

Notice of Meeting of the

ASSEMBLY

**to be held on Wednesday, 27 July 2022
commencing at 7:00 pm in the
Council Chamber, Town Hall, Barking**



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

Date of publication: 19th July 2022

Fiona Taylor
Acting Chief Executive

Contact Officer: Leanna McPherson
Tel: 020 8227 2852
E-mail: leanna.mcpherson@lbbd.gov.uk

Please note that this meeting will be webcast via the Council's website. Members of the public wishing to attend the meeting in person can sit in the public gallery on the second floor of the Town Hall, which is not covered by the webcast cameras. To view the webcast online, 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 25 May 2022 (Pages 3 - 10)

4. Minutes of Sub-Committees - To receive the minutes of the JNC Appointments, Salaries and Structures Panel held on 4 July 2022 (Pages 11 - 12)

5. Leader's Statement

The Leader will present his statement.

6. Appointments

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

7. Treasury Management Annual Report 2021/22 (Pages 13 - 41)

8. Appointment of Parent Governor (Primary) and Church Representative (Church of England) Co-optees to the Overview and Scrutiny Committee (Pages 43 - 44)

9. Appointment of Statutory Scrutiny Officer (Pages 45 - 46)

10. The Localism Act 2011 - Appointment of Independent Persons (Pages 47 - 51)

11. Motions

12. Questions With Notice

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

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

Private Business

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

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

Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND

Our Priorities

Participation and Engagement

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

Prevention, Independence and Resilience

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

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

Inclusive Growth

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

Well Run Organisation

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

MINUTES OF ASSEMBLY

Wednesday, 25 May 2022
(7:02 - 7:34 pm)

PRESENT

Cllr Irma Freeborn (Chair)
Cllr Tony Ramsay (Deputy Chair)

Cllr Dorothy Akwaboah	Cllr Saima Ashraf	Cllr Princess Bright
Cllr Sade Bright	Cllr Josie Channer	Cllr Faruk Choudhury
Cllr Nashitha Choudhury	Cllr Muhib Chowdhury	Cllr Alison Cormack
Cllr John Dulwich	Cllr Edna Fergus	Cllr Cameron Geddes
Cllr Syed Ghani	Cllr Rocky Gill	Cllr Kashif Haroon
Cllr Victoria Hornby	Cllr Manzoor Hussain	Cllr Jane Jones
Cllr Elizabeth Kangethe	Cllr Donna Lumsden	Cllr Olawale Martins
Cllr Giasuddin Miah	Cllr Margaret Mullane	Cllr Fatuma Nalule
Cllr Adegboyega Oluwole	Cllr Glenda Paddle	Cllr Michel Pongo
Cllr Moin Quadri	Cllr Regina Rahman	Cllr Hardial Singh Rai
Cllr Chris Rice	Cllr Lynda Rice	Cllr Paul Robinson
Cllr Darren Rodwell	Cllr Emily Rodwell	Cllr Muhammad Saleem
Cllr Muazzam Sandhu	Cllr Dominic Twomey	Cllr Phil Waker
Cllr Maureen Worby	Cllr Mukhtar Yusuf	Cllr Sabbir Zamee

APOLOGIES FOR ABSENCE

Cllr Andrew Achilleos	Cllr Mohammed Khan	Cllr Simon Perry
Cllr Ingrid Robinson	Cllr Faraaz Shaukat	Cllr Jack Shaw
Cllr Lee Waker		

1. Appointment of Chair and Deputy Chair

The Acting Chief Executive opened the meeting and the Monitoring Officer invited nominations for the positions of Chair and Deputy Chair of the Assembly for the 2022/23 municipal year.

The Assembly **resolved** to appoint Councillors Freeborn and Ramsay as the Chair and Deputy Chair respectively.

As Councillor Freeborn was not present at the start of the meeting due to her attendance at the Queen's Garden Party earlier in the afternoon, Councillor Ramsay took the chair until Councillor Freeborn arrived.

2. Declaration of Members' Interests

There were no declarations of interest.

