46,164,808	-2,354,117	18,029,526	-23,490,524	-4,177,492	-5,460,998

3.10 Turnkey – externally funded

3.10.1 Trocoll was agreed by Cabinet in March 2021 delivering strategic regeneration benefits within Barking town centre. The viability metrics used to assess the scheme have worsened since the Cabinet report. Whilst the scheme is forecast to deliver a surplus over the 50-year period, there are 12 years of deficit within the first 20 years with an accumulated peak deficit of £1.635m in year 18 (the accumulated deficit returns to surplus in year 29). The scheme does not now meet the key cashflow viability metrics. To avoid the Council incurring these deficits further work is required as set out below to improve the cashflow position, especially in the first 20 years, although there are some risks and pressures that could make the cashflows worse by the time the scheme is built. Any negative cashflows will need to be funded by surpluses in the rest of the IAS.

3.10.2 Unlike IAS schemes, for Trocoll it is not possible to reduce the interest margin or use RTB receipts should assumptions prove to be inadequate or if there are macro-economic pressures on the assumptions. Therefore, there is much greater emphasis on the assumptions used and detailed financial modelling.

3.10.3 There is a risk that as further clarification of costs is obtained, operational costs will increase further worsening the viability of the scheme. The lack of grant for the affordable units has made viability a challenge from the outset. If negotiations with the GLA proceed and are favourable, the grant received will improve the viability of

the scheme. Based on the current modelling, deficit years will need to be covered by the IAS, which is already under some pressure from other residential schemes.

- 3.10.4 The nature of this scheme is reliant on achieving the year 1 rental values when the units come onto the market in 2024. The rents included in the modelling are comparable to current prices charged in similar properties in Barking. If these prove to be prudent estimates and the units are let at higher rental values, the viability will improve.
- 3.10.5 A number of assumptions in the model have been revised during the due diligence process taking into account advice from parties who have experience of operating PRS/BTR schemes and in consultation with the Reside Board. The Council have not operated large PRS/BTR schemes and the assumptions used for IAS schemes are not wholly appropriate for this scheme and so have been revised. As estimated costs increase so does the risk that the surplus deteriorates and becomes a deficit, effectively costing the Council. The main assumption changes include:
- (i) Increase in operational expenditure budget of £2.1k per unit per annum compared to IAS schemes, £401k total impact per annum. Out-sourced operational service used rather than Reside managing the units.
 - (ii) Lifecycle assumed costs were £33.9m over 50 years and are now modelled at £39.5m. Lifecycle costs are a key consideration for this scheme given it is situated above a station and has communal spaces that need to be maintained. In addition, the units need to be maintained to ensure they remain attractive for tenants.
 - (iii) Increase in void rate for PRS units from 1.5% to 3% (void rate for affordable units remains at 1.5%). One-bedroom apartments in the sector turn over occupiers more frequently than larger apartments which might incorporate families. Trocoll House contains a large proportion of one-bedroom apartments.
 - (iv) Increase in bad debt allowance for PRS units from 1.5% to 3%.
 - (v) The discount rate used in the NPV calculation has changed (as recommended in the Treasury Green Book) from 5% to 6.09%. This has differing impacts in scenarios that have been modelled but better suits the nature of the debt.

Trocoll Sensitivity Analysis

- 3.10.6 Sensitivity analysis has been carried out against a range of economic and operational conditions. While not all scenarios will have a negative impact on the scheme, generally the assumptions within the base scenario are optimistic and there is potentially more downside risk to the scheme, especially given current market conditions. In addition, it is likely that there will not just be one scenario that could impact the scheme but a combination. It is important to be aware of the impact on this scheme of these various scenarios. The final scenario below shows the impact of a number of negative assumptions in combination which is not unlikely to happen.

Scenario	Year one	Worst Year (ex Year 1)	NPV	Negative cashflow years	Peak Deficit (Cumulative)
	£000	£000	£000	(out of 20)	£000
DA Base position	-454	-454	1,400	14	-1,630
OpEx costs increased by 5%	-432	-386	600	14	-2,890
CPI increased to 2.5%	-417	-397	-1,700	14	-5,480
PRS inflation reduced to 2.5%	-456	-478	-3,800	14	-10,710
PRS rent reduced by 5%	-512	-478	-1,300	10	-5,350
PRS rent reduced by 2.5% and OpEx increased by 2.5%	-473	-434	-400	14	-4,100
PRS initial rent reduced by 2.5% and OpEx initial price increased by 5%	-491	-470	-900	15	-4,900
PRS rent reduced by 2.5%, OpEx initial price increased by 5%, 2.5% PRS rental inflation & 2.25% OpEx	-516	-590	-6,200	17	-23,350

3.10.7 The negative cashflows will need to be funded by the IAS and will add additional pressures to the IAS return. If Trocoll's actual performance is better than assumptions, then this will reduce the pressure on the IAS. However, if actual performance is worse than the current assumptions then this will put additional pressure on the strategy.

Table 11: Cashflows for All Turnkey and Post GW4 over 20-years latest Position

	Total	Trocoll	PRS	AR	LLR	SO	LAR & TR	Parking, Community and Commercial
2022	2,596,975		-141,992	1,777,973	41,046	541,704	346,731	31,513
2023	1,910,116		-287,854	2,747,064	53,455	-864,849	395,146	-132,846
2024	4,225,433		693,851	3,016,777	-71,845	947,458	285,795	-646,603
2025	1,238,718	-518,875	13,936	2,445,489	-58,604	-124,131	-237,770	-281,327
2026	2,179,083	38,237	277,570	2,470,992	-44,925	220,951	-333,877	-449,865
2027	3,083,520	76,385	683,863	2,696,368	-36,876	314,638	-213,355	-437,503
2028	2,402,254	98,410	349,290	2,686,399	-60,283	292,003	-541,156	-422,409
2029	3,031,307	120,230	685,272	2,741,387	-52,546	392,631	-550,263	-305,404
2030	4,315,160	143,050	1,627,173	2,780,008	-44,650	718,604	-607,149	-301,876
2031	648,465	164,930	1,243,787	872,189	-335,240	847,616	-1,846,652	-298,165
2032	1,487,535	-353,082	1,156,936	1,872,128	-28,388	810,529	-1,686,348	-284,240
2033	2,327,449	-332,672	981,491	2,667,998	-49,783	947,911	-1,623,421	-264,075
2034	5,464,056	-313,657	2,302,287	3,430,510	-11,468	1,106,635	-919,336	-130,915
2035	6,241,690	-286,876	2,915,219	3,478,176	-2,753	1,248,397	-982,707	-127,766
2036	-1,910,264	-262,744	1,915,338	-708,266	-694,707	1,392,945	-3,426,496	-126,334
2037	1,265,692	-240,016	1,766,516	1,358,317	15,204	1,540,366	-3,064,005	-110,690
2038	5,586,438	-213,152	2,821,049	3,326,559	24,451	1,690,741	-1,974,697	-88,513
2039	10,933,254	-184,841	5,064,071	4,651,266	33,887	1,844,150	-537,111	61,832
2040	11,439,818	-153,802	5,756,413	4,492,449	43,506	2,000,712	-765,989	66,529
2041	-3,067,876	-122,427	3,743,308	-2,638,975	-1,073,598	2,160,515	-5,207,864	71,165
Total	65,398,821	-2,340,904	33,567,524	46,164,808	-2,354,117	18,029,526	-23,490,524	-4,177,492

3.11 The cashflows in table 12 are the surpluses, by tenure and then by total of the schemes that the Council is building or has entered into a contract. These schemes will be completed and need to be profitable at both a tenure and combined level to allow them to transfer into Reside and the RP.

3.12 The cashflows are from schemes totalling £1.5bn and there is an expectation that the surpluses will be paid to Council by Reside and contribute to the £5.1m target.

- 3.13 Although there is some certainty over the build costs now the schemes are being built and, in some cases, are nearly complete, this has required a significant drop-in interest rate charged and there remains uncertainty over the operational costs, especially when the current high levels of inflation are taken into account.
- 3.14 Combining SO, LAR and TR improve cashflows but there are years with negative cashflows. To improve the cashflows requires additional grant and S106 funding.

Table 12: Latest Post GW4 Cashflows over 20-years – SO, LAR and TR Combined

Year	Total	SO	LAR
2022	888,435	541,704	346,731
2023	- 469,703	- 864,849	395,146
2024	1,233,253	947,458	285,795
2025	- 361,901	- 124,131	- 237,770
2026	- 112,926	220,951	- 333,877
2027	101,283	314,638	- 213,355
2028	- 249,153	292,003	- 541,156
2029	- 157,632	392,631	- 550,263
2030	111,455	718,604	- 607,149
2031	- 999,036	847,616	- 1,846,652
2032	- 875,819	810,529	- 1,686,348
2033	- 675,510	947,911	- 1,623,421
2034	187,299	1,106,635	- 919,336
2035	265,690	1,248,397	- 982,707
2036	-2,033,551	1,392,945	- 3,426,496
2037	-1,523,639	1,540,366	- 3,064,005
2038	- 283,956	1,690,741	- 1,974,697
2039	1,307,039	1,844,150	- 537,111
2040	1,234,723	2,000,712	- 765,989
2041	-3,047,349	2,160,515	- 5,207,864
Total	-5,460,998	18,029,526	-23,490,524

- 3.15 If the LAR, SO and TR returns can be improved to provide a small surplus within the RP then this will meet the regulatory requirements but would also allow the surpluses from the other schemes to be used to fund the IAS target of £5.7m per year. Table 13 shows the surpluses for the various tenures excluding SO, LAR and TR. This shows that most years provide a surplus but some years the surplus is minimal and only in a few, later years does the return get above the £5.7m target return. The GW4 and Turnkey schemes are not the only source of income for the strategy with income expected from commercial Schemes, current operational schemes, commercial Loans, Treasury management and the Investment Reserve.
- 3.16 Each of these can provide additional income to the strategy, with commercial schemes current contributing the bulk of the net income to the strategy. Each of these provides both opportunities and additional risks to the strategy. Where there is a shortfall then the investment reserve can be used to cover these, with the investment reserve there to smooth out the cashflows but to also provide some protection to the Council if there are short-term shocks to the IAS.
- 3.17 Section 5 to 7 goes into greater detail on the various additional IAS income streams, with section 4 summarising the various assumption changes made to the financial models and the impact that these have on the cashflows outlined in section 3.

Table 13: Latest Post GW4 & Turnkey Net Returns over 20 years against target return.

	Total	PRS, incl. Trocoll	AR	LLR	PCPC	Target Return	Shortfall / Surplus
2022	1,708,540	-141,992	1,777,973	41,046	31,513	5,700,000	-3,991,460
2023	2,379,819	-287,854	2,747,064	53,455	-132,846	5,700,000	-3,320,181
2024	2,992,180	693,851	3,016,777	-71,845	-646,603	5,700,000	-2,707,820
2025	1,600,619	-504,939	2,445,489	-58,604	-281,327	5,700,000	-4,099,381
2026	2,292,009	315,807	2,470,992	-44,925	-449,865	5,700,000	-3,407,991
2027	2,982,237	760,248	2,696,368	-36,876	-437,503	5,700,000	-2,717,763
2028	2,651,407	447,700	2,686,399	-60,283	-422,409	5,700,000	-3,048,593
2029	3,188,939	805,502	2,741,387	-52,546	-305,404	5,700,000	-2,511,061
2030	4,203,705	1,770,223	2,780,008	-44,650	-301,876	5,700,000	-1,496,295
2031	1,647,501	1,408,717	872,189	-335,240	-298,165	5,700,000	-4,052,499
2032	2,363,354	803,854	1,872,128	-28,388	-284,240	5,700,000	-3,336,646
2033	3,002,959	648,819	2,667,998	-49,783	-264,075	5,700,000	-2,697,041
2034	5,276,757	1,988,630	3,430,510	-11,468	-130,915	5,700,000	-423,243
2035	5,976,000	2,628,343	3,478,176	-2,753	-127,766	5,700,000	276,000
2036	123,287	1,652,594	-708,266	-694,707	-126,334	5,700,000	-5,576,713
2037	2,789,331	1,526,500	1,358,317	15,204	-110,690	5,700,000	-2,910,669
2038	5,870,394	2,607,897	3,326,559	24,451	-88,513	5,700,000	170,394
2039	9,626,215	4,879,230	4,651,266	33,887	61,832	5,700,000	3,926,215
2040	10,205,095	5,602,611	4,492,449	43,506	66,529	5,700,000	4,505,095
2041	-20,527	3,620,881	-2,638,975	-1,073,598	71,165	5,700,000	-5,720,527
Total	70,859,819	31,226,620	46,164,808	-2,354,117	-4,177,492	114,000,000	-43,140,181

4. Change in assumptions and approaches

4.1 The changes outlined in section 3.7 are outlined in greater detail below. These changes do impact pre-Gateway 4 schemes and pipeline schemes but have been fully implemented for the post-Gateway 4 schemes:

4.2 Increase Right to Buy Receipts from 30% to 40%

4.2.1 AR schemes have a number of negative years, mainly due to build costs increasing by more than the rental assumptions in the model. AR schemes are funded through the use of Right to Buy receipts (RtB), which is a limited grant, based on the sale of houses in the HRA. The Council receives £18m to £20m of net RtB receipts per year. Recent changes mean that Councils can use up to 40% of RtB receipts to fund schemes, which is higher than the previous limit of 30%.

4.2.2 All schemes were modelled at 30% RtB and so there is the potential to use more RtB subsidy to improve the viability. RtB receipts are limited to the amount received and held by the council. Using more RtB to make early schemes more viable may mean that there is insufficient grant for future schemes. AR units are the most viable tenure type as they have 80% rents but much lower net build costs when compared to other schemes (as this is reduced by RtB). They also have social housing costs for Management and Maintenance and are still attractive to people when compared to PRS units.

4.2.3 All Post GW4 schemes now have 40% RtB allocated to them and this has resulted in both the tenure returns improving but also the returns for the overall schemes moving from negative to positive surpluses.

4.2.4 For Pre-Gateway 4 and Pipeline schemes, currently there are a significant number of AR units assumed and using 40% RtB receipts will put pressure and limitations for these pipeline scheme. This is analysed in the table 9. Given the current pressure on PRS schemes, AR is the most likely replacement tenure and if AR is a limited tenure, then further consideration of tenure alternatives to PRS needs to be considered.

4.2.5 Table 14 shows that £22.0m per year is required and, even then, some of the potential pipeline schemes will not be able to be funded. At currently average RTB rates, it is likely that a number of schemes will not be able to have AR as a tenure or additional RtB will need to be obtain from the Government. As the table highlights, increasing RtB now will make schemes viable but may limit future schemes.

Table 14: RtB Required compared to RtB received per year (various estimates)

pipeline at 40%	£15.0m a year	£18.0m a year	£20.0m a year	£22.0m a year
Apr-21	70,888,498	70,888,498	70,888,498	70,888,498
Mar-22	63,120,223	66,120,223	67,120,223	70,120,223
Mar-23	29,565,684	61,351,948	37,565,684	43,565,684
Mar-24	-33,884,979	30,797,409	-21,884,979	-12,884,979
Mar-25	-28,989,089	-29,653,254	-12,989,089	-989,089
Mar-26	-24,149,892	-21,757,364	-4,149,892	10,850,108
Mar-27	-33,012,064	-13,918,167	-9,012,064	8,987,936
Mar-28	-44,712,064	-19,780,339	-16,712,064	4,287,936
Mar-29	-50,212,064	-28,480,339	-18,212,064	5,787,936
Mar-30	-81,212,064	-30,980,339	-45,212,064	-18,212,064

4.2.6 Pipeline schemes are summarised below showing the forecast use of RtB. The RtB requirement is significant, although some is only required in a number of years. For pipeline schemes, to accommodate the limited amount of RtB grant, some schemes will either need to be delayed further, more RtB needs to be obtained than currently forecast or the tenure mix will need to change to reduce the number of AR units.

Table 15: Pipeline Schemes with draft RtB requirements.

Pipeline Schemes	Total	25/26 £Ms	26/27 £Ms	27/28 £Ms	28/29 £Ms	29/30£Ms	30/31 £Ms
Barking Riverside DC	20.5	0	0	0	20.5	0	0
Dagenham Heathway	14.0	0	0	0	0	14.0	0
Hepworth Gardens	10.9	0	10.9	0	0	0	0
GE Phase 4	27.0	0	0	0	0	27.0	0
Heath Park Infill	4.0	0	4.0	0	0	0	0
Heath Park Redevel.	5.0	0	0	0	0	5.0	0
Padnall & Reynolds	26.7	0	0	26.7	0	0	0
John Burns Drive	1.6	1.6	0	0	0	0	0
Ibscott	18.0	0	0	0	0	0	18.0
Rest of GW	40.7	0	0	0	0	0	40.7
Stour Road 90	9.0	0	9.0	0	0	0	0

4.3 Decrease on-lending interest rates for AR schemes, LAR, public realm, parking & community

4.3.1 At the December 2021 IP, due to the pressures caused by the increased build costs, it was agreed that the on-lending rates to Reside of 3.0% (down from 4% in 2017/18) and 2.75% for LAR would be decreased to the following for Post Gateway 4 schemes:

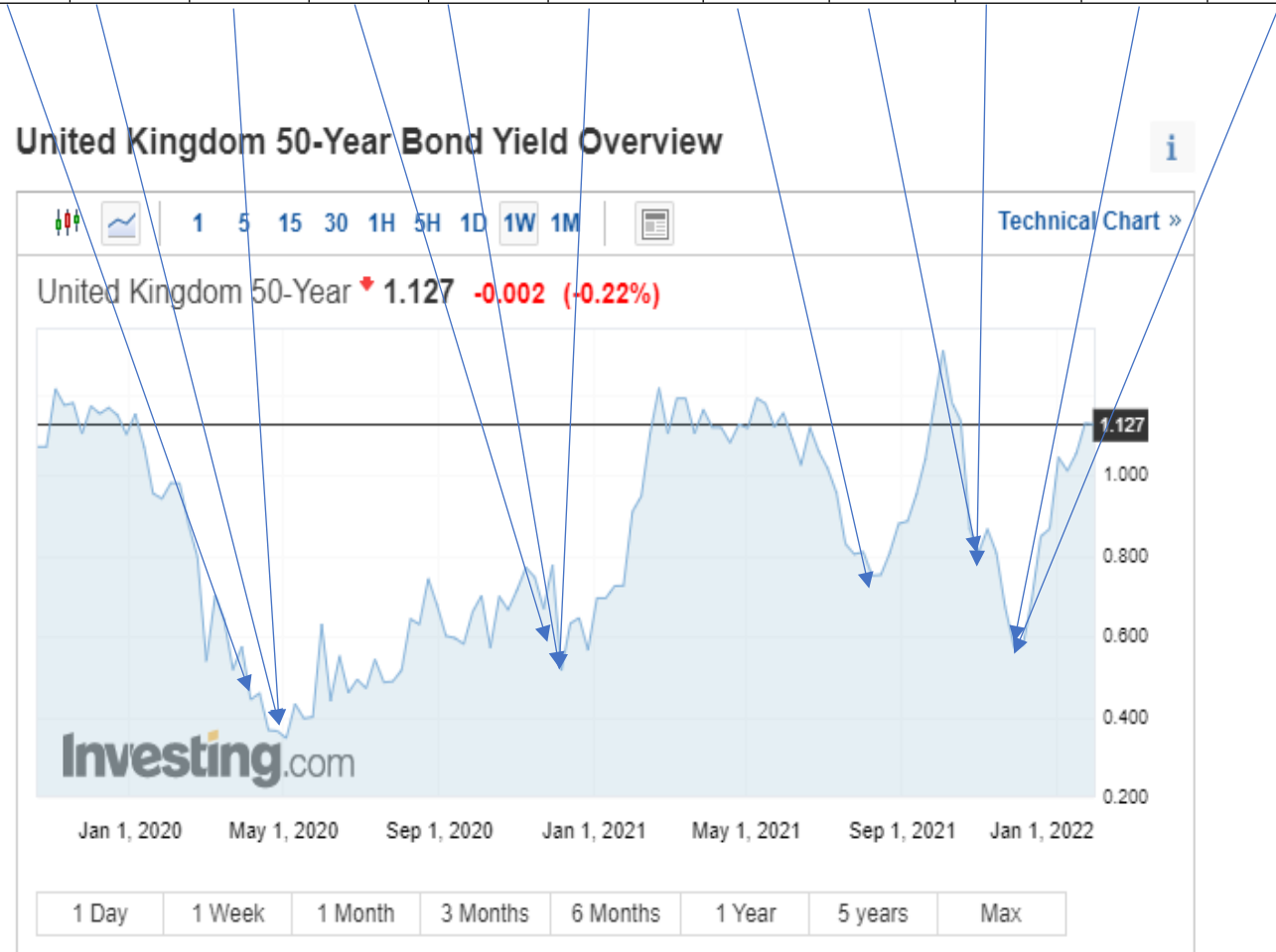
- interest rate on AR and PRS to 2.75%;
- interest rate on LAR, Parking, Community and Public Realm to 2.25%;
- interest rate on SO and Commercial remains at 3.0%

4.3.2 Dropping the margin for on-lending improves tenure viability but has implications for the Council. The main change will be on the surplus to the Council from the on-lending. Based on £610m of lending, a drop from an average of 2.95% to 2.60%, would reduce the interest margin from a theoretical £5.2m to £3.0m. This is when compared to the average borrowing cost of long-term general fund debt of 2.21%, at the end of 2020/21.

4.3.3 On-lending rates for post GW4 schemes can be reduced as treasury has managed to lock in low, long-term borrowing rates in 2021 as a result of the flight to safety within gilts. The deals completed since 2020 are summarised below and show that trades are generally completed when rates are low.

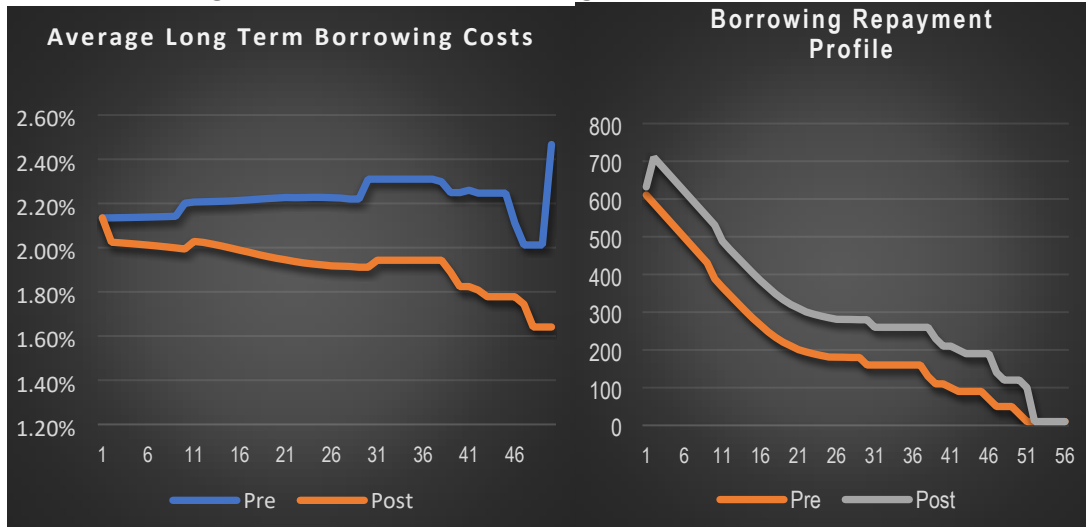
Table 16: Long-term borrowing 2020 to 2022

03/03/20	10/03/20	11/03/20	15/12/20	23/12/20	23/12/20	12/07/21	10/11/21	10/11/21	16/12/21	16/12/21
£20m	£20m	£20m	£20m	£20m	£20m	£20m	£20m	£30m	£30m	£20m
2.18%	2.06%	1.98%	1.33%	1.02%	1.50%	1.71%	1.51%	1.37%	1.31%	1.25%



4.3.4 The lower than forecast rates have dropped the annual average interest rate, as shown below:

Chart 1: Average Rate and total borrowing comparisons from 2020/21 to 2021/22



4.3.5 Not all the borrowing required for the agreed schemes is completed as yet and so pre-GW4 schemes and pipeline schemes would still need to meet the higher borrowing rates initially to be approved. In addition, interest rates have increased significantly over the past three months as inflation has resulted in the Bank of England increasing the base rates and Gilts increasing back to pre-covid rates. For pre-gateway 4 and pipeline schemes, this is a significant increase in risk, especially as most schemes have cashflows that have deteriorated from GW2 to GW4.

4.3.6 Reducing the on-lending rate was essential as the viability had deteriorated so quickly and by such a significant amount. This will reduce the interest surplus to the Council but should still provide a surplus and makes most of the tenures viable within Reside and the RP. The on-lending margin is also used by the strategy as a form of protection should assumptions be wrong in the financial models. Therefore, it has worked and has protected the strategy, but it does leave the Council vulnerable to further shocks that may impact the strategy.

4.3.7 Since December 2021, interest rates have increased as shown in the chart below. Currently the IAS does not need to borrow long term but will need to in the next two years or if the pipeline of schemes are agreed. If rates continue to increase then it is likely that interest rates will need to increase. Although this will make the viability worse for some schemes, the impact of increased borrowing costs should contribute to the reduction in build costs.



4.4 Increase the GLA grant allocation where possible

- 4.4.1 LAR schemes require grant to make them viable as rentals can be 50% of market rents. As build costs have increased, grant from the GLA for LAR schemes has remained at £100k and this has made this tenure unviable. The GLA has been asked to increase the grant, and Reside asked to look at cross subsidising with SO.
- 4.4.2 The GLA grant requirements are not confirmed but are required to make schemes viable. These are significantly higher than the £100k previously provided and there are added requirements when receiving additional GLA grant, with a move to Target Rent (TR) tenures rather than LAR tenures, with TR rents lower than LAR rents.
- 4.4.3 LAR units will be held within the Registered Provider (RP) and they need to provide a surplus and cannot be cross subsidised by other schemes, with the exception of SO schemes. SO units have positive cashflows that can effectively cross subsidise LAR units. Reside are currently looking into transferring the SO units into the RP.
- 4.4.4 Overall adding more grant to LAR schemes and moving SO units into the RP improves the position but there are still negative overall cashflows and the combined LAR and SO are still significantly negative, especially for post GW4 schemes. Only a reduction in interest rate charged will make them viable, unless additional grant was received. Given the current pressure on interest rates, this option will likely not be available for pre GW4 and pipeline schemes.

4.5 Update lifecycle costs

- 4.5.1 Lifecycle costs have been modelled as starting in year 8 and then an average per year is used for the next 44 years, which provides a smoothed cashflow, with some years having more provision and some years underproviding. This does result in increased cashflow pressure in the early years (years 8 to 14) but then when significant capital spend on schemes is required, this is absorbed within the cashflows.
- 4.5.2 This methodology has changed to reflect the actual lifecycle funding requirements. It results in improved cashflows for most years but negative cashflows for most schemes in a number of years. Given this approach reflects the actual forecast requirements and as schemes have start dates over a number of different years, this is the preferred approach to model lifecycle costs (agreed by IP in 22/12/2021).

4.6 SO schemes to be transferred to the RP to allow cross subsidy for LAR & TR

- 4.6.1 As outlined earlier in the paper, the LAR units do require cross subsidy as they are not viable as a separate tenure. SO can be held within the RP and can reduce the impact of the negative cashflows from the LAR units. Reside are currently working towards transferring the SO units to the RP (when it has been set up).

4.7 Increase PRS operational costs for to reflects use of an external provider

- 4.7.1 The iAS has seen a large increase in the number of PRS units, mainly driven by the move from sales. Sales were removed as units were costing more to build than they could be sold and this was identified prior to the most recent increase in build costs.

- 4.7.2 PRS has a number of specific issues as it requires more borrowing as there is no grant funding and has a different type of tenant – the tenures are shorter, which results in a higher void and letting costs. There has been some discussion with Reside, who were originally going to manage these properties and a proposed solution is for these to be managed by an external operator. Work has been done on these costs for Trocoll and Beam Park and then this will be done for the other schemes.
- 4.7.2 Both the council and Reside have not previously managed PRS properties. There is currently discussion around the best way they can be managed, with options around in-house and external management being discussed.
- 4.7.3 For the initial PRS units, they will be managed by an external operator. In-house provision could be a cheaper alternative, but it is important to ensure that the service provided is competitive in what is an established market. Reside will use external expertise to ensure that customers receive the level of service expected in this competitive market.
- 4.7.4 The financial models have used an estimate for an in-house provision and the costs being quoted for an external operator are higher than the modelled assumptions. For the figures in this report the external provider option is being modelled, which has reduced the viability for schemes with PRS.
- 4.7.5 If in-house management can be provided and it proves to be cheaper than an external provider then this will improve some of the schemes' cashflows.

4.8 Funding IAS assets held in the General Fund

- 4.8.1 Commercial, Parking, Community and Public Realm are retained within the GF, with interest internally charged at 2.25. A summary of the cashflows is provided below, with the majority of the commercial income coming from 12 Thames Road. The relatively small negative cashflows will be covered by the wider IAS.

Table 13: Commercial, Parking, Community & Public Realm Cashflows to 2039/40

Date	£26.6m	£3.4m	£10.4m	£20.3m	£60.7m
	Commercial	Parking	Community	Public Realm	Combined
2021/22	0	-4,897	-50,425	0	142,646
2022/23	9,284	9,453	-27,574	-13,790	439,773
2023/24	-181,040	17,303	38,016	-227,605	1,043,824
2024/25	263,965	13,403	27,275	-298,495	293,157
2025/26	63,570	-28,519	41,920	-411,634	-174,565
2026/27	43,483	-32,529	-30,020	-425,273	-281,780
2027/28	47,019	-31,113	-36,916	-434,671	-290,670
2028/29	173,181	-29,668	-34,855	-436,177	-160,029
2029/30	179,577	-28,194	-15,404	-437,680	-131,700
2030/31	179,679	-26,684	-14,841	-439,180	-128,495
2031/32	176,914	-25,145	-13,207	-440,674	-127,019
2032/33	183,251	-23,571	-9,635	-442,159	-114,441
2033/34	328,826	-21,962	-6,867	-443,633	36,639
2034/35	336,010	-20,317	14,788	-445,093	68,287
2035/36	336,073	-18,639	15,604	-446,537	72,041
2036/37	336,139	-16,923	16,860	-447,961	76,310
2037/38	343,318	-15,172	19,685	-449,362	89,339
2038/39	508,034	-13,381	22,126	-450,737	259,597
2039/40	516,172	-11,551	46,283	-452,080	295,071

5. Commercial Schemes

- 5.1 Commercial Schemes for the IAS are predominantly ones that have been purchased through Be First as part of estate renewal. Where a property is purchased through a Be First acquisition, a 3.25% interest rate is retained by the Council from the rental income to fund the borrowing costs and provide a surplus to the Council, which is then credited against the IAS target return of £5.7m. The expenditure, interest income and MRP set aside for each commercial holding is below. The borrowing costs to purchase these schemes is £2.14m based on a cost of borrowing of 2.0%, with a net surplus to the strategy of £1.33m.

Table 14: Commercial Schemes costs, interest and MRP amounts for 2021/22

Scheme Name	Costs	Gross Interest	Interest Margin	MRP
Welbeck Wharf	25,386,012	819,509	311,789	225,060
Travelodge Dagenham	7,253,389	235,507	90,439	64,305
Restore	12,586,691	409,031	157,297	111,587
9 Thames Road	4,858,573	156,144	58,972	-
23 Thames Road	5,724,526	184,730	70,239	-
27 Thames Road	601,935	19,563	7,524	-
47 Thames Road	3,664,500	119,096	45,806	-
BBC	27,758,221	901,427	346,263	-
Heathway	7,353,076	237,874	90,813	-
3 Gallions Close / 7 Cromwell	6,325,761	205,581	79,066	-
26 Thames Road	4,462,960	144,604	55,344	-
1-4 Riverside	1,206,640	39,216	15,083	-
Total Rent	107,182,284	3,472,282	1,328,636	400,952

- 5.2 Most of these schemes have been purchased as part of land assembly and where this is not the case, MRP has been set aside to repay the debt. A brief summary of each commercial holding is provided below:
- i) **Dagenham Heathway:** purchased as part of a wider regeneration plan for the area. It has performed as expected although there have been issues with delays in payments.
 - ii) **Barking Business Centre:** purchased as part of land assembly for Thames Road. Is performing better than forecast.
 - iii) **Thames Road:** As GLA grant is not available now for the purchases, some of the units are under pressure but generally payment from existing tenants has been good.
 - iv) **Pianoworks / Travelodge:** Both schemes have struggled with the CVA agreement with Travelodge but this is coming to an end and returns are expected to return to the originally forecast amounts.
 - v) **Restore / Welbeck:** Performance is as per forecast, with additional spend on Welbeck expected to be funded by additional rental.

5.3 Prudential Code and Commercial Borrowing

- 5.3.1 CIPFA have revised the definition of investment within the Prudential and TM Codes, distinguishing between treasury and non-treasury investments, and recognising non treasury investments as either service or commercial investment.
- 5.3.2 Most of the Council's non-treasury investments are service investments but, from the IAS, Welbeck, Travelodge, Restore, CR27 and the Isle of Dogs Travelodge are commercial investments.
- 5.3.3 Under the Prudential Code and TM Code, LAs are required within their Capital Strategy and TM Strategy, to report on and clearly distinguish investments for treasury management, service and commercial purposes. The TM Code refers to the fact that LAs may “prefer to create a separate investment strategy for their service and commercial investments in order to maintain their separateness from treasury management investments and a requirement for Investment Management Practices (IMPs) has been introduced for non-treasury investments.”
- 5.3.4 CIPFA have then interpreted legislation, as to what under the Prudential Code an Authority can borrow for, which aligns to the revised PWLB rules in that LAs must not borrow to invest primarily for financial return. However, the Prudential Code also recognises that LAs with commercial land and property may also invest in maximising its value, including repair, renewal and investment.
- 5.3.5 The changes from the Prudential Code are not retrospective, and para 53 states that LAs with existing commercial investments (including property) are not required by the Code to sell these investments (see below):
- **53** - Authorities with existing commercial investments (including property) are not required by this Code to sell these investments. Such authorities may carry out prudent active management and rebalancing of their portfolios. However, authorities that have an expected need to borrow should review options for exiting their financial investments for commercial purposes and summarise the review in their annual treasury management or investment strategies. The reviews should evaluate whether to meet expected borrowing needs by taking new borrowing or by repaying investments, based on a financial appraisal that takes account of financial implications and risk reduction benefits. Authorities with commercial land and property may also invest in maximising its value, including repair, renewal and updating of the properties.

Interpretation of Prudential Code

- 5.3.6 On the basis that there is a legal commitment/agreement that was entered into prior to the 2021 Prudential Code, then these come under existing commercial arrangements, and therefore part of the historical position which then should be managed as part of the non-treasury investments going forward.

5.4 Other Commercial Schemes

- 5.4.1 There are a few additional schemes, including Pianoworks, which have been purchased or leased directly by the Council and for these schemes the full rental is allocated to the IAS, with borrowing costs going against the treasury strategy.

- **CR27 / Travelodge Income Strips:** CR27 is now performing as budgeted, and Travelodge should be completed in 2022/23. The contribution from the CR27 is £867k per year, which has been added to the overall IAS return target. The contribution from the Travelodge is £330k per year. There has been a delay in the completion of the Travelodge, with a likely date being Q2 2022.
- **Piano Works:** After a couple of difficult years due to the reduction in rent from some of the companies, the forecast for Piano Works is for a small surplus for 2021/22 and then a more meaningful contribution to the IAS in 2022/23.

Table 14: Other Commercial Income: 2021/22 and 2022/23

Other Commercial	2021/22 Forecast	2022/23 Original forecast
CR27	867,000	867,000
CR27 Budget	867,000	867,000
Variance	-	-
Isle of Dogs Travelodge	-	247,500
IoD Travelodge Budget	-	330,000
Variance	-	82,500
Pianoworks		
Travelodge Barking	302,346	355,701
Tesco	81,947	81,947
Explore Learning	23,954	23,954
Total	408,247	461,602
Interest Cost	- 308,014	- 305,479
MRP	- 78,001	- 80,536
Net (Surplus to IAS)	22,232	75,587

5.5 Commercial Lending – London Road

- 5.5.1 Cabinet agreed to enter into a joint development with Robyna Limited for a residential led scheme at London Road / North Street, Barking. As part of that decision, the Cabinet approved a loan of up to £35m to facilitate the development. The size of the development subsequently increased from 164 units to 196 units and Cabinet agreed to increase the size of the loan to £44m to cover the cost of developing the additional units.
- 5.5.2 The Development Agreement is subject to a number of Conditions Precedent, including the site being appropriated by the Council. Following exchange in late January 2022, the developer commenced the required notification and consultation exercise required before the Council can formally appropriate the site. This progress is ongoing and the Council is now expected to appropriate early May with the condition to be cleared in August 2022 and construction will start soon after.
- 5.5.3 At this point a non-utilisation amount becomes payable. As the developer is required to use its own funds before the loan is drawn, the previous model shows the first drawn down in month 6.

5.5.4 Originally it was forecast that income would be received from the loan for 2022/23 but this has now been moved to 2023/24. This has had a negative impact on the IAS income, resulting in a forecast shortfall for 2022/23.

6. Funding the IAS (Proportionality)

6.1 Although the majority of the Council's investments are for regeneration and are within borough, an assessment of the Council's dependence on profit generating investments and borrowing capacity allocated to funding these, is considered against the lifecycle of the Medium-Term Financial Plan.

6.2 A four-year net interest forecast has been established by the Council within the Medium-Term Finance Strategy (MTFS), which will support the Council's investments but also at times may act as a limiter to its investment activities. To ensure that the level of borrowing is sustainable, the Council will invest in schemes that provide a positive return after all costs and will also ensure that it invests in a number of different asset classes and assets with different cash flows requirements.

7. Leverage

7.1 Combining the increased borrowing required with lower returns, as outlined in section 3, the net impact is an overall reduction in the rate of return. It must be highlighted that investment returns can improve or worsen and that, for the IAS, returns can be negative if there are significant voids or rental increases are lower than forecast.

7.2 Returns are exaggerated through using increased leverage (using more borrowing to receive a similar return). As such, while increasing leverage may provide a £6.9m return for the IAS the risk associated with meeting the cashflow requirements but also in repaying the increased debt, increases.

7.3 Table 15 below shows the impact that an increase in borrowing (shown by rent roll), reflected in an increase in rental and borrowing costs, can have should the strategy experience a period of reduced rental income.

Table 15: Rental

Impact on return of a 10% and 20% reduction in return for £31m rent and £3m profit					
Change	Gross Rent	Lifecycle	MRP	Interest 3%	Profit/Loss
Current	31,000	(8,500)	(4,500)	(15,000)	3,000
10% rental reduction	27,900	(8,500)	(4,500)	(15,000)	(100)
20% rental reduction	24,800	(8,500)	(4,500)	(15,000)	(3,200)
Impact on return of a 10% and 20% reduction in return for £48m rent and £3m profit					
Change	Gross Rent	Lifecycle	MRP	Interest 3%	Profit/Loss
Current	48,000	(14,000)	(7,000)	(24,000)	3,000
10% rental reduction	43,200	(14,000)	(7,000)	(24,000)	(1,800)
20% rental reduction	38,400	(14,000)	(7,000)	(24,000)	(6,600)

7.4 The impact of increased leverage can also happen without borrowing. This is through lease and lease back arrangements or other options where the Council

provides a return guarantee. This may not result in actually borrowing taking place, but the effect is the same as leverage. I.e. the cashflows to the funder are guaranteed by the Council but there can be significant risks to the Council from reduced rent or increased management and lifecycle costs.

- 7.5 The impact of leverage can be increased further by using inflation linked returns, both to the lender, where the pressure is to make ever increasing payment to the lender and then modelled for the rental income, where there is pressure to continue to increase rents by the same rate. It is for this reason that the strategy has a preference for fixed rate on all borrowing instruments to fund investments with a significant amount of social housing.
- 7.6 If the trend outlined in section 3 continues, then it may still be possible for the Council to make its £5.1m return based on a set of model assumptions but the level of debt taken to achieve this will be significantly higher than originally considered. This increased leverage will mean that the strategy has less flexibility and margin to cover significant pressures, such as a reduced rents, voids or bad debts.

8. Consultation

- 8.1 The updated IAS was considered and endorsed by the Investment Panel on 23 March 2022.

9. Financial Implications

Implications completed by: Philip Gregory, Chief Financial Officer

Development period and long-term borrowing

- 9.1 Due to the scale and timing of the development programme the initial schemes will be funded by borrowing from the Public Works Loan Board (PWLB). As the scale of development increases funding using institutional funders or bond issuance will be considered to limit the amount of development period exposure to the Council. This approach would allow the Council to limit funding to a defined development programme and to refinance schemes, subject to market conditions, when fully let and stabilised to release capital growth for reinvestment in other projects or elsewhere in the Council.

Medium Term Financial Strategy

- 9.2 The Council's balance sheet is currently £1bn in value. To fund the Investment Strategy, the Council will be heavily geared and the debt to asset ratio could be as high as 3:1 during the development period. This ratio will decrease as assets are built and let and are then included on the Council's balance sheet.
- 9.3 In line with the prudential code, the Council will need to demonstrate it can afford to carry the cost of borrowing to fund for both the construction period as well as the initial years before each of the schemes become cash flow positive. All borrowing will be profiled against the individual schemes, ensuring that the cash is available during the construction stage but that the repayment of the debt is included as the schemes generate income from rental and sales over the economic life of the asset. Borrowing will also be made over a period and will be dependent on the

requirement but may also be made as and when rates are low.

- 9.4 The Investment Panel will review all schemes and investment proposals individually based on the Terms of Reference previously agreed by Cabinet.
- 9.5 Property acquisitions may be held on the Council's balance sheet or, where more financially advantageous, acquired through a Barking and Dagenham Reside SPV. Acquisitions will be supported by detailed legal and tax advice for each proposal.

10. Legal Implications

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

- 10.1 The Local Government Act 2003 is the key legislation for local authority investment regulation and section 15 of the Act requires that the Secretary of State issues Statutory Guidance on investments the most recent being issued in April 2018. For each financial year, a local authority should prepare an investment Strategy and follow disclosures and reporting requirements specified in the guidance. The Secretary of State recommends that the Strategy should be presented for approval prior to the start of the financial year.
- 10.2 The Council has a wide range of powers concerning borrowing, investment and dealings with property which would empower the Council to pursue its Investment Strategy. Section 1 of the Localism Act 2011, the general power of competence ("GPC") empowers local authorities to do anything that an individual can lawfully do provided that the activity is not expressly prohibited by other legislation. Activities authorised by the GPC can include investment, trading or charging decisions which may be undertaken through commercial (corporate) vehicles with the primary aim of benefiting the authority, its financial management, its area or its local communities. Whilst the General Power of Competence will permit the Council to invest in property for a return, such activity is likely to be deemed as '*activity for a commercial purpose*' which cannot be undertaken directly by the authority and must be undertaken through a company structure within the meaning of section 1(1) of the Companies Act 2006 (s.4(2) Localism Act 2011).
- 10.3 Section 12 of the Local Government Act 2003 ("Power to Invest") enables a local authority to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs. Speculative borrowing to invest purely for profit will not be deemed directly relevant to fulfilling the authority's functions and will not, therefore, be authorised under this power, however, investment in land or property, for example with a view to regeneration, and in line with CIPFA's Prudential Code for Capital Finance would enable the prudential investment of funds borrowed for the purpose of expenditure in the reasonably near future. The CIPFA Code contains detailed recommendations in the context of prudent borrowing practice, which should be considered as individual investment decisions are made. In exercising the power to invest under s.12(b) the Local Government Act 2003 the Council should have regard to the 2018 CLG Guidance on Local Government Investments. The Guidance advocates the preparation of an investment strategy which the Council is expected to follow in decision making unless sensible and cogent reasons exist for departing from it.

- 10.4 Section 1 of the Local Government Act 2003 ("Power to Borrow") provides local authorities with the power to borrow for any purpose relevant to their functions under any enactment or for the prudent management of its financial affairs. The Power to Borrow has similar constraints to the investment power under the 2003 Act. Borrowing primarily to achieve a return is unlikely to be deemed connected to the functions of the Council or prudent financial management. Caution should be exercised in making individual decisions to ensure that new investments financed with borrowing do further the functions of the Council and are consistent with prudent management of the Council's financial affairs.
- 10.5 Section 111 of the Local Government Act 1972 ("Incidental Power") enables a local authority to do anything (whether involving the expenditure, borrowing or lending of money) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.
- 10.6 Investment and borrowing for the sole purpose of creating a return would not be deemed pursuant to the functions of the authority as required under the above powers. However, the report has clearly set out the primary objectives of the investment activity relate to shaping the strategic growth and economic development of the area to meet the needs of a growing local demographic and to shape local communities. Therefore, investment and borrowing in respect of property assets would be prudent and authorised pursuant to the authority's functions, when used as regeneration tools, alongside other financial measures, to provide a suitable diversified housing mix for the growing local population, to regenerate local areas and to create employment and education opportunities. It is critical that the primary policy objectives of any investment activity, such as building new homes, regenerating an area or the creation of employment opportunities, are furthered and public funds are not exposed to unnecessary or unquantified risks.
- 10.7 Notably, many individual investment and acquisition decisions will be made in implementing the various strands of the Investment Strategy. Individual decisions will be taken by the Chief Operating Officer, advised by the Investment Panel, pursuant to delegated powers in respect of 'corporate and strategic finance, treasury management, investments, and the capital programme...' (Part 3, Chapter 1, paragraph 8.1(g) of the Constitution). To the extent that such decisions are key decisions, or urgent action is taken to acquire land (under paragraph 4, chapter 16, Part 2 of the Constitution) such decisions will be reported or notified to Cabinet in future reports. At all times, full consideration will be given to the Council's powers of investment and acquisition, any relevant guidance such as the CIPFA Code and the overall aims of this Investment Strategy.
- 10.8 The Council's Constitution, Part 4, Chapter 4 sets out the Land Acquisition and Disposal Rules. In accordance with paragraph 2.1, Part 2: Articles, Chapter 6 of the Constitution all key decisions and strategic decisions falling within the Land Acquisition and Disposal Rules as to the use, acquisition and disposal of land and property assets are generally within the remit of the Cabinet.
- 10.9 Formulation of strategic decisions is, at this time, overseen by the Property Advisory Group (PAG) and the Cabinet. Given the creation of the Investment Panel, to the extent that acquisition decisions are taken for investment purposes pursuant to the IAS, the Panel will advise and make recommendations as to such decisions either to COO (to the extent of the delegated powers available) or to Cabinet. Such

investment driven acquisition decisions, depending on the value of assets to be acquired may also be key decisions which would be publicised on the Council's forward plan of the decision. Decisions on strategic acquisitions pursuant to the Investment Strategy / IPA would be made by Cabinet or COO, advised by the Investment Panel, in accordance with the Council's Constitution and its Land Acquisition and Disposal Rules and the Scheme of Delegation. For the sake of efficiency, Cabinet is expected to approve an investment programme on a rolling basis (as set out in Appendix A) and to delegate any necessary authority to the COO, advised by the Investment Panel, to implement individual decisions in respect of individual schemes within the investment programme.

11. Other Implications

- 11.1 **Risk Management-** each potential investment and land acquisition opportunity will be subject to a full evaluation and risk analysis process as part of the IAS approvals process and scheme development Gateway review mechanism. This will be managed on behalf of Cabinet by the Investment Panel. The Investment Panel will be supported by external professional advisors
- 11.2 **Contractual Issues-** sites acquired in advance of planning permission being granted would be acquired under a Call Option arrangement or through outright purchase depending on the commercial evaluation and opportunity provided by each site. Each such proposed acquisition will be subject to the review process.
- 11.3 **Staffing Issues-** additional staff may be required to implement and manage the anticipated level of investment and consequent investment portfolio. Any additional staffing costs would be funded from investment returns.
- 11.4 **Customer Impact-** the proposals in this report would help to achieve the Council's growth objectives and would help to achieve financial sustainability of the Council. In addition, the investment and regeneration programme facilitated by the IAS will underpin the creation of new communities within the borough and will increase housing choices and housing affordability. In turn, this will help to address fuel poverty and help improve household health and educational outcomes.
- 11.5 **Safeguarding Children-** purchase of land in advance of planning permission could lead to the development of additional family housing which could help improve the life chances of children through a healthier environment and better domestic space in which to study.
- 11.6 **Health Issues-** provision of new housing has demonstrable health and wellbeing effects for occupants.
- 11.7 **Property / Asset Issues** - the proposals in this report will help the Council increase its affordable housing and income generating asset base. The proposals would also help to address physical and social obsolescence asset management challenges within the Council's existing property holdings and in the private sector.

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

List of appendices:

- Appendix A: Investment and Acquisition Strategy 2022-27

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LONDON BOROUGH OF BARKING AND DAGENHAM

INVESTMENT AND ACQUISITION STRATEGY 2022 - 2027



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Appendix 1 - Investment and Financial Modelling Assumptions – 2022/23

**Appendix 2 - Investment and Financial Modelling Assumptions Operational
Costs – 2022/23**

Appendix 3 - Long term Inflation Rates

1. Introduction

- 1.1 The Investment and Acquisition Strategy (IAS) was agreed by Members in November 2016 as part of the Council's response to the challenges it faced from Government cuts to public sector spending, and it is reviewed annually. 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. It is the intention for the strategy to be relatively low risk, with borrowing used to fund in-borough regeneration, with income generated to cover borrowing costs, debt repayment, lifecycle and management and maintenance costs. The IAS will significantly increase the Council's debt and the amount of interest the Council pays
- 1.2 The scale of the investment strategy within the Borough is significant with over 50,000 new homes to be built by 2040. This will be accompanied by increased demand for employment space and sustainable energy providing the Council with a key leadership and investment opportunity. The IAS enables the Council to make investments that can support economic growth and/or deliver economic regeneration. Schemes with low returns may be considered for strategic reasons.
- 1.3 The IAS has and will continue, to change over time as schemes are accelerated, delayed, amended or removed. In addition, new investment opportunities to support both the IAS and Council objectives and funding requirements are considered. Investments are agreed and monitored by an Investment Panel (IP).
- 1.4 The IAS has an income objective of £11.6m, split into £6.6m in 2022/23 for surplus returns and £1.5m from capitalised interest. Developments are delivered primarily by the Council's development vehicle, Be First. Be First will accelerate the regeneration of the borough but it is important that they manage the schemes and puts forward investment schemes that are within the IAS budget limitations.
- 1.5 The Council capitalises interest costs for most schemes, and this will improve both the IAS and the Council's financial positions but will add to the total cost for each scheme. To ensure the level of borrowing is sustainable, the Council invests in schemes that provide a positive return after all costs and invests in a number of different asset classes and assets with different cash flows requirements.
- 1.6 The impact of increased build costs, as well as inflation on the strategy is outlined in section 5, with several schemes delayed and a number of schemes no longer viable using the original assumptions. Where schemes were no longer viable, it has been necessary to increase the grant used, including Right to Buy receipts, reduce the on-lending interest rate and to mix different tenure types to allow an element of cross subsidy between tenures. Currently the pipeline of schemes, which includes regeneration of a number of key areas within the borough, is unviable without an increase in grant or a reduction in build costs.
- 1.7 As the IAS grows it is important to regularly review the investment criteria and guidelines. A failure to do so could result in acquisitions and developments being made which do not reflect current market conditions and which could increase risks that operational assets under-perform relative to the market.

2. IAS Governance

- 2.1 The IP was constituted by the Managing Director (MD) using authority delegated by the Constitution of the Council. The IP exists to advise the IP Chair (IPC) on the implementation of the IAS by appraising individual investment decisions and development schemes.

The IP aims to ensure that the opportunities for the IAS undergo appropriate consideration and robust challenge, and that proposed returns are in line with the expectations set out in the IAS. The IP is comprised of representatives from core areas of the Council as members of the panel and where necessary, appropriate 3rd party expertise acting as advisors to the panel who can be called upon as the need arises.

2.2 Role of the IP

The IP is responsible for advising the IPC on the approval or otherwise of the implementation of the IAS and the schemes/development opportunities detailed therein. In particular, it is expected that the IP will exercise its expertise to advise the IPC on the appropriateness of the investment opportunity, specifically:

- i. the appropriate sources of funding for each development proposal;
- ii. any significant risks or implications arising from the schemes;
- iii. the impact of the approval or otherwise of schemes on Council resources, assets, or ability of the Council to provide key services;
- iv. any subject specific papers or questions, as requested by the IPC; and
- v. ongoing monitoring of investments.

Opportunities for investment may be presented to the Council which are not listed in the IAS. In those instances, it is the role of the IP to consider and challenge the detail of such opportunities for investment and make a recommendation on the viability of those schemes to the IPC for their consideration.