3. Minutes (2 March 2022)

The minutes of the meeting held on 2 March 2022 were confirmed as correct.

4. Formation of Groups

The Chief Executive announced the formation of the Labour Group, made up of all 51 members of the Council, for the purposes of the Local Government (Committees and Political Groups) Regulations 1990.

5. Election of Leader of the Council

The Acting Chief Executive invited and received nominations for the appointment of Leader of the Council.

The nomination was unopposed, and the Assembly **resolved** to appoint Councillor Darren Rodwell as Leader of the Council for a four-year term of office, to expire at the Annual Assembly meeting in May 2026.

6. Notification of Appointments by the Leader under the Council's Executive Arrangements

The Leader of the Council announced the following Cabinet appointments:

- **Councillor Dominic Twomey:** Deputy Leader and Cabinet Member for Finance, Growth and Core Services;
- **Councillor Saima Ashraf:** Deputy Leader and Cabinet Member for Community Leadership and Engagement;
- **Councillor Sade Bright:** Cabinet Member for Employment, Skills and Aspiration;
- **Councillor Cameron Geddes:** Cabinet Member for Regeneration and Economic Development;
- **Councillor Syed Ghani:** Cabinet Member for Enforcement and Community Safety;
- **Councillor Kashif Haroon:** Cabinet Member for Public Realm and Climate Change;
- **Councillor Elizabeth Kangethe:** Cabinet Member for Educational Attainment and School Improvement;
- **Councillor Jane Jones:** Cabinet Member for Children's Social Care and Disabilities;
- **Councillor Maureen Worby:** Cabinet Member for Adult Social Care and Health Integration; and
- **Councillor John Dulwich:** Deputy Cabinet Member for Performance and Data Insight.

7. Leader's Statement

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

- Reflections on the last four years and the achievements made by the Council over that time;

- The cost-of-living crisis and actions taken by the Council to help residents, including a Cost of Living Summit due to be held in June;
- The new Cabinet, who would be focusing on meeting the aspirations of those in the borough and working closely with partners to deliver objectives over the next four years; and
- The Queen's Platinum Jubilee, with four days of free events taking place in the borough.

8. Appointments to the Political Structure and Other Bodies 2022/23

The Acting Chief Executive introduced a report on appointments to the Political Structure and Other Bodies for the 2022/23 municipal year.

The nominations schedule was tabled at the meeting.

The Assembly **resolved** to:

- (i) Approve the appointments to various Council committees and other internal and external bodies as detailed in the schedule attached at Appendix 1 to these minutes; and
- (ii) Delegate authority to the Acting Chief Executive, in consultation with the Leader of the Council, to approve the appointment of councillors to fill any vacant positions prior to the next meeting of the Assembly on 27 July 2022.

9. Members' Allowances Scheme 2022/23

The Monitoring Officer presented a report on the Members' Allowances Scheme 2022/23.

The report proposed the first set of changes to the Members' Allowances Scheme in four years (i.e. since 2018). It was proposed that the Basic Allowance be increased to the level recommended by the London Councils Independent Remuneration Panel (LCIRP) in its recently published report for 2022 which, to all intents and purposes, represented an increase to the Basic Allowance equivalent to the local government staff pay awards since 2018.

With regard to Special Responsibility Allowances and particularly the roles of Leader, Deputy Leader, Cabinet Member and Chair of Overview and Scrutiny Committee, consideration was given to the levels recommended by the LCIRP in its 2022 report and officers also conducted a benchmarking exercise against other London Boroughs' schemes to provide a comparison (based on allowance levels in 2021/22). Stemming from that, although it was not proposed to increase SRAs to the LCIRP recommended levels due to the ongoing pressures on the Council's finances, the report did propose specific increases to some of those posts referred to above as well as an 'inflationary' increase to all SRAs, again equivalent to the local government staff pay awards since 2018.

As part of the evolution of the Council's governance arrangements, it was also proposed to create the new role of Deputy Cabinet Member from 2022/23 and the deletion of the role of Member Champion.