The IPC may then choose to present the recommendation of the IP to the appropriate forum for formal approval, or where delegation exists outside of the current IAS, exercise their authority in respect of the proposed scheme. Where a scheme is not viable based on the IAS hurdle rates, but has significant regeneration drivers, a scheme may still be agreed but careful consideration must be taken around how the property will be held, managed, and maintained. Currently the IAS is under strain, with reduced cashflows and greatly reduced surpluses and it will be difficult for the strategy to fund schemes that are unviable.

It is the responsibility of the IP to monitor the expected and actual financial returns from schemes on a regular basis, to ensure that those schemes are in line with the expectations set out in the IAS, the MTFs, or previously agreed returns (if the scheme does not currently feature in either document). Quarterly

reporting to be provided to IP at the November, February, May and August IP, and, from 2022/23, quarterly reporting to Cabinet.

Any significant delays or alterations to schemes which may impact the expected financial return to the Council will be brought to the attention of the IP. Where a planned or unplanned change has or will need to take place relating to a scheme which has yet to be delivered but has already been approved by the IP, that scheme must be considered for a return to the IP for further approval if:

- i. the smaller of total variance is greater than £1m, or 5% of total scheme cost;
- ii. the change will impact the expected financial return to the proposal as agreed at Investment Panel;
- iii. the change could result in the reputational risk to the Council;
- iv. the change represents a significant deviation to the proposal agreed at Investment Panel (10% variance of any metric) or represents a fundamental change to the structural makeup of the building or its intended uses; and
- v. the change will result in a significant slippage in the estimated delivery of the scheme (three months or greater from the date originally agreed).

The details of such a change should be summarised in a change control form and submitted to the IPC. The IPC will decide if the threshold has been met for reconsideration by IP (in consultation with members of the IP, or if necessary, by way of a virtual IP) and if so, the format such reconsideration should be presented in. These forms will be retained by the Council along with minutes of the discussion and the advice provided to the IPC for IP.

2.2 Assumption Changes

Long-term assumptions are reviewed at least annually but can happen at any time. As these are proposed, how these changes impact the strategy need to be considered. Some will require retrospective changes to both operational and development schemes. Shorter-term assumptions (i.e. changes to assumptions for between 1 and 5 years) are updated depending on market conditions. Where assumption changes are agreed, they must be presented to the IP (and then Cabinet) with the impact on all the schemes reported. Any mitigating approaches must be included with any assumption change.

Any changes to the operational assumptions must be agreed by Reside and then IP and after careful consideration of market conditions. Assumption changes should be measured, with short-term assumptions used to smooth out any short-term market fluctuations.

Gateway 5 Reports and handover reports are taken to IP for consideration. These reports will outline any issues at handover and may result in changes to assumptions based on the local market conditions.

3. Council's Control Approach

- 3.1 Prior to any investment decision, investment proposals need to go through a number of Gateways, including 6 project stages and 6 control points; the system covers the full project Lifecycle; from inception to completion and operation.
- 3.2 The system provides a proportionate level of project appraisal and assurance to the scale and risk associated with projects and with Be First's overall portfolio.
- 3.3 It is comprised of two types of control point:
- Gateway – a strategic decision to proceed with an investment;
 - Milestone – a reporting point to validate outcomes.
- 3.4 Scrutiny at each control point will include consideration of the following:
1. **Financial Value** – a project's Investment Value (Return on Investment), Be First revenue potential and new income for the borough (council tax etc.).
 2. **Deliverability** - a project's buildability, risks, ability to achieve planning, dependencies and required resourcing.
 3. **Social & Regeneration Value** – the likely contribution of a project to Be First contractual objectives and KPIs including wider regeneration impact.
- 3.5 A project must gain approval at each point before moving forward to the next stage. There are various approval bodies depending upon the control point.
- 3.6 The system is supported by a set of common tools and templates which are to be used throughout the project lifecycle. These tools include;
- Site Viability Appraisal
 - Project Programme
 - Risk Register.
 - Gateway Assurance Checklist
 - Construction Monitoring; and
 - Planning Monitoring
- 3.7 These tools ensure each project follows and achieves the Council's high-quality standards and presents information in a standardised way which allows effective portfolio monitoring.
- 3.8 As outlined in section 2, the IP will discuss and agree investments. The IP does not have to agree all investments. Some investments are rejected, and some are agreed but do not progress. Most new investments agreed by IP will still need to be agreed by Cabinet. Even after a scheme is agreed, market conditions, due diligence or scheme changes may make the proposal no longer viable or no longer an investment that meets the Council's investment objectives.

4. Investment Objectives

4.1 Strategic Objectives

The purpose of the strategy is to enable the delivery of the following key investment aims. To:

- establish a property portfolio to generate long-term revenue and capital growth, targeting an initial revenue return of £5.125m by 20/21; and
- unlock regeneration and economic growth opportunities within the borough.

4.2 Return Objectives

The allocation of investment funds will be guided by the following investment objectives. These objectives frame the evaluation, management and monitoring of all investment and funding opportunities considered by the Council.

- **Security:** ability of assets to hold and increase their capital value in line with inflation;
- **Liquidity:** ability of invested funds to be realised through the sale or refinancing of the asset reflecting the illiquid nature of direct property ownership; and
- **Yield:** ability of assets to generate positive Net Operating Income and positive net returns after debt service within market normative ranges.

4.3 Risk Management Objectives

The real estate portfolio will be managed over the long-term to achieve the following goals:

- a) Maintain an appropriate level of investment diversification across the following key factors:
 - i) investment strategy for each asset class;
 - ii) asset class diversification;
 - iii) investment lifecycle; and
 - iv) development period and stabilisation period risks.
- b) Work toward and maintain an appropriate level of leverage once assets are developed and stabilised. Consideration shall be given to the impact of third-party debt financing obligations and guarantees for the risk and return characteristics of levered assets.

5. The Council's Borrowing Strategy

- 5.1 All borrowing decisions to support the IAS are taken by the S151 Officer under delegated powers of the Council's constitution and after consultation with the Investment Fund Manager. The borrowing restrictions are reviewed each year and are included in the Treasury Management Strategy Statement (TMSS).
- 5.2 The borrowing limits set as part of the 2022/23 TMSS are £1.6bn for the Operational Boundary Limit and £1.7bn for the Authorised Borrowing Limit, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003. The borrowing includes IAS borrowing and wider Council capital borrowing.
- 5.3 The key objective of the Council's borrowing strategy is to secure long term fixed rate funding at rates that match or are below the target borrowing rate. The Council's strategy also seeks to reduce the cost of carry to within budget limits. Currently the Council has a holistic approach to borrowing, taking into account cashflows, borrowing costs and investment returns to reduce the cost of carry.
- 5.4 The Council can borrow funds from the Public Works Loans Board (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.
- 5.5 Funding the IAS will require a significant amount of borrowing and is in addition to borrowing already taken for current operational schemes. The S151 officer and treasury section will monitor interest rates and, where possible, make borrowing decisions when rates are low, while taking into account the Council's debt repayment profile and cashflow requirements. The Council's borrowing strategy will give consideration to the following when deciding to take-up new loans:
- Use internal cash balances;
 - Using PWLB, the EIB or Local Authorities for fixed term loans;
 - Using Institutional investors (Pension Funds and Insurance Companies);
 - Ensure new borrowings are drawn at suitable rates and periods; and
 - Consider the issue of stocks and bonds if appropriate.
- 5.6 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. Future borrowing will be mapped against this repayment profile and the forecast cashflows to help refinancing risk but also allow a steady reduction in the Council's debt exposure. There is currently pressure on interest rates and if this continues then this will lead to an amendment to the assumptions for future schemes.

6. Capitalisation of Interest Costs During the Developments

- 6.1 The Council uses a mix of short-term and long-term borrowing to fund the capital costs for the various IAS schemes. To fund this borrowing the Council has allocated an interest budget for the IAS borrowing. The interest budget includes both interests received, and interest expensed.
- 6.2 The Council has agreed to capitalise interest costs incurred during the development period against qualifying assets. A qualifying asset is an asset that takes in excess of two years to get ready for intended use and is where the forecast expenditure is in excess of £10m. Qualifying assets are therefore the majority of the IAS schemes.
- 6.3 Capitalisation of interest starts from when the asset has been agreed at Gateway 2, which is the point at which the development is initially agreed and will be on all qualifying expenditure. 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.
- 6.4 Interest is capitalised on a quarterly basis and is based on the weighted average of the borrowing costs that are outstanding during the period. Cessation of capitalisation will occur when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.
- 6.5 Capitalising borrowing costs moves from charging the interest costs each year to the Income and Expenditure (I&E) to adding the borrowing costs to the cost to build an asset. The costs are then spread over the asset life. Therefore, any capitalised borrowing costs will have a neutral impact on the I&E, the capitalisation of the borrowing costs would increase the asset value on the balance sheet and therefore increase the Council's CFR. It would be expensed to revenue through the Authority's MRP policy.

7. Funding the IAS (Proportionality)

- 7.1 As the Council starts to depend on profit generating investment activity to achieve a balanced revenue budget, an assessment of its dependence on profit generating investments and borrowing capacity allocated to funding these, is considered against the lifecycle of the Medium-Term Financial Strategy (MTFS).
- 7.2 A four-year net interest forecast has been established by the Council within the MTFS, which will support the Council's investments but also at times may act as a limiter to its investment activities. To ensure that the level of borrowing is sustainable, the Council will invest in schemes that provide a positive return after all costs and will also ensure that it invests in a number of different asset classes and assets with different cash flows requirements. Where schemes are agreed that provide negative returns, especially in the initial operational years, the impact on the overall strategy, as well as on Reside needs to be carefully considered to ensure that there are sufficient cashflows to cover any shortfalls

- 7.3 Table 1 summarise the current net income arising from the IAS and the interest requirement to support the strategy. Table 2 provides a forecast of the IAS income to 2026/27. The IAS is forecasting a deficit of £756k for 2022/23 and there are a number of deficits from 2025/26 onwards.

Table 1: Investment and Acquisitions Forecast 2021/22 to 2024/25

£'000s	2021/22	2022/23	2023/24	2024/25
	Budget	Budget	Budget	Budget
MRP	8,658	9,058	9,458	9,858
Net Interest Budget	7,090	6,890	6,690	6,490
Investment Income	-6,587	-6,587	-6,587	-6,587
Net GF Cost	9,161	9,361	9,561	9,761

Table 2: IAS Income Forecast 2022/23 to 2026/27

Income Streams	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
IAS Target	-6,922	-6,922	-6,922	-6,922	-6,922	-34,610
Post GW4 and Turnkey	2,597	1,910	4,225	1,239	2,179	12,150
Reside (Current)	400	400	400	400	400	2,000
Commercial Income	800	800	800	800	800	4,000
Be First Commercial	1,329	1,329	560	560	560	4,336
Travelodge / CR27	1,115	1,197	1,197	1,197	1,197	5,903
Commercial Loans		870	589	303	0	1,762
Pianoworks	76	76	76	76	76	378
Expenses	-150	0	0	0	0	-150
Total (shortfall) / Surplus	-756	-340	924	-2,349	-1,711	-4,232
Accumulative		-1,097	584	-1,424	-4,059	-5,996

- 7.4 There is much greater certainty over the interest payable requirement for current schemes agreed at Gateway 4, with a borrowing strategy in place to fund schemes and therefore the level of the interest payable is very likely to be achieved. With the exception of Beam Park, the majority of borrowing for current developments has been secured.
- 7.5 There is greater uncertainty over the Interest Receivable and Investment Income targets due to the on-lending rate reduction and the reduced surpluses from investments, which have been caused by the significant increase in build costs for each scheme.
- 7.6 In addition, for pipeline schemes, there is uncertainty over the borrowing costs as borrowing is still to be taken for these schemes and currently there is upward pressure on interest rates. Based on current modelling, there are a number of pipeline schemes that will not meet viability metrics and, unless build costs reduce they will unlikely progress passed Gateway 2.
- 7.7 The IAS provides a framework for the investment restrictions for any given year. Pressure on the investment budget could be from a:

- i. delay in developments becoming operational, which delays investment income and interest receivable;
- ii. significant increase in borrowing requiring more interest payable than forecast, predominantly caused by an increase in build costs;
- iii. significant drop in treasury returns either through lower returns or lower investible cash balances;
- iv. proportion of assets bringing in income being lower or proportion of assets that require development finance being higher than expected; and
- v. agreeing unviable schemes or schemes with initial negative cashflows, that need to be funded through surpluses from other schemes.

7.8 Investment Risk Mitigation Approaches

Although the Council will increase its debt, it will also increase its asset base and will receive income from its investments. In the event that there is a significant downturn in the housing market or pressure on build costs and operational costs, then the Council's strategy will come under pressure, either from a reduction in income from rental or from a reduction in asset values. To reduce these risks the Council has a number of approaches. An update, in blue, has been provided to summarise the approach the Council has taken to mitigate the current pressures on the investment strategy. These are outlined in greater detail in section 9.

i) Reduce return required

Each investment includes a profit margin based on normal market conditions. If rental is reduced, then profit will reduce but the interest and debt repayment obligations will still be met. This will place pressure on the MTFS and to minimise this pressure a reserve has been established to smooth out cashflows. **For all schemes, the return has reduced on the revised base assumptions, with return for Private Rental Schemes (PRS) reducing as management of these schemes will likely be by an external manager, which is more expensive than modelled if it were managed internally. The forecast return for the residential schemes has been reduced, which in turn has placed additional pressure on the IAS return target.**

ii) Reduce the on-lending rate

If conditions deteriorate to a level where schemes are marginally profitable or where there are losses at tenure level and there is insufficient income to cover debt and borrowing positions, then adjustments can be made to on lending rate. This will reduce the interest margin to the Council.

This situation has already occurred for the majority of schemes, which has increased the IAS risk and has also removed the ability to adjust the strategy if there are further issues.

iii) Increase Grant and other funding

Increase grant, including Right to Buy (RtB) receipts and GLA grants and / or utilise other sources of funding for schemes, including S106 / CIL and other types of grant.

This approach has been implemented for most schemes, with additional grant from the GLA requested, RtB use increased from 30% to 40% and S106 used where possible.

iv) Reduce / delay schemes

The Council, in more extreme cases, can reduce its investment activity and focus on the more profitable assets and/ or sell or refinance assets.

This approach has already been implemented, with a number of schemes delayed or put on hold.

7.9 Table 3 outlines the borrowing requirement for schemes that have been agreed and then for pipeline schemes.. Pipeline schemes do not include the regeneration of Thames Road, which will require significant funding. The amount of borrowing will increase if the Pipeline schemes and commercial schemes are progressed, although it is expected that the majority of the commercial schemes will be sold as they are purchased as part of land assembly.

Table 3: Be First Business Plan Summary 2022/23 to 2026/27

Investment and Acquisition Strategy Forecast 10 Year Cashflow												
	Pre 2021	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Post-G4	135.8	239.8	195.6	60.2	-18.5	-2.0	-	-	-	-	-	610.9
Pre GW4	5.2	6.7	52.2	97.3	105.4	1.7	-	-	-	-	-	268.5
Turnkey	12.1	72.2	30.0	84.8	34.5	25.1	13.8	14.8	-5.9	0.0	-	281.5
Pipeline	-	-	16.9	19.9	120.4	230.0	206.2	50.2	149.3	231.2	233.9	1,258.1
Commercial	204.8	11.8	30.8	17.3	-4.9	0.5	-	-	-	-	-	260.2
Total	357.9	330.5	325.5	279.5	236.9	255.3	220.0	65.0	143.4	231.3	233.9	2,679.1

7.10 The funding requirements in table 2 are significant and will require the Council to borrow an additional £400m of long-term debt over the next four year just to fund the schemes that have been agreed. This borrowing requirement will reduce if the commercial schemes are sold and as scheme start to repay some of the borrowing when they are operational. The borrowing requirement, even to fund already agreed schemes remains significant.

7.11 If the pipeline, excluding Thames Road, is included then an additional £1.8bn is required, which is a significant risk for the Council, especially given the current pressure being experienced within the agreed schemes.

7.12 In delivering its business plan, Be First will work closely with the Council, Reside and My Place. A key part of this will be the publication of the draft Local Plan for consultation later this year. In addition, with a large number of PRS schemes scheduled to become operational in the next few years, confirming the operational costs for these schemes is essential to reduce operational costs of managing these schemes.

8. Ownership of Investment Funding

8.1 Investment will be financed and owned by the Council directly, indirectly or through the provision of loan finance and/or guarantees to development and ownership entities. Ownership structures will reflect the regeneration & commercial purposes of investments and will be held in tax efficient structures consistent with Local Authority powers as follows:

1. Directly held investment assets (e.g. commercial property):

Direct General Fund borrowing through the PWLB, institutional funders or bonds as may be most advantageous from time to time.

2. Investment assets held by wholly owned vehicles (e.g. Reside vehicles, including the Registered Provider):

Debt finance provided by the Council to project entities and project finance provided by third party funders.

3. Investment assets owned by Joint Ventures vehicles (e.g. co-investment development vehicles):

Debt finance provided by the Council to project entities; project finance provided by 3rd party funders and co-investment between the Council and 3rd party investors. [Funds may be provided as senior debt, junior debt or equity dependent on the requirements and commercial arrangements of schemes.]

4. Equity and debt financing (e.g. development period loans to private developers and Be First):

Funded by direct General Fund borrowing, and on-lending on commercial terms, through the PWLB, institutional funders or bonds as may be most advantageous from time to time. Financing may be provided as senior debt, junior debt or equity dependent on the requirements and commercial arrangements of schemes.

5. Credit enhancement (e.g. provision of Council performance guarantees):

The Council may also provide credit enhancement through the provision of development and operational guarantees where this secures efficient finance for projects funded with 3rd party debt.

6. Lease and Lease Back Funding (income strips):

Forward funding deals where the Council provides a guaranteed income stream to a funder, usually a pension fund, while subleasing the building to an operator. The Council commits to the development by agreeing to take possession, on practical completion being achieved, tied into a long lease for usually between 35 and 50 years on a non-assignable basis. Rents are fixed and subject to annual increases linked to RPI, often with a cap and collar

arrangement. With the exception of schemes already agreed, this option will no longer be part of the investment strategy.

9. Investment Assets

9.1 Eligible Assets

The acquisition and development of financial and non-financial assets held to generate income and capital growth not held as part of normal treasury management. This includes:

- real estate assets, including residential, commercial, and industrial;
- loan debt, with the option for equity, provided to wholly owned companies;
- ownership and financial interests in joint venture partnerships and loans to third-party entities where this supports the key investment objectives.

9.2 Geographical Investment Parameters

The focus of investment activities will primarily be to support the regeneration of Barking and Dagenham. Where investment opportunities arise outside of the borough these will be considered on a case-by-case basis where they are clearly linked to the direct achievement of Council regeneration objectives.

9.3 Investment Selection and Monitoring

Investment schemes proposed to the Council will be required to satisfactorily meet the following investment criteria as appropriate to the assessment of each scheme. Asset selection should be guided by the Prudent Expert standard in the areas of acquisitions, development, operations, disposals, and portfolio management.

9.4 Strategies

The real estate investment portfolio will be diversified across property types appropriate for each eligible asset class. The strategy for each asset class will be consistent with institutional investment in real estate including:

- a) Property type diversification with asset classes
- b) Location and connectivity
- c) Design quality to maximise and retain asset value
- d) Tenancy and leasing occupation levels
- e) Return requirements: income return emphasis

9.5 Investment Life Cycle

Considering that the investment portfolio is in the early stages of being created the medium-term aim is to limit development exposure to 30% of the market value of operational schemes.

10. Asset Classes and Investment Returns

10.1 The IAS investment pipeline consists of a number of difference asset classes, including residential, commercial, commercial loans and lease and lease back. A breakdown of each asset class, the various investments that fall under the asset class, the current gross cost and its completion date is provided below.

10.2 Residential Investments

Most of the current residential schemes were part of the original 44 schemes agreed by Members in 2016. These schemes formed the basis around the original Be First business plan. Over time the number of schemes has reduced and a number of them have changed significantly. The current agreed schemes and their target Practical Completion (PC) dates is provided in table 4:

Table 4: Pipeline of Residential Investment Schemes

Project	GW2 PC	GW4 PC	Latest PC
Sebastian Court	Jul-20	Jan-21	Feb-22
Becontree Avenue 200	May-21	May-21	Mar-22
Gascoigne West Phase 1	Feb-21	Sep-22	Mar-22
GEP2 - C	Sep-21	Nov-21	Mar-22
Sacred Heart	Aug-21	Sep-21	Mar-22
Chequers Lane	Aug-22	Aug-22	Apr-22
Crown House	Sep-21	Mar-22	May-22
GEP2 E2	Sep-21	Nov-22	Nov-22
Woodward Road	Jul-22	Sep-22	Dec-22
Industria	Sep-22	Feb-23	Feb-23
GEP3A - J	Sep-24	Sep-23	Sep-23
GEP2 F	Sep-21	Dec-23	Nov-23
Padnall Lake P1	Mar-22	Jan-22	Nov-23
Padnall Lake P2	Dec-25	Dec-22	Nov-23
Oxlow Lane	Aug-21	Sep-23	Dec-23
Jervis Court / RBL	Jul-23		Jan-24
Gascoigne West Phase 2	Jun-24	Dec-23	Mar-24
Trocoll House	Mar-24	Mar-24	Mar-24
12 Thames Road	May-23	Dec-23	Apr-24
GEP3A - I	Aug-22	Jun-24	Jun-24
GEP2 E1	Sep-21		Oct-24
Transport House	Jul-24	Dec-24	Dec-24
Roxwell Road	Sep-21		Jan-25
Town Quay Wharf	Jan-24	n/a	Jan-25
Brocklebank	Dec-23		Mar-25
Gascoigne East Phase 3B	Sep-25		Mar-25
Padnall Lake P3	Dec-27		Sep-25
Beam Park - Phase 6 - Scheme	Apr-25	Jul-26	Jul-26
Beam Park - Phase 7 - Scheme	Mar-26	Aug-30	Aug-30

10.3 Residential investments include a number of sectors, namely Social and Affordable Rent, Shared Ownership, Market Rent and Market Sale. Each scheme will include a mix of these sectors and it is the role of the IP, in consultation with Be First and Reside, to ensure that the correct mix is agreed

and built. Each scheme needs to meet a number of minimum criteria which are included in appendix 1, with key criteria summarised below and the minimum criteria should be met at a scheme and tenure level:

- i. Operational Surplus at year 1 and in the worst performing year (worst year is when all costs, including debt, interest, management and maintenance and life cycle costs are incurred and can vary per scheme).
- ii. A yield on cost of at least 4.0%.
- iii. A positive net present value based on a discount rate of 5.0%.

10.4 The minimum return criteria is produced after a financial appraisal and needs to be met at each Gateway for a scheme to be agreed. It is therefore essential that the assumptions included in any appraisal are consistent, prudent, and regularly reviewed. The assumptions used in the financial models are included as appendix 1 of the IAS. These will be reviewed at least annually and will be agreed by Cabinet, the Reside Board and the Be First Board. It is essential that all future scheme assumptions are agreed by Reside to ensure that the schemes are transferred based on forecast Reside assumptions.

10.5 As all the residential schemes are development schemes, there is a significant cost of borrowing incurred by the Council. As outlined in section 6, for the larger schemes, which normally have fairly lengthy development periods, borrowing costs will be capitalised during the development period. When the scheme becomes operational then income received from rents will be used to cover interest costs, debt repayment and lifecycle and management and maintenance costs.

10.6 Commercial Investments

The Council's commercial investments are split into four different elements, including:

- Commercial Activity;
- Commercial Lending;
- Lease and lease back; and
- the Energy Company.

The Commercial Activity and Commercial Lending budgets are combined into one Commercial Investments budget, which totals £322.2m. Combining the budgets will allow Be First greater flexibility to move between different types of commercial investments. The actual budget may increase in-year as new investment opportunities arise. The purpose of the budget is to ensure there is sufficient interest budget available to cover any funding costs.

The majority of the commercial investments are part of regeneration and are likely to be used as part of larger developments. They include income, which is sufficient to cover the hold costs. Any commercial income will go to fund the borrowing costs, with any excess net profit allocated to the Be First return target.

10.6.1 Commercial Activity and Commercial lending

Be First will identify investment opportunities and bring these to IP then Cabinet for agreement. Investment opportunities are predominantly around in-borough regeneration, with some predating Be First being set up. Table 5 provides a summary of commercial activities included in the Be First Business Plan and the remaining commercial budget agreed by Cabinet. If any proposals require the commercial budget to be increased will be reported as part of the financial implications of that deal and will be agreed by Cabinet.

Table 5: Commercial Activity

Development Project	Funding Required
	£Ms
Commercial Budget	-322.20
23 Thames Road	5.72
26 Thames Road	5.85
3 Gallions Close	6.33
8 River Road - Welbeck Regear	26.28
Dagenham Heathway	7.33
Industria	37.09
11-12 Riverside Industrial	0.60
1-4 Riverside Industrial (27 Thames Rd)	1.21
44-52 River Road - Restore	12.59
47 Thames Road	3.66
Barking Business Centre	27.75
Muller Site	50.00
Travelodge - Dagenham East	7.25
London Road	44.00
To be identified	86.54
Remaining Commercial Budget	0.00

10.6.2 The commercial investments will need to meet a net yields criterion, which is based on a blend of yields from CBRE and Knight Franks. Net return is net of all costs, including:

- Borrowing costs (interest and debt repayment);
- Stamp Duty, Agent and Legal Fees;
- Planning Costs;
- Management and Maintenance Costs;
- Letting Fees and any other costs associated with each proposal.

All costs should be fully disclosed and prudently included in the any supporting financial appraisal calculation.

The net yield after all costs, assuming interest costs at 3.25% and debt repayment for the various commercial sectors are:

1.5%	Offices (good Secondary)	1.0%	Industrial (Good Secondary)
1.0%	Hotel and Leisure	4.0%	Retail (Good Secondary)

10.6.3 Commercial Lending

In order to progress stalled private developments, it is possible for the Council to provide financing to a developer. Commercial lending gives the Council greater control to ensure the development is completed within the proposed timescale alongside a short-term revenue return on its investment.

Prior to any Commercial Lending proposal expert external advice will be obtained and will cover the following key areas of commercial loan underwriting:

- i. Commercial lending due diligence: key commercial, legal and accounting information requirements;
- ii. Interest rate setting: process to determine commercially appropriate contract interest rate reflecting borrower, project and market risks;
- iii. Loan agreement and Security; and
- iv. Risk Management.