The Assembly **resolved** to:

- (i) Agree that the annual Basic Allowance paid to all councillors be increased to £12,014 for the 2022/23 municipal year, in line with the recommendation of the London Councils Independent Remuneration Panel;
- (ii) Agree the increases to Members' Special Responsibility Allowances for the 2022/23 municipal year, as detailed in the report;
- (iii) Agree the creation of up to three Deputy Cabinet Member posts from the 2022/23 municipal year and the deletion of the role of Member Champion;
and
- (iv) Adopt the Members' Allowances Scheme 2022/23 at Appendix A to the report, to be effective from 26 May 2022.

10. Motions

There were no motions.

11. Questions With Notice

There were no questions with notice.

Main Council Committees appointments – May 2022
(Appointments are for one year unless otherwise stated)

Committee	Appointments
Assembly	Councillor Freeborn (Chair) and Councillor Ramsay (Deputy Chair)
Audit and Standards Committee	Councillors P. Bright (Chair), Gill (Deputy Chair), Akwaboah, Channer, Hussain, Oluwole and Sandhu (one vacancy)
Health Scrutiny Committee	Councillors P. Robinson (Chair), Lumsden (Deputy Chair), Chowdhury, Martins, Pongo and C. Rice
JNC Appointments, Salaries and Structures Panel	Councillors Lumsden, Oluwole, Saleem and P. Waker (two vacancies) (to form a pool)
Licensing and Regulatory Committee	Councillor Oluwole (Chair), Shaukat (Deputy Chair), Cormack, Freeborn, Hornby, Khan, Martins, Rai, L. Rice and Zamee
Overview and Scrutiny Committee	Councillor Paddle (Chair), Akwaboah (Deputy Chair), Achilleos, Lumsden, Nalule, I. Robinson, P. Robinson, Sandhu and P Waker (one vacancy)
Pensions Committee (two-year appointments to May 2024)	Councillors Martins (Deputy Chair), N. Choudhury, Gill, Miah and Ramsay (two vacancies, including Chair)
Personnel Board	Councillors E. Rodwell (Chair) Nalule (Deputy Chair), Cormack, Dulwich, Rahman, Rai, I. Robinson and P. Waker (1 vacancy)
Planning Committee	Councillors Saleem (Chair), Perry (Deputy Chair), F. Choudhury, Fergus, Geddes, Khan, Shaw, Twomey, Yusuf and Zamee

Other Internal / Outside Bodies appointments – May 2022
(Appointments are for one year unless otherwise stated)

Body / Committee	Appointments
Admissions Forum (four-year appointment to 2026)	Councillors Kangethe (Chair), Oluwole, Paddle, Rahman and Zamee
Barking and Dagenham Adoption and Permanence Panel (four-year appointment to 2026)	One vacancy
Barking and Dagenham Fostering Panel (four-year appointment to 2026)	Councillors Channer and Hornby
Barking Riverside Community Interest Company (CIC)	Councillor Geddes
Capital Letters (London) Limited Boroughs' Representative Body	Councillor Ashraf
Chadwell Heath Community Trust Board	Councillors Perry and Pongo (one vacancy)
Citizens Advice Barking & Dagenham (four-year appointment to 2026)	Councillor I Robinson (one vacancy)
East London Waste Authority	Councillors Haroon and Akwaboah
Employee Joint Consultative Committee	Councillors Ghani, Lumsden, Saleem, Twomey, P. Waker and Worby

Body / Committee	Appointments
London Road Safety Council (two-year appointments to 2024)	Councillors Oluwole and Sandhu
Member Development Group	Councillors S Bright (Chair), Khan, Lumsden, Nalule, Oluwole and I. Robinson (up to six vacancies)
OFSTED Report Panel	Councillors Kangethe (Chair), Akwaboah, Fergus, Lumsden, Oluwole, Paddle, Rahman, I. Robinson and P. Waker

(Note: All four-year appointments are co-terminus with Local Elections)

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MINUTES OF JNC APPOINTMENTS, SALARIES AND STRUCTURES PANEL

Monday, 4 July 2022
(12:05 - 12:57 pm)

Present: Cllr Darren Rodwell (Chair), Cllr Saima Ashraf, Cllr Muhammad Saleem, Cllr Dominic Twomey, Cllr Phil Waker and Cllr Maureen Worby

Apologies:

1. Declaration of Members' Interests

There were no declarations of interest.