10.6.4 Lease and Lease Back

Cabinet have previously agreed to invest in two Lease and Lease back arrangements (CR27 and the Isle of Dogs Travelodge). In 2021/22 Cabinet agreed to invest in an in-borough residential Lease and Lease back, Trocoll, as part of regeneration of Barking Centre. These deals involve a lease and lease back arrangement with an Institutional Investor as the long leaseholder, the Council as the intermediate lessee and a hotel, aparthotel operator or Reside as a tenant. In these deals the Council is contractually required to enter into the Head lease and commence obligations with the Institutional Investor including paying the rent payments.

The lease agreements are up to 50 years, with lease increases based on an inflation index and usually have a cap and collar arrangements to keep the rental increases within a set margin.

For each deal the Council has mitigated against commercial risk by creating an investment risk reserve, which will be proportionate to the extent of risk and possible loss on returns or head lease arrangements. For Trocoll, the scheme is forecast to have a number of years of negative cashflows and there will not be a reserve set aside. Trocoll was agreed for regeneration purposes, with negative cashflows funded via the IAS.

These schemes increase the Council's Capital Financing Requirement and are now viewed by HM Treasury as a form of borrowing. Agreeing future lease and lease back arrangements will mean that the Council will no longer be able to access PWLB borrowing, although this will not impact current agreements. In addition, these schemes increase the Council's exposure to inflation linked repayments and provide a long-dated obligation (of up to 50 years) with an institutional investor.

As a result of this, lease and lease back arrangements will be removed from the IAS list of investible assets.

11. IAS Indicators

- 11.1 In response to government funding reductions, some authorities have sought to replace lost revenues by taking a more commercial approach defined as “undertaking activities which involve risk with the expectation of generating additional income or capital gain.” As a result, there has been some concern nationally by government over the extent to which councils are taking long term risks and whether the extent of commercial activity is proportionate. In response, the government revised its guidance to local authorities on investments in 2018.
- 11.2 Concerns over local authorities’ extent of borrowing in advance of need to invest into property for commercial gain has prompted a National Audit Office inquiry into local government practice.
- 11.3 The Council understands these concerns and recognises the need to put in place additional controls and indicators that complement the existing prudential indicators contained with the TMSS and reported in the IAS going forward. These provide extra safeguards and inform the extent of stress on the revenue budget. These new metrics will be factored into a revised TMSS and are intended to support an overall judgement on the balance of risks, they include:
- The proportionality test of how much commercial income the Council receives from IAS in relation to other income;
 - The maximum risk exposure arising from lease and lease back deals;
 - The cost of servicing borrowing levels (includes the MRP and interest payable for the debt in relation to general fund activity).
- 11.4 The current trajectory of the Council’s commercial activities, including company returns, investment income, lease and leaseback and borrowing costs; suggests the biggest impact is the overall level of borrowing, which is expected to peak at 10% in 2024/25. This is a decrease from the previous calculation, predominantly due to a reduction in borrowing costs as a result of the change in accounting for development interest costs.
- 11.5 To mitigate against commercial risk, the council has created an investment risk reserve, which will be proportionate to the extent of risk and possible loss on returns or head lease arrangements.

12. IAS Assumptions

- 12.1 Appendix 1 contains a list of the assumptions used for Post GW4 schemes and then Pre GW4 schemes, Pipeline schemes and commercial schemes.
- 11.2 Appendix 2 includes Management and Maintenance Assumptions and revised assumptions for PRS based on PRS being managed externally.
- 11.3 Appendix 3 contains long term Inflation Rates assumptions. It is likely that these will be updated over the next few months as Reside confirm the operational assumptions.

Appendix 1 - Investment and Financial Modelling Assumptions – 2022/23

Category	Post GW4 Schemes	Pre GW4 and Pipeline Schemes	Comments
Council short-term Interest rate	2.00%	2.00%	
Council long-term interest rate	2.25%	2.75%	for LAR and Target
	2.75%	3.00%	for AR & LLR
	3.00%	3.00%	PRS and SO
	3.25%	3.25%	for all schemes long term
Market interest rate	5.00%	5.00%	
NPV Discount Rate	5.0% (6.09% for external funding)	5.0% (6.09% for external funding)	
MRP Repayment Period	50 years	50 years	
MRP Start Date	Year 3 (can extend to 5 yrs)	Year 3	
Cashflow Period	50 years	50 years	
Build cost inflation (development)	3.50%	3.50%	
Base inflation rate	2.00%	2.00%	
Cost inflation (operational M&M)	2.00%	2.00%	long-term inflation rate (BoE CPI target rate)
House Price Inflation (HPI)	3% p.a. long-term trend	3% p.a. long-term trend	
Initial Equity Tranche	30%	30%	
Rent on unsold equity	2.75%	2.75%	
Staircasing	Staircasing starts from yr 5 to yr 50 (45 yrs of staircasing) 1.5% pa	Staircasing starts from yr 5 to yr 50 (45 yrs of staircasing) 1.5% pa	
Unsold equity at end of appraisal term	40% unsold by year 50.	40% unsold by year 50.	
Year 1 & 6 Surplus/Deficit	Year 1 and 6 positive	Year 1 and 6 positive for all tenures	
Worst Year Surplus/Deficit	Worst year – Should be positive	Worst year – Should be positive.	
IRR – Private Sale	15.00%	15.00%	
IRR – Private Rent	7.00%	7.00%	
IRR – Shared Ownership	7.00%	7.00%	
IRR – Affordable Rent	6.00%	6.00%	
IRR – London Affordable Rent	5.00%	5.00%	
IRR – Extra Care Private	7.00%	7.00%	
IRR – Extra Care Affordable	6.00%	6.00%	
IRR – Student Private	7.00%	7.00%	
IRR – Student Affordable	6.10%	6.10%	
Yield on Cost	4.00%	4.00%	
Profit on Cost Private	15.00%	15.00%	
Profit on Cost Affordable	5.00%	5.00%	
Cost to value	85.00%	85.00%	
Service charge as cost to scheme (ex. PRS)	£25 per unit PW for all affordable	£30 per unit PW for all affordable	
B&D Energy Charges	£260 unit per year	£260 unit per year	

Appendix 2 - Investment and Financial Modelling Assumptions Operational Costs – 2022/23

Management and Maintenance, Voids and Bad Debt Assumptions									
	Target Rent	LAR	Affordable Rent	London Living Rent	Market Rent	Shared Ownership	Private Sale	Temporary Acc	Community
Current	Per unit per Year	Per unit per Year	Per unit per Year	Per unit per Year	Per unit per Year	Per unit per Year	Per unit per Year	Per unit per Year	Per unit per Year
Management costs	£764	£764	£764	£764	See Below	£764	£764	£764	£764
Maintenance costs	£764	£764	£764	£764	See Below	£764	£764	£764	£764
Current									
Management costs	1.5% of rent	1.5% of rent	1.5% of rent	1.5% of rent	See Below	1.5% of rent	1.5% of rent	1.5% of rent	1.5% of rent
Maintenance costs	1.5% of rent	1.5% of rent	1.5% of rent	1.5% of rent	See Below	1.5% of rent	1.5% of rent	1.5% of rent	1.5% of rent

PRS Costs (Savills) – 2022/23

PRS Operational Costs				
		IAS Allowance (in-house original assumptions)	Savills Assumptions	Variance
Management	Staff & Office		£1,574	
	Amenity		£139	
	Marketing & Leasing		£302	
	Fees		£706	
	Total		£764.00	£2,721
Maintenance			£503.83	£764.00
Service Charge			£1,551.47	£1,300.00
Sub Total			£4,776.66	£2,828.00
Lifecycle			£2,500.00	£2,500.00
Total			£7,276.66	£5,328.00

Appendix 3 - Long term Inflation Rates

Long term Inflation Rates								
Total rate applied (inc. base)	Market rent	Affordable Rent	Shared Ownership	London Living Rent	LAR	Target Rent	Community	Commercial
Base = 2%								
0-5 years	3%	3%	3%	2%	3%	3%	2%	2%
6-50 years	2%	2%	2.5%	2%	2%	2%	2%	2%
Previous position								
Total rate applied (inc. base)	Market rent	Affordable Rent	Shared Ownership	London Living Rent	LAR	Target Rent	Community	Commercial
0-10 years	3%	CPI + 1%	RPI + 0.5%	CPI + 1%	CPI + 1%	CPI + 1%	2%	2.50%
0-50 years	3%	CPI	RPI + 0.5%	CPI	CPI	CPI	2%	2.50%

CABINET**19 April 2022**

Title: Aids and Adaptations Policy 2022 - 2027	
Report of the Cabinet Member and Champion for Disabled People	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Louise Hider-Davies, Head of Commissioning	Contact Details: Email: Louise.hiderdavies@lbbd.gov.uk
Accountable Director: Chris Bush, Commissioning Director, Care and Support	
Accountable Strategic Leadership Director: Elaine Allegretti, Strategic Director, Children and Adults	
<p>Summary</p> <p>Cabinet is requested to approve the Aids and Adaptations Policy 2022-2027; this sets out how the Council will enable private homeowners, housing association tenants and private tenants with disabilities to live as independently as possible in good quality homes that meet their needs through aids and adaptations.</p> <p>The policy will support residents of all ages to live independently and in turn delay the need for long-term high-cost care. The policy also sets out support for other vulnerable groups to help them to live safely at home for longer through carrying out other works to their homes.</p> <p>Supporting the Aids and Adaptations Policy is the Disabled Facilities Grant (DFG) allocation which is overseen by the Better Care Fund. The allocation for 2021/22 was £1,856,901 and the allocation for 2022/23 is expected to remain the same. This report sets out how this Grant will be spent in line with the Aids and Allocations Policy.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Approve the Aids and Adaptations Policy 2022-27 as set out at Appendix A to the report; (ii) Agree the proposed additional project uses for the Disabled Facilities Grant (DFG) Capital Allocation as set out in paragraphs 2.9 – 2.16 of the report; and (iii) Delegate authority to the Strategic Director, Children and Adults, and Commissioning Director, Care and Support, in consultation with the Cabinet Member and Champion for Disabled People, to revise, prioritise and/or withdraw discretionary assistance in line with the Aids and Adaptations Policy as 	

appropriate, considering the Council's available resources and annual funding allocations.

Reason(s)

The Council has a general power to assist households with the improvement of living conditions using the powers set out in the Regulatory Reform Order 2002. To do this, it must adopt a policy to exercise those powers which then allows the Council to designate grants and other services it will provide to older and disabled residents to complement the mandatory DFG by enhancing the mandatory provisions and/or by offering additional discretionary housing assistance. Adoption of the policy will enable the Council to take advantage of additional powers, support more individuals to maintain their independence and streamline processes and support the strategic priority of 'Prevention, Independence and Resilience'.

1. Introduction and Background

- 1.1 The local authority offers financial help for adapting homes within the Borough through the use of the Disabled Facilities Grant (DFG), with the aim of supporting residents with disabilities to improve their health and wellbeing by addressing problems with unsuitable homes that do not meet their needs and therefore maximising independence. The DFG can help to prevent or delay the need for care and support, both of which are central themes of the Care Act 2014.
- 1.2 Within Barking and Dagenham, a Disabled Facility Grant can be awarded to residents who have a disability and also live in a privately owned property, a privately rented property or a housing association property. The resident must have the intention of living in the property for a minimum of five years. In order to receive a DFG, the resident must have had an assessment from an Occupational Therapist. Once an assessment has taken place and the Occupational Therapist has made their recommendations it will progress to the Adaptations Panel for agreement.
- 1.3 DFG funding is included in the Better Care Fund allocation so that the provision of adaptations can be incorporated into the strategic consideration and planning of investment to improve outcomes for service users. The Council funds DFGs in the private sector from this budget, however any adaptations to the council's own stock must be funded from the Housing Revenue Account (HRA).
- 1.4 The total DFG grant available for 22/23 via the Better Care Fund is set out in the Financial Implications section of this report. As this activity is demand-led it can be difficult to predict the demand for this fund, therefore a reasonable sum needs to be retained to ensure that statutory duties (referred to as mandatory in the below report) can be fulfilled.
- 1.5 Disabled Facilities Grant (DFG) funding from central government has increased significantly in the last five years and each year the amount received from government has been more than the expenditure required to meet the statutory duties to provide DFGs in Barking and Dagenham. In addition to this, the way in which we use DFG funding is currently very narrow in scope as it primarily focuses on physical 'traditional' adaptations such as wet rooms and stairlifts.

1.6 The table below shows the increase in grant amounts for the DFG over the last 5 years as well as the number of grants that have been provided. The numbers of adaptations provided in 20/21 and 21/22 have been lower due to the impact of Covid, the ability to undertake works in people's homes and the availability of OT staff to clear the backlog of assessments (see below in Section 2).

Financial Year	No. Mandatory DFG	Total Adaptions Provided	Grant amount
2017/18	102	103	£1,390,570
2018/19	86	127	£1,516,631
2019/20	99	114	£1,635,536
2020/21	78	101	£1,856,901
2021/22	77	98	£1,856,901

1.7 We therefore recognise that there is a need to significantly increase the annual delivery of grants and level of spend within the Borough by implementing a policy in which we can:

- Speed up the administration and processing of grant funded works;
- Broaden the scope of assistance available; and
- Provide financial assistance that is not covered by mandatory funding.

Working with Foundations

1.8 Foundations has been the UK Government appointed National Body for Home Improvement Agencies (HIAs) in England since 2000. Since 2015 their remit has also included leading on the improved delivery of the Disabled Facilities Grant across the UK.

1.9 The adoption of powers provided under the Regulatory Reform Order (Housing Assistance) Order 2002 allows local authorities to deliver adaptations, commonly referred to as Disabled Facilities Grants (DFGs), for vulnerable householders much more flexibly than through the more prescriptive powers contained in the Housing Grants (Construction & Regeneration) Act 1996.

1.10 In order to use RRO flexibilities a local authority must adopt and publish a local policy, setting out how it will use its discretionary powers. The RRO policy should sit alongside other relevant strategies and policies and complement them.

1.11 As the expert within this field, we asked Foundations to work with us to develop a policy which will enable us to use the DFG much more flexibly and to the benefit of our disabled residents.

People at the Heart of Care

1.12 It should also be noted that the proposed Aids and Adaptations Policy also helps us to prepare for the changes that are currently being discussed as part of the 'People at the Heart of Care' White Paper¹. Several important proposals are made in this, including:

¹ [People at the Heart of Care: adult social care reform white paper - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/white-papers/people-at-the-heart-of-care)

- A commitment to fund £570 million per year (2022–23 to 2024–25) for local areas to deliver the DFG.
- Updated DFG guidance to be published by government to advise local authorities on the efficient and effective delivery of DFGs. This will include a public consultation in 2022 which will look at allocations, means testing in line with social care charging announcements and the maximum amount of DFG that can be used for a single adaptation.
- A fund to deliver new minor repairs and adaptations; effectively funding for handyperson services.
- £300 million to be allocated to integrate housing into local health and care strategies, with a focus on increasing the range of new supported housing options available.

1.13 The White Paper also re-affirms the government’s view that the BCF offers opportunities for coordination and collaboration around adaptations and housing, as well as stating the importance of technology in Care and Support.

1.14 Our Policy shows our commitment to the importance of adaptations, housing and care technology within Care and Support, as well as providing a foundation for any changes to the future delivery of the DFG. We will ensure that we revise our Policy in line with any changes arising from the White Paper once the consultation has concluded.

2 Proposal and Issues The Aids and Adaptations Policy can be found at Appendix A. The policy sets out how the Council will offer financial help for adapting homes in the Borough, together with the conditions and eligibility criteria associated with each type of assistance.

Mandatory and Discretionary Assistance

2.2 There are two different types of assistance:

- Mandatory DFGs – These are grants that local authorities must make available to their disabled residents who meet the required qualification criteria as set out in legislation.
- Discretionary DFGs – An additional set of grants that are available subject to Council resources. The amount of discretionary assistance to be given each year will be determined by the Council and will be dependent upon the level of resources available.

2.3 The current service primarily focuses on providing physical ‘traditional’ mandatory DFG adaptations such as wet rooms and stairlifts. Whilst these are retained the proposed additions are:

- Funding for extended 5-year warranties on the major equipment provided, such as hoists, lifts and wash-dry toilets.
- Introduction of a non-means tested major adaptation grant for all works under £15,000.
- Top-Up funding for major adaptations that exceed the current mandatory DFG limit of £30,000.

- Introduction of a discretionary Safe and Well Grant to support vulnerable home owners who are at risk in their home and supported by the Hoarding Support Service.
- Introduction of a Relocation Grant to support those applicants whose current home cannot be adapted to meet their needs.
- Introduction of discretionary Sensory Needs Assistance, to support low-cost measures for people with additional sensory needs, including those who are neuro-diverse and/or have a diagnosis of dementia to support them to live independently and safely at home.
- Introduction of a discretionary Professional Fees grant to enable fees for works which may not proceed to be paid and therefore reduce the liability on vulnerable applicants.

- 2.4 It is anticipated that through increasing the scope of assistance that can be provided via the DFG allocation the Council will reduce its spend on high-cost packages of care or care home placements. The proposed changes outline an invest to save approach and will enable the council to proactively work with vulnerable residents to maintain their independence where they have more choice and control.
- 2.5 By incorporating the changes above into the Aids and Adaptations Policy it is estimated that we can help an additional 50 residents to have the adaptations needed to help them live safely in their properties on an annual basis. By introducing the suggested grants we can reach out to more service users as the current way in which we deliver DFGs does not enable us to explore more innovative and non-standard options to meet these needs. Additionally the changes reduce the level of bureaucracy required, particularly for smaller-scale works.
- 2.6 In addition to the 50 above, removing the means test will ensure that we can support an additional 20-25 residents per year (based on means tests from 21/22). The current means testing approach that is provided by central government is considerably out of date and has not been increased in line with elements such as inflation and rising equipment/works costs for a number of years. This means that residents are means tested to make a high contribution amount when in reality they cannot afford to do this. This leaves some residents unable to fund adaptations independently and without other means to address needs. Where the resident is unable to progress adaptations, but Care Act eligible needs remain, risks to social care budgets remain, often at a higher cost implication and from a less resident-enabling perspective. Abolishing the means test ensures that more residents remain living in their own supportive home environment and removing the need to provide alternative services with additional financial implications. As stated above, we will need to ensure that we continue to revise the Policy in line with the outcome of consultations within the People at the Heart of Care White Paper.

Administering the Grants

- 2.7 The administration of the mandatory DFGs and the new discretionary grants will be undertaken by the Equipment and Adaptations team. The team are currently working through the processes and pathways required to administer the grants in anticipation of the approval of the Aids and Adaptations Policy. The numbers of residents being supported through the Policy will also be monitored by the team on a monthly basis.

- 2.8 The Commissioning Director and the Strategic Director for Adults and Children's in consultation with the Cabinet Member and Champion for Disabled People will revise, prioritise or withdraw discretionary assistance in line with the Aids and Adaptations Policy as appropriate, considering the council's available resources and annual funding allocations. This will be discussed at the beginning of each Financial Year and reviewed 6 months into the Financial Year once a more accurate forecast of the spend from mandatory DFGs is available.

Additional project-based use of the Disabled Facilities Grant allocation

- 2.9 The Council wishes to use some of the annual DFG allocation from Government to fund four specific social care capital projects as outlined below which is identified as allowable within the annual grant determination letter from Government which states that "a portion of the grant may also be used for wider social care capital projects". Details of the four projects are provided below:

1) All-Age Care Technology Service (£300,000)

- 2.10 The All-Age Care Technology Service is a new service that the Council is establishing to support the strengths-based approach within social care practice in the Council. The Council is moving to a more proactive and preventative approach to care and support and this project is a key part of this. The Service will support the delivery of technology which will transform services and enhance the quality of care that can be delivered.
- 2.11 The proposal is that the capital elements of this new All-Age Care Technology Service for eligible households, i.e. non LBBB tenants, will be funded from the DFG allocation on a pro-rata basis.

2) Minor Adaptations in Private Sector Homes (£75,000)

- 2.12 There is no 'minimum' level for which a Disabled Facilities Grant can be applied for or awarded. It is therefore proposed that from 1st April 2022 all minor adaptations under £1,000 in DFG eligible households (i.e. non LBBB tenants) will be funded from the DFG allocation. It should be noted that this will not include 'equipment' items which would not be eligible for a DFG application but will include items such as grab rails and other fixed items. The reason for this being considered as a separate funding is that existing processes can be used, and no additional resources will be required to administer new minor adaptations grants.

3) Handyperson Service Support (£10,000)

- 2.13 The Council wishes to contribute £10,000 per annum towards the cost of materials used by the Handyperson Service for repairs and adaptations completed in private sector properties from the DFG allocation. The current service is fully funded from revenue, and it is noted that the materials cost are capital items and fall within the eligible works for DFG funding. Therefore, it is proposed that this contribution is made from the DFG allocation to mitigate some of the revenue pressures currently being experienced.

4) OT Backlog Project (£200,000)

- 2.14 There is currently a waiting list of circa 500 vulnerable applicants who are waiting for an Occupational Therapy assessment regarding eligibility for Disabled Facilities Grants due to the Covid pandemic and the lack of Occupational Therapists available in the market. This backlog is impacting on the Council's ability to spend its' DFG allocation and is also potentially leaving vulnerable residents at risk in their homes.
- 2.15 The proposal is to procure the services of additional Occupational Therapy resources, either via a locum service or through a private company, to provide DFG assessments for these applicants to reduce the backlog and enable DFG applications to proceed. These assessments would be for DFG works only and any wider assessments would be funded from social care. This project will be a one-off, time-limited project in accordance with the use of the Disabled Facilities Grant.
- 2.16 There is currently a recognised national shortage of occupational therapy staff and therefore the option to recruit into additional posts is less likely to achieve the results required in the desired timescales. However, it is also noted that there would remain a shortage of Occupational Therapy capacity within the service for future clients. However, the current priority is to reduce the waiting list and enable as many residents as possible to access the available grant funded assistance.

3. Options Appraisal

- 3.1 There are two options in relation to the adoption of this policy as set out in the table below:

Option	Pros	Cons
<p>Option 1</p> <p>Do nothing and maintain the way that we currently give out DFGs</p>	<p>Tried and tested system with clear service expectations</p>	<p>Conflict with the priorities set out in the Better Care Fund Narrative Plan 2021-22 and the Council's Corporate Plan 2020-22.</p> <p>Increased risk of homelessness due to poor quality/inadequate housing.</p> <p>Increased risk of care home admissions.</p> <p>Noncompliance with current practice and expectations from the DFG and BCF outcomes</p> <p>Increased financial risk due to potential future complexity and demand</p>

		<p>from service users who would have otherwise benefited from the change</p> <p>Inefficient processes leading to extended time taken to process DFG applications and therefore customer complaints and dissatisfaction</p>
<p>Option 2</p> <p>Adopt the Aids and Adaptations Policy 2022-2027 and align DFG expenditure plan</p>	<p>Increased flexibility in use of grant</p> <p>More people will be supported to maintain their independence for longer</p> <p>Compliant with the spirit of the Better Care Fund and Care Act 2014 and future elements outlined in People at the Heart of Care</p> <p>Preventative for addressing long term care demands and complexity - reduce expenditure</p> <p>Better Service User outcomes</p> <p>Streamlined processes with an all-inclusive personalised care approach</p>	<p>Implementation will require time; with revised pathways/processes</p>

4. Consultation

4.1 The development of the Aids and Adaptations Policy has been based on the insight from the Equipment and Adaptations team, the Occupational Therapists and most importantly, the residents that have applied for grant applications. The key findings from discussions with residents and the grant applications process has pointed to the fact that:

- The means test is out of date, with a number of residents unable to fund the works that they are assessed for and means tested to be able to 'afford'. This has been addressed in the Policy through the abolition of the means test.
- The grant has not increased in line with inflation and the increased cost of works/equipment/resource. This has been addressed in the Policy through the introduction of the top-up grant.
- The current focus on major works has not enabled a lower-level and/or more bespoke solution to be considered to meet residents' assessed needs and

their preferences. This has shaped our thinking around the new discretionary elements in the Policy and enables residents to receive a more personalised solution in which they have more choice and control.

- There have been a number of residents that have had to consider moving to an alternate property, and leave their local community and/or support network, as a result of not being able to be supported to have their current property adapted to meet their needs. As above, our new flexible policy enables a much more creative, personalised approach to residents' needs and wishes to avoid individuals needing to leave their homes.

- 4.2 If the new Aids and Adaptations Policy is adopted we will ensure that we monitor resident satisfaction as well as the numbers of new residents that are supported through the implementation of the Policy. We will keep the Policy under review in order that further feedback can be incorporated and any further discretionary grants considered. This will be discussed in consultation with the Cabinet Member and Champion for Disabled People.

5. Financial Implications

Implications completed by: Murad Khan, Finance Manager

- 5.1 The paper requests the approval of the new Aids and Adaptations policy as well as some additional uses of the DFG funding that will free up revenue budget, bringing circa £85k of annual savings to the care and support revenue budget.
- 5.2 The DFG funding for 22/23 is expected to be £1,856,901, this maintains the level of funding since 2020/21. Over the last couple of years the authority has struggled to maximise this grant (approx. £500k underspend in 20/21) this has been partly caused by COVID and the inability to get works done and enter homes, but even prior to the pandemic we struggled to spend the grant due to the rigidity of the policy.
- 5.3 The new policy will allow for greater flexibility with the grant usage, it will breakdown barriers to application, simplify the approvals process and reduce minimum funding limits to allow it to serve more of our residents. The new policy also brings us more in line with our neighbouring councils who are already operating their DFG policy in this way.
- 5.4 This will improve our ability to maximise the grant and improve the lives of our residents, this in turn will benefit our revenue position by reducing expensive packages and care home spend, allowing more people to live independently at home. The greater support we can provide from this grant funding means the less we need to spend council general fund monies.
- 5.5 There is a risk with the new Policy that the number of adaptations could outstrip the annual allocation. However, activity will be monitored on a monthly basis and reviewed by delegated Officers as stated in paragraph 2.7 and 2.8 above. We will also need to ensure that the team is able to administer these changes and this is being monitored by managers. The service will need to ensure that these risks are mitigated and demand managed, otherwise we may end up in a position where revenue budgets have to contribute to meet adaptation or administration costs.

6. Legal Implications

Implications completed by: Dr Paul Feild Senior Standards & Governance Lawyer

- 6.1 The Equalities Act 2010 prohibits discrimination against people with the protected characteristics which includes disability.
- 6.2 As this report in the main body explains legislation which enables the Council to exercise greater discretionary power to provide assistance by way of aids and adaptation is available with the Regulatory Reform Housing Assistance Order 2002. However this legislation requires that a number of steps be taken before exercising the power being that the Council must adopt a policy and once adopted they have given public notice of the adoption. Furthermore the policy shall be in a document which is available free of charge for inspection, at their principal office at all reasonable times. Copies of a document containing a summary of the policy shall be obtained by post.
- 6.3 Finally, the implementation the power shall be exercised in accordance with the policy, unless rigid adherence would lead to injustice or an unfair outcome whereby all the circumstances of the case should be considered in coming to a final decision. This is because any policy, may not always contemplate all conceivable circumstances and may need in time a review.

7. Other Implications

- 7.1 **Risk Management** – Currently without a flexible policy approach, options to address supporting those assessed as in need of adaptation works but with the outcome of the historic test of resources indicating a high contribution to make, leaves some residents unable to fund adaptations independently and without other means to address needs. Where the resident is unable to progress adaptations, but Care Act eligible needs remain, risks to social care budgets remain, often at a higher cost implication and from a less resident-enabling perspective. The Aids and Adaptations Policy and alternative project use of the DFG allocation gives the Council the ability to enable these works to go ahead and the applicant to remain living in their own supportive home environment and removing the need to provide alternative services with attendant financial implications.
- 7.2 **Contractual Issues** – The additional project-based use of the Disabled Facilities Grant allocation will support the retendering of specific contracts due for retender including the Handyperson Project within 2022. The budget provisionally allocated for this project as outlined at Section 2.12 will alleviate existing budgetary pressures by capitalising appropriate spend enabling the retendered service to expand and better support the outcomes aligned to the DFG and Better Care Fund and support the strategic priority of 'Prevention, Independence and Resilience'.
- 7.3 **Staffing Issues** – The Aids and Adaptations Policy will be administered by the Equipment and Adaptations Team and sufficient resource has been identified for the team to take this work forward. Additionally the use of the DFG for OT project resource will enable the reduction of the OT assessment backlog.
- 7.4 **Corporate Policy and Equality Impact** – the EIA screening tool at Appendix B has been used in developing the Aids and Adaptations Policy.

- 7.5 **Safeguarding Adults** – The Aids and Adaptations Policy will support individuals to live more independently within their homes and enable these residents to have more choice and control and improve their wellbeing as per the Care Act 2014 principles.
- 7.6 **Health Issues** – The additional services proposed within the Policy will enable residents with long-term health conditions to remain living independently and safely at home for longer. The impact on the mental health of residents through being able to live independently at home is anticipated to be positive. The impact on physical health in terms of risk reduction is also anticipated to be positive.

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

List of appendices:

- Appendix A – Aids and Adaptations Policy 2022-27
- Appendix B – EIA Screening Tool – Aids and Adaptations Policy

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Aids and Adaptations Policy 2022-2027

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1.0 Foreword by Cllr Elizabeth Kangethe, Cabinet Member and Champion for Disabled People

The London Borough of Barking & Dagenham is committed to ensure that every resident has a fair opportunity to succeed in a rapidly changing world. One of the key themes of the Borough Manifesto, Barking and Dagenham Together, is an emphasis on Barking and Dagenham being a place which supports residents to achieve independent, healthy, safe and fulfilling lives.

The Government's Disabled Facilities Grants (DFGs) makes it mandatory for the Council to provide grants to disabled residents to enable them to make changes to their home. This does, however, depend on a resident's income and savings, and the amount a resident can receive is capped at £30,000, with some resident's having to contribute towards the cost of any works.

Whilst the Council has been delivering mandatory DFGs to its residents, we recognised that many disabled residents may not qualify for a mandatory DFG, and that the limitations of the mandatory DFGs may result in the funding being insufficient or not diverse enough to meet other related costs. The mandatory requirements do not explicitly consider the variety of needs of our residents living in Barking and Dagenham.

As the Champion for Disabled People, I believe it is paramount to have a comprehensive, fair, and attainable local Aids and Adaptations Policy, designed to support all disabled people to continue living safely and independently in their homes with privacy and dignity for as long as possible, or, if this is not possible or practical, to assist them in finding suitable alternative accommodation.

I therefore fully support the implementation of the Council's new Aids and Adaptations Policy, which includes six additional discretionary grants, designed to reach more disabled residents and diverse enough to meet costs that the mandatory DFGs could not cover.

The discretionary grants are subject to the funding allocated to the Council each year and whilst mandatory DFGs must be awarded, the Council is committed to maximise the discretionary use of this funding to support as many of our disabled residents to live safely and independently in their homes as possible. We cannot predict how the Government will allocate future DFG funding; however the objective of this policy is to support as many residents as possible to achieve independent, healthy, safe and fulfilling lives, with the limited funding we have, for as long as it is available.

As a Council we remain resolute in our commitment and duty to address the local needs of Barking and Dagenham residents now and in the future and I truly believe we can achieve this with the new Aids and Adaptations Policy; ensuring that no one is left behind.

2.0 Introduction

This policy sets out how Barking and Dagenham Council (the Council) will offer financial help for adapting homes in the Borough, together with the conditions and eligibility criteria associated with each type of assistance. Its aim is to support residents to improve their health and wellbeing by addressing problems with unsuitable homes that do not meet their needs.

The amount of discretionary assistance to be given each year will be determined by the Council and will be dependent upon the level of resources available.

Assistance delivered through this policy will also help us to achieve the aims and objectives of the Council as set out in several of its strategies and plans; helping to deliver actions and make improved living a reality for residents.

Ensuring that homes are decent, accessible, safe, and secure is not only important for the health and wellbeing of residents but is vital for the sustainability of communities. In a period of increasing pressures on resources it is important to target assistance to meet the needs of the most vulnerable residents in the borough.

This policy and its provisions apply to any residents living in owner-occupied homes, housing association and private rented tenants (referred to as tenants in this policy). Assistance for tenants of Barking and Dagenham Council is defined within a separate policy.

3.0 Legal Context

The **Housing Grants, Construction and Regeneration Act 1996** (the 1996 Act) places a statutory duty on Local Authorities to help qualifying disabled people¹ for home adaptations. These works (called eligible works) must be considered “necessary and appropriate” to meet their needs and “reasonable and practical” regarding the age and condition of the property. These are called Disabled Facilities Grants (DFGs).

As well as these mandatory grants, Local Authorities also have the general power under the **Regulatory Reform (Housing Assistance) (England and Wales) Order 2002** (the RRO) to give assistance for home repairs, improvements, and adaptations for the purpose of improving living conditions in its area.

Funding for this assistance is provided through the Better Care Fund (BCF) which combines money from health and social care budgets to deliver health and care services. Any assistance provided from this fund must only be used for the specific purpose of funding adaptations for disabled people who qualify for a Disabled Facilities Grant made under the 1996 Act or the RRO.

The Care Act 2014 requires local authorities to identify, provide and arrange services, facilities and resources to prevent, delay or reduce the needs of individuals either for care or support. This includes the adaptation of properties.

¹ These are defined as disabled under section 100 of the Housing Grants, Construction and Regeneration Act 1996

Under the **Housing Act 2004**, Local Authorities have a duty to keep housing conditions under review, including having regard to hazards that might be dangerous or prejudicial to health for certain vulnerable groups.

The **Social Care White Paper “People at the Heart of Care²”** outlines several ambitions that the Government intends to introduce in the coming months/years and this policy will need to reflect those changes. However, many of the changes relating to the DFG that are outlined in the paper are subject to public consultation and therefore this policy remains relevant to enable the council to deliver against its corporate priorities and promises to residents. The Paper emphasizes the close links between housing and social care and includes an ambition to make “every decision about care a decision about housing”. This increased emphasis on linking housing with care provides a solid foundation for the aims and ambitions set out in this policy.

4.0 Local Context

Barking and Dagenham has become one of the fastest-changing communities in Britain. The population was estimated to be 224,407 in 2022; an increase of 10% over the last ten years, and 7% over the last five years; GLA statistics projects the population will increase to 319,620 people by 2047.

Barking and Dagenham had the highest overall deprivation score in London and 17th highest in England (IMD 2019; MHCLG). People in the borough die earlier, have poorer health and lower levels of education and skills than across London whilst too many residents are in low paid work and struggle to find suitable homes they can afford. Unemployment remains high and one in five dependent children in the borough live in a lone-parent household.

In 2020/21, there were 2,842 adults accessing long-term care and support in Barking and Dagenham.

Currently it is estimated that the number of those ages 65 or more in B&D is at 18,486; It is forecasted that by 2047 there will be 319,620; this would be a 42% increase in the over 65s and in the over 85s demographics the GLA data suggests that the population of B&D will increase from an estimate of 3,070 population of 85 or more in 2022 to more than double in 2047 to 6,532 in 2047; this highlights the borough’s ageing population.

Older people and carers often experience social isolation in Barking and Dagenham. one in four people between 64 -75 years and half of over 75s live alone in Barking and Dagenham.

There are currently 357 people in the borough with a long-term primary support reason of memory and cognition in receipt of services from Adults’ Care and Support. However, there is a projected growth of dementia of 4% over the next 5-10 years, some of which will be due to earlier diagnosis and some due to increasing life expectancy.

The age of the community is changing with the highest birth rate in London, and a large proportion of young people (31% of the local population estimates) this suggests that Barking and Dagenham has the highest proportion of under 18-year-olds in the London. The borough becomes more diverse each year with 67% of the resident population identified as non-White British, compared to 19% in 2001.

² <https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper>

The borough is also very diverse with 83% of pupils attending schools identifying as black and minority ethnic backgrounds.

Barking and Dagenham is a young borough, with around 63,400 children and young people under the age of 18, 30% of the total population, the highest proportion in the UK. 74% are from ethnic minorities and the proportion of children and young people who speak English as an additional language is more than 2.5 times than the national average. This level of diversity is even more prominent among the younger population, where four in five children are not from a White British background. 23.8% of children under 16 in the borough are living in low-income families, an increasing proportion, and way above England average of 17.1%.

The council strives for the borough to be a place in which residents are supported to achieve independent, healthy, safe, and fulfilling lives. The healthy life expectancy of residents is 60.1 and 62.5 years of age for males and females respectively, this contrasts with the London averages of 64.2 and 64.4 years old for male and females, respectively. Residents of Barking and Dagenham are spending a greater proportion of their lives in ill health and therefore increasing the demand on social care and health services.

The assistance outlined in this policy aims to support people to remain living independently in their homes for as long as they wish to, and it is safe for them to. The assistance also supports the priority of the Better Care Fund Plan for 2021-22 which is for Community Support and Independence and aims "To support people to remain well in the community and maximise their independence and reduce admissions".

5.0 Equality and Diversity

The Council is committed to fulfilling its roles as an employer, service provider, purchaser of goods and services and community leader without discrimination. We will apply this policy fairly and give equal treatment regardless of age, disability, gender, sexual orientation, transgender status/gender reassignment, race and religion/belief. All members, employees and agents of the Council must seek to eliminate discrimination and promote equality and good relations between all groups. The Council's equality information can be found on the council's website - [Equality and diversity | LBBD](#).

We want to improve the lives and well-being of everyone in the Borough. This policy is particularly relevant for anyone who has a disability or long-term condition. Our aim is to ensure that people have a safe and suitable home and immediate surrounding areas so that they can live independently in their current home for as long as is possible.

The Council and its agents will record and monitor data to gain insight on the impact of this policy on diverse customers and help improve operational processes.

6.0 Principles of assistance

The Council recognises that the primary responsibility for repairing and maintaining a property rests with the owner³. However, the Council has certain statutory responsibilities to

³ The owner' is defined as the owner occupier or landlord.

fulfil and must also take steps to protect and assist vulnerable members of the community whilst providing advice to all residents to help them maintain their own homes and utilise government funding where appropriate.

The Council provides support to older and disabled individuals, and their carers, to help them to remain living independently, confidently safely and with dignity in their own homes. Housing assistance can help to reduce the impact of a disabling environment and therefore maximise independence. It can help to prevent or delay the need for care and support, both of which are central themes of the Care Act 2014.

In addition, housing assistance provides support to carers in their caring role and underpins a wide range of customer and carer outcomes including improved safety, greater independence, personal resilience, and well-being.

7.0 Summary of Types of Assistance available

The following assistance is available from the council to residents in the Borough:

- Mandatory Disabled Facilities Grants (DFGs)

These are grants that local authorities must make available to their disabled residents who meet the required qualification criteria as set out in the 1996 Act, and the accompanying regulations and subsequent amendments.

The following grants are discretionary and are offered subject to Council funding and resources available at the time:

- Adaptations Grant
- Top-Up Grant
- Safe & Well Grant
- Relocation Grant
- Sensory Needs Assistance
- Professional Fees Grant

Following assessment of need and the resources available to the council, new initiatives may be developed and added at a future date.

Further details of all these types of assistance can be found in the appendices to this policy.

8.0 How assistance is delivered

For applications for the Mandatory Disabled Facilities Grants and the Discretionary Adaptations Grant, there are three options available to residents regarding how they can apply for assistance which are outlined below.

For all other forms of assistance details regarding how to apply can be found in the relevant policy appendix.

Option 1 – Managed application process

The Council's DFG support service will fully manage the application on behalf of the applicant. The Team will handle everything on behalf of the applicant through an agreement between the applicant and the service. This is the easiest and least stressful option for an

applicant, particularly for more extensive adaptations, as the service will organise and manage both the application and the work.

The Team will:

- Where applicable, assess the applicant's financial circumstances by a statutory **means test** which will identify any contribution to be paid towards the cost of the works.
- Arrange for a technical officer to visit to discuss how the adaptations can be provided in the home and what building works or alterations are required to provide them.
- Draw up a schedule of works and plans (and planning permission or building regulations approval if required).
- Assist in the completion of the formal DFG application forms.
- Supervise the contractor on site on behalf of the applicant.
- Deal with any unforeseen works and interim payments.
- Arrange final payment to the contractor and collect any certificates and guarantees from them and pass them on the applicant.

Option 2 – Customer Contractor process

This option is where an applicant may wish to use the services of the Council's DFG support service to prepare their application for DFG, including the preparation of drawings but wishes to use their own choice of contractor to carry out the works.

A comprehensive information pack will be provided to any applicants who wish to pursue this option including the role that the DFG Support Service and the responsibilities regarding the works which will transfer to the applicant.

Option 3 – Customer Managed process

This option is where an applicant may wish to complete all elements of the application, supporting information and building management themselves. An applicant can use their own architect or draftsman and contractors to plan, develop or build a preferred scheme.

A comprehensive information pack will be provided to any applicants who wish to pursue their own application which outlines the information required to make a DFG application and the requirements to receive DFG funding.

A summary of the responsibilities within each of these application routes can be found in Appendix 2.

9.0 Fees and Ancillary charges

The Council will consider reasonable fees for financial assistance. The following fees will be eligible for financial assistance if they have been properly incurred in making an application or seeking approval for the proposed works, or to ensure the satisfactory completion of works assisted under this policy when funded through Mandatory Disabled Facilities Grant funding or any associated grants;

- Confirmation, if sought by the Council, that the applicant has a relevant owner interest
- Relevant legal fees
- Technical and structural surveys

- Design and preparation of plans and drawings
- Preparation of schedules of relevant works
- Assistance in completing forms.
- Applications for building regulations approval (including application fee and preparation of related documents), planning permission, listed building consent and conservation area consent (and similar)
- Obtaining of estimates
- Consideration of tenders
- Supervision of the relevant works
- Disconnection and reconnection of utilities where necessitated by relevant works
- Payment of contractors
- In a case where the application is for adaptations support, the reasonable services, and charges of a (private) occupational therapist in relation to the relevant works.

It is important to note that if a private occupational therapist is used then the Council will still seek input from the Council's Occupational Therapy Service to determine the works that are eligible for Disabled Facilities Grant funding.

10.0 Prioritisation

Where possible the Council will commence consideration of an enquiry for assessment for financial support or other services within this policy in chronological order of receipt of enquiry (for DFG this would be from receipt of referral from the OT service), subject to the following provisions;

- An enquiry must be considered as urgent if the customer would be unable to remain in their home safely unless the works are expedited, notwithstanding that care in the home is provided, OR that required works are necessary to facilitate discharge from hospital or nursing or residential care or palliative care where required,
- Any future priority scheme agreed for DFGs
- The property subject of the enquiry is in such a condition as to present an immediate and significant danger to the occupants or visitors.
- For the purposes of budgetary control, a category of financial assistance may be given priority over another, or sums may be switched between categories but NOT to the detriment of mandatory DFGs
- For the purposes of policy or project implementation a category of financial assistance may be given priority over another

Where resources (financial, staffing or other) are limited, those services which are provided for vulnerable groups, or the most vulnerable individuals will take priority over other types of assistance or cases.

Where a property, case, customer, or category of service is to be considered outside of chronological order the Equipment and Adaptations Manager will sanction the action and a written record will be retained on file in justification of that decision.

11.0 Complaints

The Aids and Adaptions Policy does not have an appeal process in relation to what adaptations have been recommended by the Occupational Therapist. If the service user is not in agreement with the OT recommendations, then this needs to be discussed with the OT Manager in the first instance.

If the service user is still not satisfied with the discussion outcome with the OT Manager, then they can proceed with the Council's complaints procedure.

The Council has a formal complaints procedure that will apply in relation to aspects of complaints about the implementation of any of the processes flowing from the policy. Details of the complaint's procedure will be provided on request or can be viewed on the Council's website - [Compliments and complaints | LBBB](#).

Any such complaint will be treated seriously and will (if necessary) be reflected in subsequent reviews of this policy or in amendments to the way that services are delivered.

Any member of the public who is dissatisfied with the performance of the DFG service in administering this policy may make a formal complaint through the Council's procedure. However, we would encourage both the public and the staff (and their supervisors) to try to address any misunderstandings or disagreements by mutual agreement – within the jurisdiction of the staff to do so – to avoid the need for a matter to escalate to formality. Staff must make the Equipment and Adaptations Manager aware of such issues even if resolved, to facilitate learning and service improvement.

12.0 Service standards

There is no national standard for the services provided through this policy excepting a statutory requirement for Councils to determine valid and fully made applications for mandatory DFG within six months. This does not account for pre-application activities such as the screening process and the 'application support' and administration including occupational therapy assessment, means testing, producing specifications, finding contractors etc. In practice, when an application is received by the DFG service it is practically complete and ready for an almost instant decision. In a few cases there may be details to pursue, such as proof of property ownership, landlord or owner's permission etc., and if there are alternative schemes under consideration or issues to do with financing the customers contribution. However, the service records all key activities and dates and can report on a variety of measures, including date enquiry received, date application submitted, date determined, date works started, value of works and contributions, date works finished, and completed as in signed-off.

Legislation also requires that works be completed within 12 months of any DFG grant approval being issued, but this can be extended by negotiation if there are valid reasons to do so, such as the customer receiving care, occasional changes in contractor or specification, complex snagging etc.

Locally, the service aims to apply the funding it receives fully each year with minimal waiting lists and with maximum benefit to customers.

The Team is committed to ensuring good quality customer service and the performance measures used are based around measuring and improving the quality of service and customer outcomes as well as ensuring improvements in the speed of service delivery.

13.0 Key definitions, references and abbreviations

- **RRO** – Regulatory Reform (Housing Assistance) (England and Wales) Order 2002
<http://www.legislation.gov.uk/ukxi/2002/1860/article/3/made>
- **The ‘Act’ (1996)** – Housing Grants, Construction and Regeneration Act 1996
<http://www.legislation.gov.uk/ukpga/1996/53/contents>
- **Total Council DFG** – the Disabled Facilities Grant that the Local Authority receives
- **Individually awarded DFG**- the Disabled Facilities Grant that individuals receive following the assessment and eligibility processes outlined above
- **DDFA** – Discretionary Disabled Facilities Assistance
- **BCF** – Better Care Fund
- **HHSRS** – the Housing Health and Safety Rating System, the prescribed system under the Housing Act 2004 for measuring hazards associated with housing conditions
- **ECO** – Energy Company Obligation
- **Certified Date** – the date certified by the service on behalf of the Council as that on which the execution of eligible works is completed to the Councils satisfaction. In this instance being the works complete date.
- **Dwelling** – a building or part of a building occupied or intended to be occupied as a separate dwelling, together with any yard, garden, outhouse, and appurtenance belonging to it or usually enjoyed with it.
- **Exempt disposal** – a disposal or transfer of the whole or part of the premises to a person whose main residence is the property and who is (a) one of the joint owners of the dwelling, or (b) the wife, husband, or partner (including same sex) of the owner or one of the joint owners of that property.
- **Relevant disposal** – a conveyance of the freehold or an assignment of the lease, or the granting of a long lease (one of over 21 years, otherwise than at rack rent)
- **Customer** – individuals being assessed or receiving a DFG
- **Carer** – individuals who look after people with care and support needs in a personal capacity
- **Contractor** – organisation commissioned to support the DFG process, including architects and building companies
- **Member of family** – a person is a member of the applicant’s family if they are the spouse of the applicant or living together as partners, or is the grandparent, parent or dependent child of the applicant or their spouse or partner (inclusive of same sex partners, stepchildren, adopted and foster children).
- **Owner-occupier** – whilst this term is self-explanatory, where appropriate it will include certain tenants with repairing type leases (sometimes called FRI or Full Repairing and Insuring Leases, of a suitable duration) who would otherwise be unable to insist their ‘superior landlord’ undertake renovations. Repairing lease tenants would qualify for DFG in their own right, with permission

14.0 Appendix 1 – Grants Available

A. Mandatory Disabled Facilities Grant

This is included for context and information purposes. The Council will award mandatory Disabled Facilities Grant (DFG) according to the governing legislation – principally the 1996 Housing Grants, Construction and Regeneration Act and subordinate Regulations and Orders as amended - and guidance issued by central Government, and which details amongst other matters the types of work that are to be funded, the maximum grant payable (currently £30,000), and the appropriate test of financial resources where applicable.

Qualifying Criteria

All owner-occupiers and tenants, licensees or occupiers who can satisfy the criteria in sections 19-22 of the 1996 Act are eligible to *apply* for DFG, but applicants must be aged 18 or over (this does not apply to the disabled person, who may be younger). Tenants of Social Housing Providers and private landlords are also eligible to apply, but Council tenants should apply directly to the Housing Department which has a parallel and equally effective system for adaptations. Being eligible to apply does not automatically confer approval – some cases will not meet statutory tests as described below, and others may have significant means tested contributions more than the cost of works.

As a part of the application process, the Council will require certificates relating to property ownership and future occupation and will request permission from the owner. The Council would reasonably want to ensure the tenant has the right to carry out the works and that the landlord would not object or attempt to reinstate the property and evict the client.

Qualifying Works

Those works eligible for mandatory DFG are set out in section 23(1) of the 1996 Act, as amended. These are;

- i. facilitating access by the disabled occupant to and from the dwelling, qualifying houseboat or qualifying park home, (now including the garden) or
- ii. making the dwelling, qualifying houseboat or qualifying park home safe for the disabled occupant and other persons residing with them;
- iii. facilitating access by the disabled occupant to a room used or usable as the principal family room;
- iv. facilitating access by the disabled occupant to, or providing for the disabled occupant, a room used or usable for sleeping;
- v. facilitating access by the disabled occupant to, or providing for the disabled occupant, a room in which there is a lavatory, or facilitating the use by the disabled occupant of such a facility;
- vi. facilitating access by the disabled occupant to, or providing for the disabled occupant, a room in which there is a bath or shower (or both), or facilitating the use by the disabled occupant of such a facility;
- vii. facilitating access by the disabled occupant to, or providing for the disabled occupant, a room in which there is a wash hand basin, or facilitating the use by the disabled occupant of such a facility;
- viii. facilitating the preparation and cooking of food by the disabled occupant;

- ix. improving any heating system in the dwelling, qualifying houseboat or qualifying park home to meet the needs of the disabled occupant or, if there is no existing heating system or any such system is unsuitable for use by the disabled occupant, providing a heating system suitable to meet their needs;
- x. facilitating the use by the disabled occupant of a source of power, light or heat by altering the position of one or more means of access to or control of that source or by providing additional means of control;
- xi. facilitating access and movement by the disabled occupant around the dwelling, qualifying houseboat or qualifying park home in order to enable them to care for a person who is normally resident and is in need of such care;
- xii. facilitating access to and from a garden by a disabled occupant; or making access to a garden safe for a disabled occupant.

Local enhancement to DFG in Barking and Dagenham

Warranty Provision

The Council will include as part of the mandatory DFG the cost of a maintenance agreement for a period of five (5) years (where available) from the certified date for stair lifts, through-floor lifts, Clos-o-mat type toilet, step-lifts and similar equipment installed with the assistance of that grant. Where maintenance agreements of 5 years are not available through the Manufacturer the Council will fund the maximum warranty that is available. Where installing a reconditioned stair lift, any unspent warranty will be increased to the full 5 years if possible.

Necessary, Appropriate, Reasonable & Practicable

A DFG will only be made if the works are both 'necessary and appropriate' and 'reasonably practicable'. Where an applicant prefers a different scheme of works to that approved by the Council, the Council may offer to 'offset' the value of the original scheme towards those greater works with appropriate safeguards. This is at the discretion of the Council.

Works which have been started prior to the approval of an application will not be eligible for financial assistance.

Unexpected works which arise during the carrying out of eligible works will be considered for assistance if the works could not have been reasonably foreseen and if they are vital to the completion of a safe and effective adaptation.

Unforeseen works carried out without prior approval of the Council will not be eligible for assistance. Where unforeseen works are necessary these will be added to the grant up to the specified maximum for mandatory DFG. Costs above the mandatory grant maximum may be supported as discretionary assistance in accordance with this policy. Care must be taken when agreeing to schemes of works on third-party property such as tenanted accommodation, that the property owner is fully engaged with the decision process. This is also particularly important where an architect or similar is acting on the customers behalf, and where issues such as planning permission, building control and other regulation are involved.

Contractors

The Council's DFG award is for a sum of funding only and is not inclusive or exclusive of using specified contractors or products. Customers may specify and choose their own contractors, agent, products, and design – but take responsibility for those choices, as long as the

contractors are suitably qualified, and the result meets the Council Equipment and Adaptations Service and Occupational Therapist's requirements.

Financial Assistance

Mandatory DFG will be subject to a means test in accordance with the regulations made under the 1996 Act, as amended. The maximum mandatory DFG award is currently £30,000 minus any contribution required by a 'means test' (test of financial resources). Successive applications may be awarded for those persons whose condition is degenerative, or they develop additional needs. If the maximum grant limit is changed by statute then the maximum available DFG award by Barking and Dagenham Council will reflect this, and similarly if the means test is changed then Barking and Dagenham Council will use the current means test outlined within Statute where appropriate.