2. Private Business

It was resolved to exclude the public and press from the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

3. Temporary Changes to Senior Leadership Pay and Arrangements

The Panel received a report from the Acting Chief Executive on three JNC-level matters.

On the first matter, the Director of Workforce Change referred to the Senior Management Pay Review that was being carried out by PricewaterhouseCoopers (PwC) and an issue that had become apparent early in that process regarding the statutory roles of Director of Children's Services and Director of Adult Social Services. At Barking and Dagenham, both those statutory roles were fulfilled by the Strategic Director, Children and Adults at grade CO6 (£143,683) and the postholder also held additional responsibilities for Education and Public Health services and recent Integrated Care changes. A benchmarking activity report produced by PwC showed that the current salary sat behind the market lower quartile for the statutory Director of Children's Services and Director of Adult Social Services roles and was, in their opinion, uncompetitive. Furthermore, the local government leadership market was particularly volatile at the present time which had led to pay uplift in hard-to-recruit and other key roles across London and the Southeast, including that of statutory Director of Children's Services roles. Taking all those factors into account and to mitigate retention risks for such a critical role, PwC had advised that the Council should consider uplifting the salary as an interim measure pending the outcome of the full Senior Management Pay Review.

The second matter related to temporary cover arrangements to accommodate a four-month career break, due to personal reasons, which had been approved by the Acting Chief Executive in respect of the Strategic Director, My Place, in line with the Council's Career Break Arrangements policy. It was noted that the expectation was that the interim cover arrangements would be sourced through internal applications, including other members of the Council's Leadership Team.

The third matter related to the post of Director of Finance and Investment. By Minute 22(vi) (28 February 2022), the JNC Panel had approved a temporary honoraria payment equivalent to the difference between the postholder's existing grade of CO4 and grade CO5. The honorarium was in recognition of the additional responsibilities taken on by the postholder as part of interim Senior Leadership Management arrangements in the light of the resignation of the then Interim Chief Executive. The Director of Workforce Change advised that the Acting Chief Executive now proposed that pending formal job evaluation, the post be confirmed at grade CO5 and permanently redesignated as Strategic Director, Finance and Investment. It was noted that as the proposal meant that the role would formally become a Strategic Leadership Director, the approval of the Assembly was required.

The Panel **resolved** to:

- (i) Agree a market supplement for the post of Strategic Director, Children and Adults equivalent to £34,161 per annum with effect from 8 July 2022, pending consideration of the Senior Management Pay Review later in the year;
- (ii) Note that the Strategic Director, My Place had been granted a four-month unpaid career break commencing 1 August 2022 by the Acting Chief Executive, in line with the Council's Career Break Arrangements policy;
- (iii) Delegate authority to the Acting Chief Executive, in consultation with the Leader, to progress arrangements to cover the career break absence of the Strategic Director, My Place, including making an appointment(s) to cover the short-term vacancy and any backfill arrangements should one or more of the current members of the Leadership Team be appointed; and
- (iv) Recommend the Assembly to agree to redesignate the Director of Finance and Investment post to Strategic Director, Finance and Investment, at grade CO5 (£132,825) and approve the appointment of Philip Gregory to this permanent role.