At the time of publication, where successive applications are awarded, the applicants' assessed contribution to the first grant award will be considered if within the period of the contribution originally calculated (10 years if owner, 5 years if tenant).

NOTE: where an applicant is in receipt of a recognised, qualifying, means tested benefit they will not be further means tested and they will have no calculated contribution to make. Where works are for the benefit of a child or young person of 19 years of age or younger at the date of application – they too will be exempt from a means test.

Order of processing applications

DFG applications or recommendations will usually be processed in chronological order, in line with any approved priority system, excepting in emergency circumstances at the discretion of the Council.

Recovery of assistance awarded

Some mandatory DFG may be recoverable in accordance with permitted values. Where the customer is an owner-occupier and not a tenant, and the works are to provide an extension then a sum of up to £10,000 may be recovered. This sum would only be recovered if the property were sold or title otherwise transferred within 10 years of the certified (completion) date of works, subject to the Council's discretion to reduce or waive in the case of financial hardship. All recoverable costs would be registered as a land charge against the property.

NOTE: this is separate and different to the potential repayment of grant in the event of a breach of occupancy conditions or detected fraud. Also, Councils are entitled to recalculate grant awards in limited circumstances, such as for example if any relevant insurance claims are pending, and to cease making payments and to seek repayment in some cases as detailed in sections 40-42 of the 1996 Act.

Conditions relating to Contractors, Standard of Works and Invoices

In approving an application for financial assistance, the Council will require as a condition that the eligible works are carried out in accordance with any required specification.

The eligible works must be carried out by the contractor(s) upon whose estimate the financial assistance is based, or if two estimates were submitted, by one of those contractors. The Council's consent must be obtained prior to the works if a contractor who did not submit an estimate is to carry out the works, and if an agreement is given, an estimate from the new contractor must be submitted to the Council (this does not automatically convey a difference in revised grant award – any additional costs must be separately financed by the client).

An invoice, demand or receipt will not be acceptable if it is given by the applicant or a member of the applicant's family. Where works are carried out by the applicant or a member of their family, only the cost of materials used will be eligible for financial assistance.

It is a condition of the financial assistance that the eligible works are carried out within 12 months of the date of approval of the application. This period may be extended by the Council if it thinks fit, particularly where it is satisfied that the eligible works cannot be completed for good cause. All requests for additional time must be made in writing before the 12-month period ends and approved extra time will be confirmed in writing by the Council.

The payment of the financial assistance to the applicant will be dependent upon the works being carried out to a standard that is satisfactory to the Council and upon receipt of a satisfactory invoice, demand, or receipt for the works and any preliminary or ancillary services or changes.

The Council will usually make payments direct to the contractor on behalf of the client, and not usually to the applicant. Where the applicant disagrees with a payment made direct to a contractor, no payment shall be made until any dispute is resolved. Legislation permits the Council to make payment by delivering to the applicant an instrument of payment in a form made payable to the contractor, OR by making payment direct to the applicant in accordance with information provided prior to grant approval.

NOTE: Contractors receiving direct payment may be required to provide sufficient information to be set up on the Council's financial systems – BUT this should not frustrate the client's choice, as the mandatory DFG grant (only) is an award of funds and not an award tied to a specific contractor with additional financial conditions.

Future occupation of the dwelling

It is a condition of the grant that throughout the grant condition period (that is 5 years from the date of certification) the dwelling is occupied in accordance with the intention stated in the certificate of owner occupation or availability for letting or intended tenancy.

Customer Own Schemes (COS)

Customers who meet the Disabled Facilities Grant (DFG) eligibility and are therefore entitled to a grant allocation may wish to 'top-up' the DFG funding. The DFG recommendation by the Occupational Therapist will be for the most cost-effective solution which meets all identified needs and will look to adapt an existing property. Where a customer wishes to pursue a different scheme, they will be responsible for the difference in costs between the DFG 'Mandatory Scheme' and the final cost of the works, including unforeseen costs.

The DFG team surveyor and Occupational Therapist will work with the customer, their architect and builders as applicable, to ensure that the final scheme meets the disabled person's needs and where applicable planning and building control regulations have been adhered to.

If a client pursues their own scheme, not the mandatory scheme, then the Council will provide a copy of all necessary documentation required for a valid and complete application to be made and will provide an information pack regarding how to proceed. In these circumstances the applicant would follow application 'Option B – Adaptations Grant' outlined in the policy and will fully manage their application process and subsequent build.

Repayment

Where a charge (repayable grant) is due for recovery, on receipt of a written request from the responsible person the Equipment and Adaptations Manager will consider the options to reduce or waive repayment in particular circumstances to be determined in accordance with the following criteria;

- the extent to which the recipient of the grant would suffer financial hardship were they to be required to repay all or any of the grant;
- whether the disposal of the premises is to enable the recipient of the grant to take up employment, or to change the location of their employment;
- whether the disposal is made for reasons connected with the physical or mental health or wellbeing of the recipient of the grant or of a disabled occupant of the premises;
- whether the disposal is made to enable the recipient of the grant to live with, or near, any person who is disabled or infirm and in need of care, which the recipient of the grant is intending to provide, or who is intending to provide care of which the recipient of the grant is in need by reason of disability or infirmity.

If that initial decision is not accepted and further appealed, details of that appeal will be determined by the Head of Commissioning, in discussion with the appropriate Head of Service within Care and Support.

All recoverable charges will be recorded as local land charges.

The land charge will be placed in accordance with 2008 General Consent⁴ which enabled local authorities to place a local land charge for the portion of the grant over £5,000. The charge can be up to £10,000 and applies if the owner wants to sell the property within 10 years of the certified (completion) date.

Worked examples of the charge are given below:

	Total Grant Awarded	Exempt Amount	Remaining Value of Grant	Charge Placed
Example A	£12,000	£5,000	£7,000	£7,000
Example B	£15,000	£5,000	£10,000	£10,000
Example C	£25,000	£5,000	£20,000	£10,000

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/7811/generalconsent2008.pdf

B. Adaptations Grant

Aims

This grant aims to support residents who are unable to access the Mandatory DFG due to means test considerations to receive funding for adaptations to help them remain living in their home.

How will it be funded?

The grants would be funded from the DFG Budget from a dedicated part of the budget held solely for discretionary purposes. The value of this budget will be set annually and reviewed bi-annually by the Commissioning Director in consultation with the Strategic Director for Adults and Children's and the Cabinet Member and Champion for Disabled People.

The grant will only be available whilst funds permit as it is a discretionary grant. Funding may be withdrawn with immediate effect, however in such circumstances mandatory DFG will continue to be available.

Who will it help and what works will be done?

It will use the same eligibility criteria as the Mandatory DFG but will not be means tested.

Anyone eligible for a Disabled Facilities Grant is also eligible for an Adaptations Grant including any person who is, or is applying on behalf of someone who is:

- registered or registerable⁵ as disabled

A person over the age of 18 is eligible to apply for an Adaptations Grant under the same criteria as a Disabled Facilities Grant, this can be for themselves or on behalf of the disabled person if they:

- own their own home as a freeholder or leaseholder (with at least 5 years left to run),
- are a tenant or life tenant,
- or have a license to occupy a park home on a licensed site and live in the Barking and Dagenham

Unless otherwise stated in this document all other aspects of the provision of Disabled Facilities Grant under the Housing Grants Construction and Regeneration Act 1996 and associated regulations and guidance shall apply including the list of eligible works.

The eligible works will be determined in consultation with a suitably qualified professional which includes an Occupational Therapist and the cost of the eligible works shall be determined so as to provide 'best value'. These may be decided by an appropriate schedule of rates, a 'mini tender' process or in exceptional circumstances, a single quotation for the eligible works.

The eligible works shall be 'necessary and appropriate' to meet the needs of the disabled occupant and it must be 'reasonable and practicable' to carry out the relevant works having regard to the age and condition of the dwelling. Regard shall be had to the associated guidance and good practice in determining these factors.

⁵ registerable - the person is eligible under the definition of disabled as defined under section 6(1) of the Equality Act

Will it be means-tested?

Any grant eligible works paid under this grant will not be subject to a 'means test' of the financial resources of the disabled occupant. Therefore, they will be entitled to receive a full grant to cover the cost of the eligible works up to £15,000 (including any fees and VAT).

How much funding might be available?

The maximum amount of funding available is £15,000 including any VAT and fees.

Will there be a charge against the property?

There will be no land charge placed against a property for works funded through this grant.

Conditions attached to the grant

The person must be a permanent resident of Barking and Dagenham and the property must be their permanent address.

A maximum of one application for discretionary top-up funding will be considered in any 5-year period.

The person applying for the grant will normally need to confirm that the disabled person (this could be themselves or somebody that they are applying for intends to live at the property subject to the Barking and Dagenham Adaptations Grant for the next five years, as their main residence.

If the property is jointly owned, the applicant will need to get the written consent from any joint owners (who do not live at the property as their main residence), that they confirm the eligible works can be completed to the property.

If the applicant is a tenant, the applicant will need to obtain the written consent of the property owner agreeing that the eligible works can be completed to the property.

How to apply?

Through the Equipment and Adaptations Team.

Funding will be awarded on a case-by-case basis as outlined above.

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C. Top-Up Grant

Aims

The aim of the scheme is to help the vulnerable members of the community where the Mandatory Disabled Facilities Grant (DFG) is insufficient to cover the full cost of the works or where the works are out of scope of the legislation but by completing them there would be demonstrable savings to the wider public purse and clear benefits to the applicant and/or their family/carers.

How will it be funded?

The grants would be funded from the DFG Budget from a dedicated part of the budget held solely for discretionary purposes. The value of this budget will be set annually and reviewed bi-annually by the Commissioning Director in consultation with the Strategic Director for Adults and Children's and the Cabinet Member and Champion for Disabled People.

The grant will only be available whilst funds permit as it is a discretionary grant. Funding may be withdrawn with immediate effect, however in such circumstances mandatory DFG will continue to be available.

Who will it help?

Those eligible for Mandatory DFG assistance.

Will it be means-tested?

There will be no additional formal means test.

How much funding might be available?

Discretionary Top-Up Grant may be awarded and will be subject to the availability of resources.

Where the additional funding required is less than £15,000 then the decision will be based upon evidence provided by the relevant officer to the Equipment and Adaptations Manager.

However, if funding is required above £15,001 then it must be presented to a Adaptations Panel which would include Senior Representative from Care and Support and Equipment and Adaptations, and alternative options, such as moving, would need to have been demonstrated to have been explored in full; including contributions from landlords for housing association or private tenants.

Will there be a charge against the property?

For owner-occupiers funding will be registered, in full, as a local land charge against the property for a period of 10 years and will be recovered on the sale or transfer of the property, subject to rules regarding exempt sales.

Note – this is separate to the £10,000 recoverable DFG for extensions which also expires at 10 years from certification of works completion.

Conditions attached to the grant

The person must be a permanent resident of Barking and Dagenham and the property must be their permanent address.

Conditions restricting future use and ownership of the property – the following additional conditions will apply where the Council has made an award;

- The owner will notify the Council in writing if a relevant disposal of the property is proposed.
- The owner of the property will provide, within 21 days of a written notice from the Council, a statement confirming the ownership and occupancy of the dwelling. If the property has been sold or transferred the statement will include the date of transfer of ownership.
- Discretionary Top-Up funding will be registered as a charge against the property and will be repayable on sale or transfer of the property, subject to exempt sales. The charge will be binding on successors in title.
- It is a condition of funding that where an owner makes a relevant disposal of the dwelling, other than an exempt disposal, the grant shall be repayable subject to above.
- If a relevant disposal takes place after a period of 10 years after the certified date of completion of works, no amount shall be recovered which, after repayment of all charges registered against the property, results in owner(s) having a residual equity of less than £10,000. No account will be taken by the Council of charges subsequent to the charges registered by the Council.
- If the property is transferred, or the sale price does not reflect the market price, the Council will have the right to seek an independent valuation of the market value, which will be binding on both parties, in order to recover the grant repayable.

If the applicant for discretionary top-up funding is a tenant then the Council will liaise with the appropriate landlord to explore whether alternative funding options, such as funding from the landlord and/or moving to alternative suitable accommodation is an option, before approving top-up funding.

Applications will be considered for Top-Up once works have already been started and unforeseen costs arise, if the scheme is a Mandatory Scheme.

Where an applicant is pursuing a 'preferred' scheme and has received the maximum eligible grant funding then applications for discretionary funding for unforeseen works will not be considered.

A maximum of one application for discretionary top-up funding will be considered in any 5-year period.

[How to apply?](#)

Through the Equipment and Adaptations Team.

Funding will be awarded on a case-by-case basis as outlined above.

D. Safe & Well Grant

Aims

The Safe and Well Grant is available for property clearances and cleaning and essential property repairs which are identified as necessary by either social services or the Hoarding Service to support vulnerable residents remain in their homes.

How will it be funded?

The grants would be funded from the DFG Budget from a dedicated part of the budget held solely for discretionary purposes. The value of this budget will be set annually and reviewed bi-annually by the Commissioning Director in consultation with the Strategic Director for Adults and Children's and the Cabinet Member and Champion for Disabled People.

The grant will only be available whilst funds permit as it is a discretionary grant. Funding may be withdrawn with immediate effect, however in such circumstances mandatory DFG will continue to be available.

What works might be included?

Eligible works could include the following (this list is not exhaustive):

1. Property clearance and disposal works where accumulated possessions are identified as posing a significant risk to the safety and welfare of occupants or neighbours
And / or
2. Works to protect the health, safety and welfare of the occupier; for example (but not limited to) category 1 or high scoring category 2 hazards under the Housing Health and Safety Rating System, particularly where the property is occupied by a member of the most vulnerable group for that hazard. Areas of work which could be included are:
 - Water supply, drainage and heating issues
 - Electrical and gas safety works
 - Repairs or modifications to stairs, floors and steps
 - Safety and security repairs

Will it be means-tested?

Any grant eligible works paid under this grant will not be subject to a 'means test' of the financial resources of the disabled occupant. Therefore, they will be entitled to receive a full grant to cover the cost of the eligible works up to £5,000 (including any fees and VAT).

How much funding might be available?

The maximum grant funding available is £5,000 (including any VAT and fees)

Will there be a charge against the property?

There will be no land charge placed against a property for works funded through this grant.

Conditions attached to the Grant

The person must be a permanent resident of Braking and Dagenham and the property must be their permanent address.

A maximum of one application will be considered in any 5-year period.

The grant will only be available whilst funds permit as it is a discretionary grant. Funding may be withdrawn with immediate effect, however in such circumstances mandatory DFG will continue to be available.

How to apply?

Through the Council's Adult Social Care Team or the Hoarding Support Service.

Funding will be awarded on a case-by-case basis at the discretion of the Council's Senior Management.

E. Relocation Grant

Aims

The aim of the scheme is to help vulnerable members of the community where it is not possible to adapt their current home, but by supporting them to move to more suitable accommodation there would be demonstrable savings to the wider public purse and clear benefits to both the applicant and/or their family/carers.

How will it be funded?

The grants would be funded from the DFG Budget from a dedicated part of the budget held solely for discretionary purposes. The value of this budget will be set annually and reviewed bi-annually by the Commissioning Director in consultation with the Strategic Director for Adults and Children's and the Cabinet Member and Champion for Disabled People.

The grant will only be available whilst funds permit as it is a discretionary grant. Funding may be withdrawn with immediate effect, however in such circumstances mandatory DFG will continue to be available.

Who will it help?

Those deemed eligible for Mandatory DFG assistance.

Will it be means-tested?

Yes, the Mandatory DFG means test will apply, unless the disabled person is a child or on passporting benefits.

Any subsequent DFG applications will consider contributions made towards this grant as part of any calculation.

Support to Move/ Relocate

Funding may be available to assist the disabled person to move to a more suitable property where it is impracticable to adapt or more cost effective than adapting the current home of a disabled person to make it suitable for their present or future needs, even though the new property may need some adaptation.

Criteria for consideration in cases of help-to-move/relocate; (this is not an exclusive or exhaustive list, as other factors may become apparent with experience):

- The disabled person may need to move to give or receive care, or to receive medical treatment.
- The disabled person may need to move to maintain or gain employment.
- The cost of works to the current property may exceed the benefit to the client.
- The cost of works may exceed the available grant and loan maximum and any available client or third-party contribution.
- The client's calculated contribution may be unaffordable, and moving/buying is a better financial solution.
- The client may need to move to reduce rent and/or release spare bedrooms which they can no longer afford (e.g. benefits cap and/or the spare room subsidy).
- A different property may provide a greater benefit for the client for the funds.
- The current property may not be adaptable, and another property may be more amenable to adaptation.

- The current property may contain hazards or defects which would not be sufficiently addressed by the works or otherwise by the client or owner.
- The property owner (landlord) refuses to permit the adaptation.
- The property is for sale, or pending foreclosure, bankruptcy (as security against debt) or repossession.
- The tenancy is due to end and not be renewed or is otherwise unstable.
- Relationship breakdown.
- The client wishes to downsize

Funding will not be given towards the purchase price of an alternative property but may be provided towards legal and moving costs.

Moving and house purchase finance will be determined on a case-by-case basis determined by:

- the tenure and location of the original and new properties
- the residual equity and any increased mortgage debt
- whether moving within the Council's jurisdiction, or beyond
- whether the original property is unadaptable, unaffordable or poor value to adapt,
- whether moving is purely an occupier choice or because of a landlord's refusal to permit adaptation.

Mandatory DFG of up to £30,000 is available for adaptations in properties residents have moved to (within the local area only) but may be reduced by any assessed contributions.

Help to move assistance is available to owner-occupiers and to tenants' subject to individual determination.

As there are too many variables to set a fixed policy on awards for moving or buying property, each case will be determined on its merits subject to resources by recommendation from the Case Officer to the Equipment and Adaptations Manager.

[How much funding might be available?](#)

Help to Move funding may be awarded and will be subject to the availability of resources. A maximum of £10,000 including any applicable VAT may be available to support costs solely associated with moving home.

[Will there be a charge against the property?](#)

There will be no land charge registered against the property.

[Conditions attached to the Grant](#)

The person must currently be a permanent resident of Barking and Dagenham and the new property must be their intended permanent address. The new property does not need to be in Barking and Dagenham. Any adaptations required at the new property will be undertaken by the responsible local authority in which the new property is located.

A maximum of one application will be considered in any 5-year period.

[How to apply?](#)

Through the equipment and adaptations team and social care occupational therapy services.

Funding will be awarded on a case-by-case basis at the discretion of the Council's Senior Management.

F. Sensory Needs assistance

Aims

Where the disabled person is diagnosed with dementia, or other cognitive impairment or sensory disability or a recognised long term behavioural condition including but not limited to such conditions as Autism, Attention Deficit and Hyperactivity Disorder (ADHD) etc., works to make homes 'friendly' and to help the person live safely, manage their surroundings, and retain their independence for longer will be eligible for funding. Works could include items such as:

- making changes to lighting to improve brightness and visibility
- changing cupboard doors to glass fronted ones to aid recognition of items inside
- redecorating selected dark coloured walls that will give a calmer effect
- replacing selected floor coverings that cause confusion or safety issues
- replacing bathroom toilet seats and rails with coloured to improve visual perception
- installing signage for easier recognition
- ensuring safe access to the property and that it is free from hazards
- carbon monoxide/cold/heat alarms

This case is not exhaustive and each case will be considered with the assistance and advice from the referring agency.

How will it be funded?

The grants would be funded from the DFG Budget from a dedicated part of the budget held solely for discretionary purposes. The value of this budget will be set annually and reviewed bi-annually by the Commissioning Director in consultation with the Strategic Director for Adults and Children's and the Cabinet Member and Champion for Disabled People.

The grant will only be available whilst funds permit as it is a discretionary grant. Funding may be withdrawn with immediate effect, however in such circumstances mandatory DFG will continue to be available.

Who will it help?

It will help anyone who is a permanent resident within Barking and Dagenham with a clinical diagnosis of dementia/Alzheimer's Disease or memory loss or other recognised cognitive or behavioural condition.

Will it be means tested?

There will be no means test.

How much funding might be available?

The maximum funding available is £2,500 per applicant/property.

Will there be a charge against the property?

No, there will be no charge placed against the property.

Will there be any conditions attached?

The person must be a permanent resident of Barking and Dagenham and the property must be their permanent address.

A maximum of one application will be considered in any 5-year period.

How to apply?

Applicants must be referred by one of the following services and the works must be recommended by them:

- Social Worker
- GP
- Alzheimer's Society
- School OT Service
- Social Care OT Service
- School nurse
- Autism Support Service

G. Professional Fees Grant

Aims

For the preparation of a Mandatory DFG application is it sometimes necessary to incur professional fees, such as for Architectural services, which if the works are unable to proceed are not able to be paid under the mandatory DFG if works are cancelled when no formal application for assistance has been made.

The purpose of this grant is to enable those fees to be paid in those instances where the cancellation of the application is due to circumstances beyond the control of either the applicant or the equipment and adaptations service.

The professional fees grant will not be available in circumstances where an applicant changes their mind regarding proceeding with an adaptation after fees have been incurred.

How will it be funded?

The grants would be funded from the DFG Budget from a dedicated part of the budget held solely for discretionary purposes. The value of this budget will be set annually and reviewed bi-annually by the Commissioning Director in consultation with the Strategic Director for Adults and Children's and the Cabinet Member and Champion for Disabled People.

The grant will only be available whilst funds permit as it is a discretionary grant. Funding may be withdrawn with immediate effect, however in such circumstances mandatory DFG will continue to be available.

Who will it help?

It will help anyone who is eligible to apply for a Mandatory DFG, subject to all personal and financial eligibility criteria.

Will it be means tested?

The Mandatory DFG means test will apply.

How much funding might be available?

The maximum funding available is £2,500 per applicant/property.

Will there be a charge against the property?

No, there will be no charge placed against the property.

Will there be any conditions attached?

The person must be a permanent resident of Barking and Dagenham and the property must be their permanent address.

A maximum of one application will be considered in any 5-year period.

How to apply?

Funding will be awarded by the Equipment and Adaptations Manager in appropriate cases and a record of cases maintained for audit and scrutiny.

15.0 Appendix 2 – Summary of Responsibilities

Document	Reason	Managed Application Process	Customer Contractor Process	Customer Managed Process
Completed and signed application form	To apply for the funding	LBBB	LBBB	Applicant
Proof of financial circumstances to support your test of resources	As detailed in the application form	LBBB	LBBB	Applicant
Signed Certificate of Ownership/ Tenancy	To prove ownership of the property	LBBB	LBBB	Applicant
Completed Owner's Certificate	To confirm your intention to remain in the property for 5 years following completion of the works	LBBB	LBBB	Applicant
Asbestos Report (if required)	To ensure safe working environment	LBBB	LBBB	Applicant
Land registry check/ Landlord permission	To prove ownership/ provide consent from landlord to the works	LBBB	LBBB	Applicant
Signed general consent form	To agree to repay the grant funding in line with the charge outlined in the Housing Assistance Policy	LBBB	LBBB	Applicant
Specification of works	To provide full specification of works	LBBB	LBBB	Applicant
Drawings/ Plans (if required)	To show the design of the scheme	LBBB	LBBB	Applicant
OT Approval of design	To confirm that the design meets your assessed need	LBBB	LBBB	Applicant
Planning approval (if required)	To confirm works can proceed	LBBB	LBBB	Applicant
Building regulation approval (if required)	To confirm works can proceed	LBBB	LBBB	Applicant
Obtain contractors estimates	A minimum of 2 estimates for the works, including VAT. Any VAT elements to be clearly identified	LBBB	LBBB & Applicant	Applicant

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Equality Impact Assessments help the Council to comply with its public sector duty under the Equality Act 2010 to have due regard to equality implications. EIAs also help services to be customer focussed, leading to improved service delivery and customer satisfaction.

The Council understands that whilst its equalities duty applies to all services, it is going to be more relevant to some decisions than others. We need to ensure that the detail of Equality Impact Assessments (EIAs) are proportionate to the impact of decisions on the equality duty, and that in some cases a full EIA is not necessary.

This tool assists services in determining whether plans and decisions will require a full EIA. It should be used on all new policies, projects, functions, staff restructuring, major development or planning applications, or when revising them.

Full guidance on the Council's duties and EIAs and the full EIA template is available at [Equality Impact Assessments](#).

Proposal/Project/Policy Title	Aids and Adaptations Policy
Service Area	Commissioning, Adults Care & Support
Officer completing the EIA Screening Tool	Mohammed Mayet, Commissioning Manager
Head of Service	Louise Hider-Davies, Head of Commissioning
Date	10/02/2022
Brief Summary of the Proposal/Project/Policy Include main aims, proposed outcomes, recommendations/decisions sought.	<p>There is a Mandatory Disabled Facilities Grant (DFGs) that the Council must make available to their disabled residents who meet the required qualification criteria, however this is means-tested, which means a resident's income and capital is used to determine if they qualify for the grant, and if they do, identifies any contribution they must pay towards the cost of the works carried out.</p> <p>The Aids and Adaptations Policy includes the DFGs, however also gives scope for an additional six discretionary grants that the Council can offer subject to funding and resources available at the time. Three of these additional grants are not means-tested, allowing those who would not qualify for the DFGs to receive assistance, providing they meet the disability qualifying criteria.</p> <p>The Aids and Adaptations Policy is designed to set out how the Council will enable private homeowners, Council tenants, housing association tenants and private tenants with disabilities to live as independently as possible in good quality homes that meet their needs through aids and adaptations. The policy will support residents of all ages to live independently and in turn delay the need for long-term high-cost care. The policy also supports other vulnerable groups to help them live safely at home for longer.</p>

	<p>The policy summarises what each grant is, how it will be funded, who it will help, what work can be done, whether it will be means-tested, how much funding might be available, whether there will be a charge made against a property, how to apply, and the conditions attached. It sets out how the Council will offer financial help for adapting homes in the Borough, together with the conditions and eligibility criteria associated with each type of assistance.</p> <p>The policy will allow the Council to better use the DFG funding, which has increased significantly in the last five years and each year the amount received from the Government has been more than the Council's expenditure amount. The way the Council currently use the DFG funding is very narrow in scope and the Council recognises that there is a need to significantly increase the annual delivery of grants and level of spend within the Borough.</p> <p>The policy will increase the Council's flexibility, result in more people being supported to maintain their independence for longer, be preventative for addressing long term care demands and reduce complexity, provide service users with better outcomes, be compliant with the spirit of the Better Care Fund and the Care Act 2014 and result in the Council having a streamlined process with an all-inclusive personalised care approach. It will speed up the administration and processing of grant-funded works, broaden the scope of assistance available and provide financial assistance that is not covered by mandatory funding.</p> <p>The Council also wishes to use some of the annual DFG allocation from Government to fund four specific social care capital projects which is identified as allowable within the annual grant determination letter from the Government. These projects are:</p> <ul style="list-style-type: none"> • the All-Age Care Technology Service, which will support the delivery of technology which will transform services and enhance the quality of care that can be delivered. • Minor Adaptations in Private Sector Homes, which is currently funded from the Social Care revenue budget, but it is proposed that it will be funded by the DFG budget. • Handyperson Service Support, which is also fully funded from revenue, but it is proposed that £10,000 per annum should be funded by the DFG for the cost of materials. • Occupational Therapist Backlog Project, in which there is a waiting list of circa 500 vulnerable applications awaiting an Occupational Therapy assessment regarding eligibility for a DFG. It is proposed to procure serviced of additional therapy resources. <p>A decision is sought by Cabinet to approve the new Aids and Adaptations Policy, agree the proposed additional project uses for the DFG capital allocation and delegate authority to the Commissioning Director and the Strategic Director for Adults and Childrens' in consultation with the Cabinet Member for Social Care and Health Integration to revise, prioritise or withdraw discretionary</p>
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	assistance in line with the Aids and Adaptations Policy as appropriate, considering the council's available resources and annual funding allocations.	
Protected characteristic	Impact	Description
Age	Positive impact (L)	<p>The policy will support residents of all ages to live independently and delay the need for long-term care. There is no age range, and the policy will apply to any resident, adult or child and eligibility will be subject to their disability and if applicable, a means test.</p> <p>The borough has a population of 214,107 and all residents in the borough with a disability may be able to access the scheme, however some grants are subject to a means test.</p>
Disability	Positive impact (L)	<p>The policy will allow the Council to designate additional grants and other services to disabled residents which exceed the mandatory Disabled Facilities Grant (DFG).</p> <p>The 2011 Census suggested that 26.9% of households within the Borough had at least one person with a long-term health problem or disability. This policy is designed to assist these households.</p> <p>The adaptation work carried out helps to restore independence, confidence and dignity to households with a disabled person.</p> <p>The processing team also record customer feedback via a 2-tier feedback process; one based on the assessment and the other based on the outcome of that assessment.</p>
Gender re-assignment	Not applicable (N/A)	There is lack of available data around gender-reassignment in LBB, but there are no perceived negative impacts on this protected characteristic.
Marriage and civil partnership	Not applicable (N/A)	There are no perceived negative impacts on this protected characteristic
Pregnancy and maternity	Not applicable (N/A)	<p>There are no perceived negative impacts on this protected characteristic.</p> <p>A resident's pregnancy is not considered unless it is contributing to their disability.</p>

Race	Positive impact (L)	<p>There are no perceived negative impacts on this protected characteristic. The borough has a 66% Black and Minority Ethnic (BME) population, which is above the London average of 61.8%, illustrating how diverse the borough is.</p> <p>The team delivering the service therefore offers a language translation service by the language shop at the point of assessment.</p>
Religion	Not applicable (N/A)	There are no perceived negative impacts on this protected characteristic
Sex	Not applicable (N/A)	<p>There are no perceived negative impacts on this protected characteristic.</p> <p>Data is no longer recorded on sex as grants are based solely on a resident's disability and, dependent on the grant, their income and capital.</p>
Sexual orientation	Not applicable (N/A)	There is lack of available data around sexual orientation in LBB, but there are no perceived negative impacts on this protected characteristic.
Socio-Economic Disadvantage¹	Positive impact (L)	<p>Some grants under the Aids and Adaptations Policy are not means-tested, which means a person's income and savings are not considered when determining their eligibility for a grant.</p> <p>There are however four means-tested grants within the policy, some which by law, require a means test, which identifies any contribution to be paid towards the cost of the works. If a resident does however already receive a means tested benefit, such as Housing Benefit, they will not be further means tested and will have no contribution to make. Any work required for a child or young person of 19 years of age or younger will also be exempt from a means test.</p> <p>The policy does however set out an Adaptations Grant to support residents for up to £15,000 of works who are unable to access the Mandatory DFGs due to means test considerations, to help them remain living in their home. The Safe and Well Grant and Sensory Needs Assistance are also both not means-tested.</p>

¹ Socio-Economic Disadvantage is not a protected characteristic under the Equality Act. London Borough of Barking and Dagenham has chosen to include Socio-Economic Disadvantage as best practice.

		<p>The means-test is set by the Government and considers how much money a person has in addition to their allowable income. The allowable income amount is not included in the means test. The allowance income consists of the basic amount of income support and/or pension credit plus a flat rate allowance for housing costs. The means test also considers any savings a person has over £6,000.</p> <p>Although nearly half of everyone in poverty is either a disabled person or lives with a disabled person, the mean-test exemptions should result in those in poverty being exempt from being means-tested as people with no or low income would be in receipt of one of the means tested benefits, these are:</p> <ul style="list-style-type: none"> • Employment and Support Allowance (Income Related) • Housing Benefit • Jobseekers' Allowance (Income Based) • Income Support • Pension Credit – Guarantee Credit element • Universal Credit – only if the award is more than £0.00 <p>The borough has the highest unemployed population in the country at 8.5% and it is reasonable to assume that most unemployed residents are receiving a means-tested benefit, thus being exempt from the means-test for DFGs purposes.</p> <p>It is possible for those on a low income, to be working and receiving Universal Credit to top-up their low income. Employed residents in receipt of Universal Credit payments are treated as in receipt of a means-tested benefit, exempting them from the DFGs means-test. The borough has a population of 8.7% of Universal Credit claimants in employment, which means employed residents on a low income with a disability could also benefit from this scheme.</p> <p>The policy allows for grants to be paid for owner-occupiers, council tenants, housing association tenants and private tenants.</p> <p>Council tenants cannot benefit from the mandatory DFGs but can apply directly to</p>
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		the Council’s Housing Department which has a parallel and equally effective system for adaptations. Council tenants can however apply for some of the additional six discretionary grants.
How visible is this service/policy/project/proposal to the general public?		Low visibility to the general public (L)
What is the potential risk to the Council’s reputation? Consider the following impacts – legal, financial, political, media, public perception etc		Medium risk to reputation (M)

If your answers are mostly H and/or M = **Full EIA to be completed**

If after completing the EIA screening process you determine that a full EIA is not relevant for this service/function/policy/project you must provide explanation and evidence below.

As a result of this screening tool, no negative or high risks have been identified. It has therefore been concluded that a full EIA is not relevant for this policy.

There is a higher risk to the Council if the Aids and Adaptations Policy is not implemented due to the means-test included within the mandatory DFG, which excludes a population of disabled residents from receiving the support they may require.

The Aids and Adaptations Policy will delivery positive services to residents of the borough and will enable eligible disabled residents to receive the mandatory DFGs of up to £30,000, subject to a means-test.

In addition to the mandatory DFGs, the policy enables eligible disabled residents to receive the following additional discretionary grants:

- the Adaptations Grant of up to £15,000, which uses the same criteria as the mandatory DFG but is not subject to a means-test
- the Top-Up Grant of up to £15,000 to their mandatory DFG where the initial means-tested grant is insufficient to cover the full cost of the works
- the non-means-tested Safe & Well Grant of up to £5,000 to enable property clearances and essential property repairs
- the Relocation Grant of up to £10,000 to support residents who qualify under the mandatory DFGs to move to more suitable accommodation where it is not possible to adapt their current home
- the non-means-tested Sensory Needs Assistance of up to £2,500 without a means-test to make homes “friendly” where the disabled person has dementia, other cognitive impairment, sensory disability or a recognised long term behavioural condition.

- The Professional Fees Grant of up to £2,500 to pay for professional fees if the works are unable to proceed and thus unable to be paid under the mandatory DFGs, but the resident qualified for a mandatory DFG.

There are also provisions in place to consider applications which exceed the maximum funding amount by virtue of the Top-Up Grant. An Adaptations Panel will be in place to approve any required funding above the maximum £15,000 limit.

The Aids and Adaptations Policy will support residents of all ages. There is no age range, and the policy will apply to any resident, adult or child.

Eligibility will be subject to the resident's disability and needs, and dependent on the grant, a means-test. The focus of the policy is on residents' disabilities and to enable residents to continue living independently at home.

There are no perceived negative impacts, only positive impacts, to the protected characteristics of the Equality Act 2010 and to the socioeconomically disadvantaged. Although some grants are means-tested, the qualifying criteria should enable socioeconomically disadvantaged residents to be eligible for support and the non-means-tested grants ensure those with higher incomes and capital can still receive the support they may need.

Feedback will be sought from residents to ensure continuous service improvement. This will be done via a 2-tier referral process, the first being feedback of the assessment itself and the second being comprehensive feedback of the outcome from the assessment.

The policy will be reviewed to ensure it is "working" and working well. Data will be stored regarding applications and the ages, tenure and ethnicity of applicants. This data can then be used to review the success of the policy and review who are benefiting from it the most.

Please submit the form to CE-strategy@lbbd.gov.uk and include the above explanation as part of the equalities comments on any subsequent related report.

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CABINET**19 April 2022**

Title: Contract for Refurbishment of Leys Park Pavilion for Box Up Crime Project	
Report of the Cabinet Member for Community Leadership and Engagement	
Open Report	For Decision
Wards Affected: Village	Key Decision: No
Report Authors: Marilyn Smith, Head of Planning Decisions, Assurance and Inclusive Growth Richard Rollison, Senior Construction Manager, Be First	Contact Details: Tel: 020 8227 5351 E-mail: Marilyn.smith@lbbd.gov.uk E-mail: richard.rollison@befirst.london
Accountable Strategic Leadership Director: Abi Gbago, Strategic Director, Inclusive Growth	
Summary: The Council has allocated Community Infrastructure Levy (CIL) and other funding to support the refurbishment and conversion of the Leys Park Pavilion, Ballards Road, Dagenham, for use by the Box Up Crime project. It has been agreed that the Council will lead on the delivery of the building works and this report sets out the proposed arrangements for the procurement of a contractor to carry out the works.	
Recommendation(s) The Cabinet is recommended to: (i) Agree the procurement of a building works contractor for the refurbishment and conversion of Ley Park Changing Pavilion, Dagenham in accordance with the strategy set out in the report; and (ii) Authorise the Strategic Director, Inclusive Growth, in consultation with the Cabinet Member for Regeneration and Economic Development and the Strategic Director, Law and Governance, to conduct the procurement and award and enter into the contract(s) and all other necessary or ancillary agreements with the successful bidder(s).	
Reason(s) To assist the Council to achieve its priorities of Prevention, Independence and Resilience', 'Inclusive Growth' and 'Well Run Organisation'.	

1. Introduction and Background

- 1.1 Construction Infrastructure Levy (CIL) funding was allocated by the Council following a bid by Box Up Crime, in response to a call from the Council for local projects and initiatives to fund. Box Up Crime are a youth led community organisation within the borough, who work to steer young people away from crime by creating positive role models and access to facilities to encourage participation in sport and, in particular, boxing. The intention being that the CIL funding would be used in support of this work, through the conversion of some under utilised changing rooms within The Leys Park, Dagenham into a gym.
- 1.2 Unfortunately, the existing pavilion building was in a poor condition with an extensive backlog of maintenance. This would have resulted in the CIL funding being entirely absorbed in dealing with maintenance issues. Therefore, further funding was also allocated to the project from the corporate asset management building condition funding budget. This project will address this maintenance backlog, with the long-term responsibility for maintenance of the building being transferred to Box Up Crime.
- 1.3 Due to the complexity of the project, discussions with Box Up crime produced an agreement that the Council would take the lead in the delivery of the building project. As part of this work the Council has already engaged architects, surveyors and engineers to design and specify the required building works on its behalf and is in the process of seeking planning consent for the works.
- 1.4 Box Up Crime as the end users of the refurbished and converted pavilion have been fully consulted and engaged during the design and specification of the works to ensure that the completed building will match their needs and requirements.
- 1.5 Procurement Board recently endorsed the use of an open tender for the procurement of the required building work via the Council's "Bravo" e-procurement portal using a complete set of tender documents, design, drawings and specification, as this is the route most likely to attract an appropriately skilled and sized contractor most suited to deliver this project effectively and economically. The contract will also be advertised on the Governments Contract Finder web site as required by the Public Contract Regulations.
- 1.6 Council Contract Rules paragraph 28.8 requires that Cabinet approve the procurement of all contracts that exceed £500,000 in value. The anticipated value of this contract is £560,000.00
- 1.7 In line with the project delivery programme agreed with Box Up it is anticipated that tenders for these works will be issued and returned in June 2022, with works planned to commence on site early in August 2022.

2. Proposed Procurement Strategy

2.1 Outline specification of the works, goods or services being procured

- 2.1.1 The building works to be procured will be designed and specified in detail within the Invitation to Tender and the scope of works will include:

- Structural alterations to the building;
- Replacement roof and installation of sun pipes;
- Improvements to thermal insulation;
- Replacement of external windows, doors and shutters;
- Creation of a mezzanine floor and sauna room;
- Installation of new toilets and showers inclusive of accessible facilities;
- Plastering, internal joinery, internal decorations, new floor coverings and wall tiling;
- Replacement electrical systems inclusive small power and lighting;
- Installation of new fire and intruder alarm systems;
- Replacement heating, ventilation, cooling and hot water systems.

2.2 Estimated Contract Value, including the value of any uplift or extension period

2.2.1 The works are estimated to cost £560,000.00

2.3 Duration of the contract, including any options for extension

2.3.1 The duration of the works contract is anticipated to be 30 weeks, with a 12 months' defects liability period as per standard practice within the construction industry

2.4 Is the contract subject to (a) the (EU) Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?

2.4.1 No

2.5 Recommended procurement procedure and reasons for the recommendation

2.5.1 Be First will manage the 'open process' tender via the Council's "Bravo" e-procurement portal using a complete set of tender documents inclusive drawings and specifications. As this is the route most likely to attract an appropriately skilled and sized contractor most suited to deliver this project effectively and economically. The contract will also be advertised on the Governments Contract Finder web site as required by the Public Contract Regulations.

2.6 The contract delivery methodology and documentation to be adopted

2.6.1 The works will be let on a traditional basis with the proposed form of contract being the JCT Intermediate Contract with contractors design portions with standard LBBB contract amendments.

2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract

2.7.1 The proposed work will bring a currently under-utilised park building back into use, supporting an important local charity delivering its aims of reducing youth crime. Supporting and complimenting the Councils own aims and objectives in this area in doing so. The works will also reduce the backlog of maintenance to the council's property portfolio, whilst through the lease transferring responsibility for long term

maintenance of the building onto Box Up and enabling a modest but market level rental income to be charged.

2.8 Criteria against which the tenderers are to be selected and contract is to be awarded

2.8.1 Tenders will be assessed on the basis of both price and quality, on the basis of 80% cost, 10% social value and 10% Quality. With quality being assessed in relation to each bidders experience and qualifications of site team and response to specific project related questions.

2.9 How the procurement will address and implement the Council's Social Value policies

2.9.1 10% of the potential marks awarded in the proposed evaluation criteria will consider the social value benefits being offered by the preferred contractor with particular emphasis being placed upon their employment of labour drawn from the local community, sourcing of materials within the local area, and opportunities for engagement of young people in learning experiences with the contractor. With commitments to spend in LBBD via re-investment opportunities such as the use of hospitality in LBBD such as contractors' utilisation of local food and hotel facilities.

The evaluation process will take note of the Council's legal obligation to consider Social Value under the Public Services (Social Value) Act 2012.

2.10 Contract Management methodology to be adopted

2.10.1 Be First are responsible for overseeing the procurement exercise and will be responsible for overall contract management. Whilst works are on site, monthly meetings will be held with the contractor to monitor progress. Regular site visits to inspect the quality of works being undertaken will also be undertaken by Be First alongside the appointed architects, surveyors and engineers on the project. Payment for works will be through monthly valuations of work executed on site by the project quantity surveyor and these will be certified by Be First.

3. Options Appraisal

3.1 Do nothing – This option was rejected as Construction Industry Infrastructure (CIL) and My Place building condition funding has been allocated towards a scheme for the conversion of the current changing rooms.

3.2 Alternative Contractual Arrangements – Design and build was considered and rejected as it was felt that a refurbishment project of this type was likely to be perceived to carry substantial risks by builders, such that it would adversely affect their willingness to price and competitiveness.

3.3 Alternative Procurement Route - The potential use of a framework was also considered but rejected as it was felt that a project of this size and scale wouldn't attract sufficient interest from contractors on any framework, due to the opportunities to win larger projects being procured through them at the same time.

4. Waiver

4.1 Not applicable

5. Consultation

5.1 The proposals in this report were considered and endorsed by the Procurement Board at its meeting on 21st February 2022.

5.2 Assets and Capital Board were consulted at its meeting on the 9th March 2022 and endorsed the proposal.

6. Corporate Procurement

Implications completed by: Euan Beales, Head of Procurement

6.1 The Councils Contract Rules require all spend over £50,000 to be tendered in the open market and this will be adhered to based on this paper.

6.2 The evaluation methodology is 80% price, 10% quality and 10% Social Value and should yield a value for money response.

7. Financial Implications

Implications completed by: Binoy Pillai, Capital Accountant – Interim

7.1 The Council has allocated Community Infrastructure Levy (CIL) to support the refurbishment and conversion of the Leys Park Pavilion, Ballards Road, Dagenham, for use by the Box Up Crime project.

7.2 Approved capital programme of 2021/22 has £233,000 remaining within box up crime project for this contract. Proposed contract requires additional budget allocation of £327,000 which will be adopted as part of next capital budget monitoring.

7.3 Estimated cost of this procurement is £560,000 which will be wholly funded from CIL allocation to this project.

8. Legal Implications

Implications completed by: Kayleigh Eaton, Senior Contracts and Procurement Solicitor, Law & Governance

8.1 This report is seeking approval for the procurement of a contract to undertake building works at Leys Park Pavilion in Dagenham.

8.2 This report states that the value of the contract over the contract period will be approximately £560,000 which is below the threshold for works contracts. This means that there is no legal requirement to advertise the contract in Find a Tender. Nevertheless, the report author is intending to procure this work through a single stage open tender process. This satisfies the requirements of the Council's Contract

Rules and also the principles of equal treatment of bidders, non-discrimination and transparency.

- 8.3 Any procurement carried out must comply with the Council's Contract Rules. Section 2.5 states that an open tender process has been proposed, advertising the opportunity on the Council's e-procurement portal. A contract of this value must also be advertised on Contracts Finder too. The use of this method satisfies the requirement to carry out a competitive tendering exercise as required under the Council's Contract Rule 28.5.
- 8.4 Contract Rule 28.8 of the Council's Contract Rules requires that all procurements of contracts above £500,000 in value must be submitted to Cabinet for approval.
- 8.5 In line with Contract Rule 50.15, Cabinet can indicate whether it is content for the Chief Officer to award the contracts following the procurement process with the approval of Corporate Finance.
- 8.6 The legal team will be on hand to assist and advise as required

9. Other Implications

- 9.1 **Risk and Risk Management** - This project will be project managed by 'Be First'. The procurement strategy is designed to ensure that the project is successfully delivered within budget, to the required programme and to deliver that meets Box Ups requirements. A detailed risk and issues strategy will be developed by the project team as works progress. A CDM Principal Designer has already been appointed.
- 9.2 **Corporate Policy and Equality Impact** - The newly created gym will create improved gym facilities within the borough intended to serve disadvantaged young people and steer them away from crime. An Equalities Impact Needs screening assessment has been prepared to cover the procurement.
- 9.3 **Property / Asset Issues** - The works will reduce the backlog of maintenance to the council's property portfolio. Heads of terms have been agreed with Box Up for a twenty-year lease on a full repairing and insuring basis. Box Up will be responsible for all outgoings, maintenance, repairs inclusive utilities costs once the lease is signed, transferring the long-term responsibility for the building onto Box Up. Whilst also generating a modest rental income. Additionally, the project will bring an under used Council asset back into a more productive use by the community.

Public Background Papers Used in the Preparation of the Report:

Cabinet Report, Dated 15/10/2019 "Allocation of Community Infrastructure Levy to Strategic Projects"

<https://modgov.lbbd.gov.uk/Internet/ieListDocuments.aspx?CId=180&MIId=10417&Ver=4>

List of appendices: None

CABINET**19 April 2022**

Title: Procurement of Electrical Testing Services	
Report of the Cabinet Member for Community Leadership and Engagement	
Open Report	For Decision
Wards Affected: All	Key Decision: No
Report Author: Henry Okolieh - Interim Senior Contracts & Procurement Manager (My Place)	Contact Details: Tel: E-mail:hokolieh@lbbd.gov.uk
Accountable Director: Leona Menville, Director of Homes and Assets, My Place	
Accountable Strategic Leadership Director: Lisa Keating, Strategic Director, My Place	
Summary	
<p>This report seeks approval to source suitably qualified contractors from the ESPO Framework Agreement Ref: 306_19; Lot 2 - Fixed Installation Testing (FIT) to undertake electrical testing on over 17,599 domestic dwellings and 953 communal areas over a maximum five-year contract period. The contract is estimated to have a value of £6.329m over the five-year period and an annual value of £1.268m.</p>	
Recommendation(s)	
<p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Agree that the Council proceeds with the procurement to source suitably qualified contractors through a mini-competition exercise via the ESPO Framework Agreement Ref: 306_19; Lot 2 - Fixed Installation Testing (FIT) to provide electrical testing services, in accordance with the strategy set out in the report; and (ii) Authorise the Strategic Director, My Place, in consultation with the Strategic Director, Law and Governance, to conduct the procurement and award and enter into the contract(s) and all other necessary or ancillary agreements with the successful bidder(s), in accordance with the strategy set out in the report. 	
Reason(s)	
<p>To assist the Council in meeting its statutory duties in respect of electrical testing of Council dwellings and communal areas.</p>	

1. Introduction and Background

- 1.1 The Council has an obligation to undertake electrical testing to its domestic dwellings and communal areas and the intention is to deliver a borough-wide five-year electrical testing programme, which is the required standard of the regulations.
- 1.2 The electrical testing programme will cover domestic properties and communal areas. Within the scope for the domestic testing, contractors will be required to complete a full electrical test and visual inspection of the installation and accessories. Issues that are found would fall into the following categories:
- A Code 1 (C1) observation means '**Danger present. Risk of injury. Immediate remedial action required.**'
 - A Code 2 (C2) is not as severe as a C1 but is still a potentially dangerous defect. It may not pose an immediate threat but is likely to become a danger in the future. A C2 is described as '**Potentially dangerous – urgent remedial action required**';
 - An observation code **FI** is described as '**Further investigation required.** '
 - A Code 3 (C3) observation is described as '**Improvement recommended**'.
- 1.3 In order to achieve compliance with electrical safety regulations, the Council must address all **C1**, **C2** and **FI** faults and any Code 3 remedial items identified. Also required is a complete survey of the internal Domestic Fire System and test / check including making recommendations, as necessary. An Electrical Installation Condition Report (EICR) will be required and contractors will be expected to upload all documents on to the Council's database.
- 1.4 The remit for the Electrical Testing to the Communal areas will include testing and inspection of all final circuits from the Landlords Panels/Switchgear/Distribution Boards and lighting, as well as a visual inspection of the installation and accessories. An EICR will be required and upload to the Council's database.
- 1.5 In addition to the above, an electrical survey of the mains arrangements including the Service Head Laterals and Risers and associated switchgear will need to be completed. This will also include a Thermographic Survey of the system. The contractors will be expected to provide the Council with a report and executive summary of the installation with recommendations and comments in respect to location, age, condition with photographic evidence and an estimate of cost to repair/replace equipment and cabling as necessary.
- 1.6 It is officers' view that the delivery of this model can be safely achieved using two suppliers, with the work divided geographically across the Barking and Dagenham area. Awarding to two suppliers will give the Council the safety net should there be issues with one of the suppliers.
- 1.7 At present, there are 17,599 domestic dwellings to be tested over a five-year programme. Therefore, on average each contractor would be expected to assess 1,760 properties per annum or 34 per week, which is considered to be a manageable level in addition to the testing and remedial works of the communal areas.

1.8 Discussions took place with BDMS regarding this work. However, BDMS declined due to resourcing issues.

2. Proposed Procurement Strategy

2.1 Outline specification of the works, goods or services being procured

2.1.1 The scope is to deliver a borough wide five-year electrical testing programme (which is the required standard of the regulation) of the Council's domestic properties and communal areas within buildings.

2.1.2 Within the scope for the Domestic testing, contractors will be required to complete a full electrical test and visual inspection of the installation and accessories.

2.1.3 All Code 1,2 and FI's are to be cleared and any Code 3 remedial items identified. Also required is a complete survey of the internal Domestic Fire System and test / check including making recommendations, as necessary. An EICR will be required, and contractors will be expected to upload these onto our data base system.

2.2 Estimated Contract Value, including the value of any uplift or extension period

2.2.1 The contract has an annual value of c£1.268m and a total value of c£6.329m over the full five years.

2.3 Duration of the contract, including any options for extension

2.3.1 The works will be undertaken across a five-year rolling programme. The contract will be awarded to the successful supplier for an initial period of two years with options to extend for a further 2+1 years, subject to satisfactory performance.

2.3.2 The indicative timetable for the procurement is as follows:

Issue Mini Competition	22 April 2022
Deadline for responses to Further Competition	23 May 2022
Evaluate Further Competition	24 May - 10th June 2022
Stand-Still Period	13th – 23rd June 2022
Issue Successful Suppliers Award Letters	July 2022
Award Contracts: - Contract Signing by both parties and sealing etc	July 2022
Mobilise Contract (Approx. 4 weeks)	August 2022
Contract Commencement	September 2022

2.4 Recommended procurement procedure and reasons for the recommendation

2.4.1 ESPO Framework Agreement Ref: 306_19; Lot 2 - Fixed Installation Testing (FIT) via a mini-competition.

2.4.2 The list of suppliers under this Framework all cover London or are UK wide:

- Calbarrie Compliance Services Ltd
- Circuit Electrical Testing Limited

- The Elec Group Limited
- Electrical Compliance & Safety Ltd
- Electrical Installation and Appliance Testing -
- Facit Testing Ltd
- Lantei Ltd
- Norwood Electrical UK Ltd
- phs Compliance
- Project Solver Ltd
- PTSG Electrical Services Ltd
- SS Testing Ltd
- UK Test Ltd
- Veriserv

2.4.3 All Suppliers under this framework are:

- Qualified electricians who have experience of test and inspection and are trained and qualified specifically in electrical circuitry inspecting.
- Trained in accordance with the IEE Wiring Regulations 17th Edition BS BS7671:2008 (Incorporating Guidance note 3).
- Experienced in accordance with the above British Standard and are therefore NICEIC or ECA accredited.
- Familiar with the test instruments used and in particular their limitations and restrictions so as to achieve repeatable results without damaging equipment or appliances.
- Understand appropriate intervals for re-inspecting and re-testing and can interpret test results and take appropriate action.
- Fully DPS checked and approved

2.5 **The contract delivery methodology and documentation to be adopted**

2.5.1 The ESPO Terms and Conditions form of contract will be used as this is the stipulated terms and condition mandated for all utilising this framework agreement.