ASSEMBLY**27 July 2022**

Title: Treasury Management Annual Report 2021/22	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: David Dickinson, Investment Fund Manager	Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Director, Finance & Investment (S151 Officer)	
Accountable Strategic Leadership Director: Fiona Taylor, Acting Chief Executive	
Summary	
<p>Changes in the regulatory environment now place a greater onus on Elected Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities, significant new borrowing proposed, and highlights compliance with the Council's policies previously approved by the Assembly prior to the start of each financial year.</p> <p>This report presents the Council's outturn position in respect of its treasury management activities during 2021/22. The key points to note are as follows:</p>	
Interest Income and Investments:	
<ul style="list-style-type: none"> i) Total treasury investments held at 31/3/2022 was £154.9m (2020/21: £210.12m); ii) Total cash held at 31/3/2022 was £1.7m (2020/21: £29.0m); iii) Total loans lent held at 31/3/2022 was £124.9m (2020/21: £139.2m); iv) Total Equity held with Muller was £23.4m (2020/21: £0.00) v) Net General Fund Interest for 2021/22 was a surplus of (£0.8m) compared to a budget of £2.6m, an outperformance of £3.4m and £1.9m of this outperformance has been transferred to the Investment Reserve, with the remaining balance used to cover shortfalls in the Investment and Acquisition Strategy (IAS) and a potential provision against an impairment against on the Council's loans; vi) Investment income from the Council's IAS totalled £5.4m (2020/21: £6.9m) for the year compared to a budget of £6.8m, an underperformance of £1.4m, which will be covered by the outperformance in interest; 	

vii) The Council's average treasury interest return of 1.39% for 2021/22 was 1.27% higher than the average London Peer Group return of 0.21%; and

viii) The Council's average return on its loans, consisting of commercial and property loans was 4.42% for 2021/22 (4.46% for 2020/21);

Interest Expense and Borrowing:

ix) Interest payable for 2021/22 totalled £37.30m (2020/21: £31.8m), consisting of £12.3m for PFI / Finance leases, £11.2m for HRA and £13.8m for the General Fund;

x) Capitalised interest for 2021/22 totalled £5.5m;

xi) The Council borrowed £140.0m of long-term General Fund borrowing in 2021/22 at an average rate of 1.41% and an average duration of 44.4 years;

xii) The total long-term General Fund borrowing at 31/3/2022 was £720.5m, comprising of market loans, Public Works Loan Board (PWLB), Local Authority, European Investment Bank and other loans;

xiii) The value of short-term borrowing as at 31 March 2022 totalled £63.0m;

xiv) HRA borrowing totalled £295.9m of long-term debt and £35.9m of internal borrowing;

xv) With PFI / finance lease borrowing totalling £197.4m, the total Council borrowing as at 31 March 2022 was £1,276.8m (this excludes internal HRA borrowing).

xvi) The Council did not breach its 2021/22 Operational Boundary limit of £1,700m or its Authorised Borrowing Limit of £1,800m; and

xvii) The Council complied with all other set treasury and prudential limits.

The Cabinet considered and endorsed this report at its meeting on 21 June 2022.

Recommendation(s)

The Assembly is recommended to:

(i) Note the Treasury Management Annual Report for 2021/22;

(ii) Note that the Council complied with all 2021/22 treasury management indicators;

(iii) Approve the actual Prudential and Treasury Indicators for 2021/22, as set out in Appendix 1 to the report; and

(iv) Note that the Council borrowed £140.0m from the PWLB in 2021/22.

Reason(s)

This report is required to be presented to the Assembly in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services.

1. Introduction and Background

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce a treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.2 For the 2021/22 period Assembly received the following reports:

- an annual treasury strategy in advance of the year (Assembly 03/03/2021);
- a mid-year (minimum) treasury update report (Assembly 24/11/2021); and
- an annual review following the end of the year (this report).

1.3 This Annual Treasury Report covers:

- Treasury position as at 31 March 2022;
- Economic Factors in 2021/22 and Interest rates Forecasts;
- Treasury Investment Strategy and Performance in 2021/22;
- Borrowing Outturn and Capitalised Interest;
- Commercial and Reside Loans Outturn;
- Investment and Acquisition Strategy Outturn;
- Treasury Management costs in 2021/22;
- Compliance with Treasury limits and Prudential indicators; and
- Prudential Indicators for 2021/22 (Appendix 1).