2.6 **Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract**

2.6.1 The potential for Value for Money (VfM) is significant based on the tender criterion and weighting's structure allowed through the mini-competition process. These will further encourage potential suppliers to propose an enhanced pricing structure with value at its core.

2.7 **Criteria against which the tenderers are to be selected and contract is to be awarded**

2.7.1 The original ESPO Framework tender was 60/40 price/quality. Confirmation has been received from ESPO that it is permissible to apply the following criteria for the mini-competition as follows, in order to satisfy the Council's requirements:

- Price 60%
- Quality 30%
- Social Value 10%

2.8 How the procurement will address and implement the Council's Social Value policies

2.8.1 The tender documentation will include questions on social value and localism issues as part of the award criteria.

3. Options Appraisal

3.1 Option 1 (Rejected) – Standalone Compliant tender – rejected, due to lack of resources, too little time, too costly.

3.2 Option 2 (Rejected) – Do Nothing – The Council may also continue to carry out this required mandatory service on an ad-hoc bases given the volatile conditions.

3.3 Option 3 (Recommendation) – Using the identified compliant ESPO Framework Agreement Ref: 306_19; Lot 2 - Fixed Installation Testing (FIT) to source suitably qualified contractors through a mini-competition exercise given that all the suppliers on this framework are suitably qualified for the required service and have been awarded following a compliant competitive procurement process.

4. Waiver

4.1 Not applicable.

5. Consultation

5.1 The proposals in this report were endorsed by the Procurement Board on 6 April 2022.

6. Corporate Procurement

Implications completed by: Sam Woolvett, Corporate Procurement

6.1 By utilising a compliant framework this approach complies with the Public Contracts Regulations 2015 and the Council's Contract Rules.

6.2 The mini-competition will be run through the Council's e-tendering portal Bravo and managed by My Place compliance team.

7. Financial Implications

Implications completed by: Joel Gandy, Finance Business Partner

7.1 This report sets out a 5-year rolling annual electrical testing and survey programme estimated to cost £1.266m per annum across the Councils Social Housing Portfolio. The recommendation is to carry out a mini-competition from the ESPO Framework Agreement to award a contract split between 2 contractors on a 2yr+2yr+1yr basis. Therefore, the total contract value is approximately £6.3m with optional extension periods included. For the avoidance of doubt, this does not cover Reside properties.

- 7.2 As Landlord for the Social Housing Stock, testing and surveying of this nature is mandatory for the Council, and it is a requirement of this contract for the contractors to provide appropriate certificates and reports into the status of the electrical mains and related hardware.
- 7.3 It is from these activities, that the Council will potentially identify further financial commitments, on its mechanical and electrical compliance assets. The Landlord needs to address all C1, C2 and FI faults in order to achieve compliance with electrical safety regulations. The cost of putting right any of these fault types, should they be identified, is not included in this contract.
- 7.4 As this activity relates to Social Housing Stock, this expenditure falls ultimately under the Housing Revenue Account (HRA). There are a series of annual budgets that currently exist that can support this contract activity:
- (i) Quality & Compliance - £712,000 (HRA only): This budget covers electrical testing but also other compliance requirements such as Asbestos surveys and Fire Risk Assessments.
 - (ii) Mechanical & Electrical Compliance - £1.4m: This is generally for repairs identified from the testing but can also be used for this contract in the first instance.
- 7.5 Whilst the above is over the annual estimate for the contract, it is not exclusive to it. Therefore, the service will need to monitor the outcomes from the contract and aim to mitigate any pressures forthcoming from the combined activities of testing and repairs. Recommendations from the testing may require Capital investment for which there is a £5.8m per annum allocation for Compliance and Communal works as part of the HRA Stock Investment Programme for the period 2022/23 – 2025/26.
- 7.6 It is also worth noting, that over the course of the coming five-year period, there are expected changes in legislation. Notably, the Building Safety Bill due to become law later this year, which will establish a new Building Safety Regulator (BSR) to oversee building owners of high-rise buildings carrying out their building safety responsibilities. In addition, there is also the Social Housing Regulation Bill expected after the White Paper was published in 2020 which looks to strengthen the powers of the Regulator for Social Housing (RSH).

8. Legal Implications

Implications completed by: Kayleigh Eaton, Solicitor – Contracts and Procurement, Law, and Governance.

- 8.1 This report seeks approval of Cabinet to agree the procurement strategy proposed in the report for the appointment of two suitable and qualified Contractors via the ESPO Framework Agreement for the provision of remedial electrical and fire alarm inspection works and services within the Council's housing stock as outlined in the body of the report.
- 8.2 A procurement of this nature and value is subject to the requirements for a full competitive tender exercise in accordance with the Public Contracts Regulations 2015 ("the Regulations") and the Council's Contract Rules.

- 8.3 Procuring the services and work via an established, compliant framework agreement meets the requirements of the Regulations and the Council's contract rules, provided that the proposed Framework Agreement permits the Council to procure via that Framework Agreement.
- 8.4 The Framework proposed in this report does permit the Council to procure via it, as it specifically permits all UK public sector bodies to procure services using its Framework terms and conditions.
- 8.5 Therefore, if Cabinet agrees with the recommendations set out in this report, then the proposed procurement route is legally compliant.

9. Other Implications

9.1 Risk and Risk Management

- 9.1.1 **Risk** - Risk of allowing testing certificates to expire with no retesting solution in place would have major legal and health safety, and compliance ramifications.
Mitigation – Appoint suppliers that have been vetted and confirmed to have the expertise through a framework like ESPO framework will allow the council to put in place a compliant contract with the required testing certificates before the expiry date of our current testing certificate.
- 9.1.2 **Risk**- The success of this project will depend on the access that is provided to enter the domestic properties to complete the testing.
Mitigation - This will be mitigated by communicating with the resident via the phone, email and letter and engage with them at the preliminary stages to understand their needs in respect to appointment times and to allow for a more fluid process.
- 9.2 **TUPE, other staffing and trade union implications** – No implications.
- 9.3 **Corporate Policy and Equality Impact** - As a Local Authority, LBBD are mandated to continue to provide and deliver an on-going borough wide Electrical testing of its Domestic and Landlords Services within the Communal areas of our buildings to ensure we meet our regulatory duties. Not to do so could be a health & safety risk. This report sets out the approach to appointing contractors to deliver this service. There are no known or perceived disproportionate impacts on residents with protected characteristics, and as such, an Equality Impact Assessment is not required at this time.
- 9.4 **Property / Asset Issues** - The Regulations state that electrical installations should be tested periodically ensure that the systems are safe. This applies to both the domestic installation and the communal installation. The scope of works is to negate the risk arising from dangerous or unsafe electrical installation.

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

List of appendices: None

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CABINET

19 April 2022

Title: Procurement of CCTV Upgrade and Maintenance Services	
Report of the Cabinet Member for Enforcement and Community Safety	
Open Report	For Decision
Wards Affected: All	Key Decision: No
Report Author: Jonathan Woodhams, Community Safety Operations Manager	Contact Details: Tel: 07973665022 Email: Jonathan.woodhams@lbbd.gov.uk
Accountable Director: Andy Opie, Operational Director, Enforcement and Community Safety	
Accountable Strategic Leadership Director: Fiona Taylor, Interim Chief Executive and Strategic Director, Law and Governance	
<p>Summary:</p> <p>The Council requires a contractor to upgrade its surveillance system, procure and install new digital cameras and maintain the surveillance system and alarm monitoring across Barking and Dagenham.</p> <p>An audit of CCTV provision in the Borough was completed in 2021 and a report on the findings contained a number of recommendations. This included ensuring that the Council will be compliant with new regulations set out by the Surveillance Commissioner. The report also recommended that a review of the control room was undertaken to identify any immediate improvements required to the system. This report sets out the necessity for a contract to procure surveillance equipment, install and maintain our surveillance system, the costs, and the options.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Agree that the Council proceeds with the procurement of a contract for a supplier for CCTV upgrade, equipment procurement and maintenance services in accordance with the strategy set out in the report; and (ii) Authorise the Operational Director, Enforcement and Community Safety, in consultation with the Cabinet Member for Enforcement Community Safety and the Strategic Director, Law and Governance, to conduct the procurement and award and enter into the contract and all other necessary or ancillary agreements with the successful bidder, in accordance with the strategy set out in the report. 	

Reason(s)

To assist in the Council priority of a Well-Run Organisation and its Corporate Objective of reducing crime and fear and to reduce the risk of financial outlay due to damage to Council owned property

1. Introduction and Background

- 1.1. This report sets out the strategy for the procurement of a supplier to upgrade the cameras and transmission equipment, which have come to the end of their serviceable life and are no longer fit-for-purpose. Also, for the supplier to provide CCTV maintenance services for both the whole of the CCTV service, whether existing equipment or upgraded under this contract. It considers the options for the procurement of a supplier and the commercial aspects of and budgets associated with the contract.

2. Proposed Procurement Strategy

2.1 Outline specification of the works, goods or services being procured

- 2.1.1 The Council's CCTV cameras surveil the town centres, Council housing stock, corporate assets, Council offices and public areas with historically high levels of crime and anti-social behaviour. There are 111 cameras surveilling public areas and around 16 CCTV systems on Council housing blocks. The cameras installed in the streets are used jointly by the Community Safety Service for crime reduction and by the Parking Service for enforcement of contraventions in the highway. The systems are managed and operated at the secure control room at Barking Town Hall, which is staffed 24-hours a day, 365 days a year.
- 2.1.2 The supplier is to be responsible for the supply and installation of equipment to replace the existing public space CCTV cameras, transmission and network equipment that were installed up to twenty years ago which have deteriorated over time and are no longer fit-for-purpose. Remote systems installed at London Road car park and the Council owned blocks that are operated at the control room are similarly worn-out and require replacement. The supplier will be responsible for the maintenance of the public space, housing and car park systems and for the supply and installation or replacement of further cameras and systems through the duration of the contract.

Public space systems

- 2.1.3 It is proposed to replace the analogue CCTV cameras with new, digital cameras and to create a wireless transmission network that will, where possible, replace leased fibre circuits that connect the cameras to the control room, currently. This will have the added benefit of future-proofing the system as analogue equipment is no longer available nor supported by its manufacturers. The supplier will also be responsible for the supply, installation, and commissioning of the new equipment during the course of the contract.
- 2.1.4 The CCTV systems and control room are repaired and maintained by Access and Lock, currently. This arrangement completes in June 2022, following which an interim arrangement will be put in place which will ensure that a maintenance

service is in place between June and when this contract commences, towards the end of this year. This interim contract will be let as a direct award by the Director of Enforcement.

Council Housing Stock (SAMS) and car park systems

2.1.5 The control room manages and operates CCTV systems installed on 16 Council housing blocks (previously referred to as Security And Monitoring Service or SAMS). All of the cameras are analogue and, excepting a small number of Pan Tilt and Zoom (PTZ) cameras, the cameras are fixed focus/ static. All cameras are recorded on video recorders installed in secure equipment rooms, locally, and are operated by a dedicated workstation in the control room. The majority of local recorders have been upgraded recently, but a small number of out-of-date recorders remain.

Car park and premises management systems

2.1.6 Similarly to the council housing stock (SAMS) systems, the control room operates CCTV cameras installed at two Council car parks. All the cameras are analogue and, excepting a small number of Pan Tilt and Zoom (PTZ) cameras, the cameras are fixed focus/ static. All cameras are recorded on video recorders installed in secure equipment at the car park. The equipment at the London Road car park is no longer fit for purpose and should be replaced.

2.1.7 The control room operates CCTV systems at about 70 Council premises, that consist of corporate sites, lift rooms and schools. All these systems are recorded locally but are connected to the control room for operation and the download of recorded images.

2.1.8 CCTV systems have been installed at a further 36 premises that consist of corporate sites, lift rooms and schools, these are stand-alone systems that are not connected to the control room but are managed by the CCTV service.

Upgrade of the CCTV equipment

2.1.9 Of the 111 PTZ (pan, tilt and zoom) and static (fixed focus) cameras in the public space system, 91 PTZ cameras will be replaced, 17 will be retained; the remaining 3 have been decommissioned because of development and are not to be brought back into service due to the location.

2.1.10 A wireless transmission network has been designed which will connect and replace many of leased fibre connections between the cameras and the control room. Digital wireless surveillance equipment requires line-of-sight transmission paths to be able to operate, in a small number of exceptional cases line of sight transmission is not physically possible. Where this is the case, we will connect this small number of cameras locally via digital transmission and use a single digital leased fibre circuit to connect them to the control room.

2.1.11 The wireless network will have redundancy/ business continuity contingency built-in, so if one major link to the control room fails, an alternative path will be available to make the connection to the control room and the system remain operable. Where digital wireless transmission equipment has been installed already, then these will

be incorporated into the redesigned network and system. This will reduce the Council's annual expenditure on leased fibre circuits.

2.1.12 The design of the wireless network around the Gascoigne regeneration scheme will be completed once it is clearer how the building works will affect the options for wireless transmission. We are in constant consultation and dialogue with Be First to progress this work.

2.1.13 The Council Housing Stock (SAMS) will be upgraded during the contract. Here, the analogue cameras will be replaced with digital cameras, which will improve the quality of the images and public safety.

2.1.14 The London Road car park systems will be upgraded during the contract. Here, the analogue cameras will be replaced with digital cameras, which will improve the quality of the images and public safety.

2.1.15 Once this work is completed, the quality of the images transmitted will meet operational standards and requirements and the transmission and recording equipment will be serviceable into the future. The control room operators will be able to respond immediately to incidents they are notified of, to pan and zoom the cameras on to incidents to both assist the police and emergency services on the ground and produce high quality CCTV images that can be used evidentially for the investigation and prosecution of offences. The digital wireless infrastructure will also make the surveillance system more malleable to move our public space cameras to different locations as intelligence and requirements dictate.

Maintenance services

2.1.16 This contract will allow for emergency repair and maintenance services for all CCTV systems included in the contract. These include the public space CCTV system, wireless transmission circuits, CCTV control room equipment, and CCTV systems installed on housing stock (SAMS) systems, Council-owned car parks and premises. It will also allow for the installation of further cameras and equipment should the need arise.

2.2 Estimated Contract Value, including the value of any uplift or extension period

2.2.1 £4m in total. Approximately £1.5m is estimated for the upgrade project of the CCTV service including public space systems, new cameras, wireless transmitters, other equipment, and the relocation of the control room. £1m is being funded from the parking reserves which has been identified and approved by CSG and Assurance Group, a further £0.5m from the parking reserves has been identified and approval will be sought from CPG. £300k is the estimated cost of the CCTV maintenance of the equipment and spare parts over the six-year maximum duration of the contract, £50k per annum allowance which is currently being paid from the CCTV budget. £175k is the London Road car parks upgrade systems which will be funded by parking services, and the remainder has been estimated to allow for future growth and new developments over the six-year contract term. This could include works in housing blocks for My Place, Befirst and Reside, for the refurbishment of and installation of premises systems. New on-street and relocatable cameras.

Item	Capital	Revenue
CCTV upgrade and relocation of CCTV control room	1,500,000	
Upgrade of London Road car park	175,000	
Upgrade of housing block systems and refurbishment and installation of premises systems	2,000,000	
Maintenance of system		300,000
Total	3,675,000	300000

Year	Annual spend		Notes
	Capital	Revenue	
2022/23	100,000	50,000	
2022/24	1,400,000	50,000	Upgrade of public space systems and relocation of control room
2022/25	475,000	50,000	Car park, housing blocks, upgrade final items
2022/26	300,000	50,000	Housing blocks
2022/27	700,000	50,000	Premises and other installations
2022/28	700,000	50,000	Premises and other installations
Total	3,675,000	300,000	

2.3 Duration of the contract, including any options for extension

2.3.1 Initial four-year contract with options to extend for a further 1+1 years.

2.4 Is the contract subject to (a) Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?

2.4.1 Yes, the contract is for services and not subject to the light touch regime.

2.5 Recommended procurement procedure and reasons for the recommendation

2.5.1 It is recommended that an open procedure is used for the procurement of these services.

2.5.2 There are four framework contracts relevant to the supply of CCTV services of the type to be procured here: ESPO 628, Security and Surveillance Equipment / Services; YPO 879 Building Support Services, CCS 6089 Technical Security, and KCS Y21004, CCTV and Access Solutions.

2.5.3 There are several suppliers listed on the four frameworks but none include all of the major public space CCTV suppliers who work in London, currently, and who the Council might encourage to tender for these services.

2.5.4 In view of this and to ensure that all the major suppliers have the opportunity to tender for the services and that, therefore, the Council receives value-for-money, it is recommended that an open procedure is followed in accordance with the Public Contracts Regulations 2015.

2.5.5 A Contract notice will be placed in FTS and Contracts Finder as well as being placed on LBBB's e-procurement portal Bravo and on LBBB's website.

2.6 The contract delivery methodology and documentation to be adopted

2.6.1 LBBB's terms and conditions will be used. The successful contractor will be required to maintain a full electronic set of information on the goods/services provided to the Council. This data will be accessible to LBBB officers in the form of Management Information when requested.

2.6.2 The contract will allow for both the upgrade of the public space cameras and network, the installation of new cameras, the relocation of the control room to new and more suitable accommodation in Barking Town Hall, the upgrade of the systems installed in the housing blocks, car parks and other Council premises and for relocatable cameras to surveil emerging crime and antisocial behaviour hotspots. Also, for the repair and maintenance of all of these systems.

2.6.3 The financial split in the contract cost is 85% for upgrade and installation and 15% for repair and maintenance.

2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract

2.7.1 The replacement of 33 leased fibre circuits with wireless transmission will result in a saving of £123,750 for converting from analogue to IP and a reduction in the annual fees of approximately £18,161pa or £108,967 over the six years of the contract term; that is £232,717 in total.

2.7.2 The cameras that are to be replaced are beyond their serviceable lives, the images that they produce are insufficient and must be replaced as soon as possible. The new camera units will have a 3-year manufacturer's warranty but, it is reasonable to expect them to be serviceable for 7 to 10 years. The wireless equipment has no moving parts and experience shows that they should be serviceable for rather longer, 15 years or longer, perhaps.

2.7.3 The maintenance services will have a series of key performance standards, which the supplier will be required to respond to faults that affect the operation of the system. Of note, the supplier will be required to respond to major faults within the control room within 4 hours, which is common for public space control rooms in urban environments like Barking.

2.8 Criteria against which the tenderers are to be selected and contract is to be awarded

2.8.1 Quality 45%, Social Value 10%, Price 45%

2.9 **How the procurement will address and implement the Council's Social Value policies**

2.9.1 This will contribute to the Council's Public Services (Social Value) Act 2012 as 10% of the tenderers scoring will be marked against the successful contractors' commitments in working with the Council to meet Borough Manifesto goals in relation to **Investment in Local People, Investment in Local Economy, Where Everyone Feels Safe and is Safe and to combat Neighbourhood Crime**. Any commitments made by the supplier will be monitored throughout the contract as part of the general contract management to ensure these commitments are delivered within the agreed timeframes.

2.10 **Contract Management methodology to be adopted**

2.10.1 The contract will be managed by the Council's CCTV Manager, who will have day-to-day contact with the supplier. The installation works will be managed as a project with the Supplier reporting weekly against works packages and targets shown in the programme of works submitted in its tender and as agreed with the CCTV Manager at the commencement of the works. Any variation in this programme will have to be requested by the supplier and agreed by the CCTV Manager

3. **Options Appraisal**

3.1 Option 1 - ESPO 628, Security and Surveillance Equipment / Services; - rejected as the framework has a broad range of services and suppliers, five of whom are involved in public space CCTV but only three of which operate in or around London.

3.2 Option 2 - KCS Y21004, CCTV and Access Solutions. – rejected as it has a similarly broad range as the ESPO framework, four of whom are involved in public space CCTV but only three of which operate in or around London.

3.3 Option 3 - YPO 879 Building Support Services – rejected as the framework focuses on facilities management suppliers and only one of which provides public space CCTV installation and maintenance services, but the company is based In the North of England and does not operate in London.

3.4 Option 4 - CCS 6089 Technical Security – rejected as the framework has 11 suppliers, three of which focus on defence contracts. A further four suppliers have public space CCTV divisions but none of these operate in London.

3.5 There is some overlap of the four frameworks, but none include all of the major public space CCTV suppliers who work in London, currently, and the Council might encourage to tender for these services.

3.6 Therefore, the preferred option is to procure via Open tender as none of the four frameworks mentioned include the major public space CCTV suppliers who currently operate in London.

4. **Waiver**

4.1 Not applicable.

5. Consultation

- 5.1 The proposals in this report were considered and endorsed by the Procurement Board at its meeting on 21 March 2022.
- 5.2 The proposals in this report were considered and endorsed by the Procurement Board at its meeting on 21 March 2022

6. Corporate Procurement

Implications completed by Sam Woolvett, Category Manager

- 6.1 A full open tender process is likely to yield the best value for money for this requirement and is suitable for this level of spend.
- 6.2 This approach complies with LBBD's Contract Rules. As the value of this procurement exceeds the threshold for services under the Public Contracts Regulations 2015 (the Regulations), an FTS and Contracts Finder notice will be placed, timelines and the standstill periods will be adhered to.
- 6.3 Corporate Procurement will be managing the tender process for this contract.

7. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

- 7.1 An open tender provides opportunity for efficient and cost-effective procurement through economies of scale.
- 7.2 Approximately £1.5m is estimated for the upgrade project of the CCTV service including public space systems, new cameras, wireless transmitters, other equipment and the relocation of the control room.
- 7.3 This will be funded from the parking reserves. c£1m was transferred to reserve in 2020/21 which has been identified and approved by CSG and Assurance Group. A further £5.9m will be transferred to parking reserve in 2021/22. It is proposed £0.5m is to be used to support the upgrade project. Approval will be sought from CPG. This will provide a total of £1.5m for the Upgrade Project.
- 7.4 The proposed use of parking surplus complies with Section 55 of the Road Traffic Regulation Act, 1984.
- 7.5 £300k is the estimated cost of the CCTV maintenance of the equipment and spare parts over the 6-year maximum duration of the contract. This will be contained within the CCTV & Security budget and any overspill will be contained within the outturn forecast.
- 7.6 £175k is the estimated cost of London Road car parks upgrade systems which will be funded by Parking Services and any overspill will be contained within the outturn forecast.

- 7.7 The contract value of £4m allows for future growth and new developments over the life of the contract. However, any further spend on the contract will require confirmation of budget availability.

8. Legal Implications

Implications completed by: Kayleigh Eaton, Senior Contracts and Procurement Solicitor, Law & Governance

- 8.1 This report is seeking approval to procure a supplier for CCTV upgrade and maintenance services.
- 8.2 It is anticipated that the estimated value of the contract is in excess of the threshold for goods and services under the Public Contracts Regulations 2015 (the Regulations) and therefore a competitive tendering process will be required, which will be subject to the full application of the Regulations.
- 8.3 Clause 2.5 of this report states that an Open tender excise will be carried out in compliance with the Regulations. This will therefore be following a compliant tender process as required by law and also the Council's Contract Rules.
- 8.4 Contract Rule 28.8 of the Council's Contract Rules requires that all procurements of contracts above £500,000 in value must be submitted to Cabinet for approval.
- 8.5 In line with Contract Rule 50.15, Cabinet can indicate whether it is content for the Chief Officer to award the contracts following the procurement process with the approval of Corporate Finance.
- 8.6 The legal team will be on hand to assist and advise as required.

9. Other Implications

- 9.1 **Risk and Risk Management** – Without awarding this contract and implementing these works the surveillance service will become inoperable and no longer able to provide the prevention and detection of crime, protection of Council assets, community safety and enforce parking regulation. The risk whilst these works are carried out is that parts of the service and not operable whilst being replaced/ upgraded. To mitigate this risk the works will be done in coordinated stages so that there is always adequate cover for any given area or service.
- 9.2 **TUPE, other staffing and trade union implications** – Not applicable
- 9.3 **Corporate Policy and Equality Impact** – There are no negative equality impacts for groups with protected characteristics, under the equality Act 2010, associated with the approval of the procurement strategy outlined in this report. We have completed an EIA screening tool and there are no perceived negative impacts although it does highlight the positive impacts. This work will assist the Corporate Plan to deliver its ambition of Where Everyone Feels Safe and is Safe and to combat Neighbourhood Crime.
- 9.4 **Safeguarding Adults and Children** – This contract would assist the Council in ensuring the safety and wellbeing of children and vulnerable adults engaging with

our services such as YOS and Children's Services where high risk meetings and family contacts are held by maintaining security surveillance systems at Council buildings ensuring they are operational. It will also assist the Council to ensure security of children and vulnerable adults residing in Council provided accommodation such as hostels and sheltered sites. Further the surveillance will help protect children and adults from crime and exploitation in the public space and assist with Contextual Safeguarding.

- 9.5 **Health Issues** – To maintain our surveillance service assists in Health and Safety by providing prevention and detection of crime for all residents, staff, businesses, and visitors to LBBB, including violence and serious risk of harm.
- 9.6 **Crime and Disorder Issues** - The Council requires a contractor to deliver CCTV upgrade and maintenance services across Barking and Dagenham to assist in the Council priority of a Well-Run Organisation and its Corporate plan to deliver its ambition of Where Everyone Feels Safe and is Safe and to combat Neighbourhood Crime by providing the prevention and detection of crime and anti-social behaviour.
- 9.7 **Property / Asset Issues** - The Council requires a contractor to deliver CCTV upgrade and maintenance services across Barking and Dagenham to assist in the Council priority of a Well-Run Organisation and its Corporate Objective to reduce the risk of financial outlay due to prevention of damage to Council owned property either inhabited or void.

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

List of appendices: None

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