2. Treasury Position at 31 March 2022 is shown in table 1 below:

Table 1: Council's treasury position at the start and end of 2021/22

	31-Mar-21	Average Rate of interest	Average Life	31-Mar-22	Average Rate of interest	Average Life
	£'000	%	Years	£'000	%	Years
Fixed Rate Debt						
HRA – PWLB	265,912	3.5	34.81	265,912	3.5	33.81
HRA – Market	30,000	4.03	44.7	30,000	4.03	43.7
HRA - Internal Borrowing	35,332	1.98	1	35,905	1.98	1
Total HRA Borrowing	331,244	3.38	33.23	331,817	3.38	33.23
GF – PWLB	506,822	2.06	23.05	629,521	1.92	29.13
GF - Market	93,613	2.49	26.75	90,988	2.49	25.75
GF – ST Borrowing	67,503	0.09	0.3	63,000	0.58	0.14
Total GF Borrowing	667,938	1.92	21.27	783,509	1.98	27.38
Total Debt	981,688	2.45	25.68	1,115,326	2.33	28.72
Investments						
Treasury Investments	210,168	1.4	2.17	154,900	1.25	1.66
Cash	29,037	0.01	0	1,675	0.75	0
Loans & Equity	139,243			148,287		
HRA Internal Lending	35,332	1.98	1.0	35,905	1.98	1.0
Total Investments	413,780			340,767		

2.1 The Council manages its debt and investments through its in-house treasury section to ensure adequate liquidity for revenue and capital spend, security of investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

3. Economic Factors in 2021/22 and Interest Rate Forecasts

3.1 UK Economy

3.1.1 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022; 0.75% in March 2022 and 1.0% in May 2022.

3.1.2 The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

3.1.3 Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

3.1.4 Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

3.2 Average inflation targeting

3.2.1 This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

3.3 USA

- 3.3.1 The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.
- 3.3.2 In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.
- 3.3.3 The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.
- 3.3.4 More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

3.4 EU

- 3.4.1 With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”
- 3.4.2 While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

3.5 World growth

- 3.5.1 World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

3.6 Central banks' monetary policy

- 3.6.1 During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total

government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth.

3.6.2 This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

4. Treasury Investment Strategy and Performance in 2021/22

4.1 Treasury and IAS Outturn: The Treasury and IAS Outturn is in Table 2 Below.

Table 2: Treasury Outturn for 2020/21 and 2021/22

Interest	2020/21 Actual	2020/21 Budget	Vari- ance	2021/22 Actual	2021/22 Budget	Vari- ance
HRA Borrowing Costs	10,944	10,944	0	10,874	10,874	0
GF Borrowing costs	12,254	13,069	-815	13,833	14,121	-288
GF Interest Income	-8,817	-6,503	-2,314	-9,156	-6,503	-2,653
GF IAS Income	-6,919	-6,637	-282	-5,434	-6,782	1,348
Capitalised Interest (19/20)	-1,522		-1,522	0	0	0
Capitalised Interest (20/21)	-3,002		-3,002	0	0	0
Capitalised Interest (21/22)	0	0	0	-5,463	-5,000	-463
Transfer to Reserves	7,935	0	7,935	1,900	0	1,900
GF Net IAS & Interest Cost	-71	-71	0	-4,320	-4,164	-156
Capital Reserve		-3,576			-3,779	
CR27 Reserve		-5,500			-5,500	
IAS Reserve		-3,265			-10,998	
IAS Reserve Transfer		-7,935			-1,900	
Total IAS Reserve		-20,277			-22,177	

4.1.1 Overall borrowing costs were lower than budgeted as both long-term and short-term borrowing rates were cheaper than the forecast. The Council has also agreed to capitalise borrowing costs for schemes that are over £10m in total value and take longer than two years to develop. A budget was allocated against capitalised interest of £5.0m, with the IAS therefore contributing £5.0m to the 2021/22 budget.

4.1.2 Treasury provided a surplus return of £2.9m from net interest. Capitalised interest provided a surplus of £0.5m above the £5.0m target. Including the capitalised interest, treasury provided a £3.4m surplus for 2021/22.

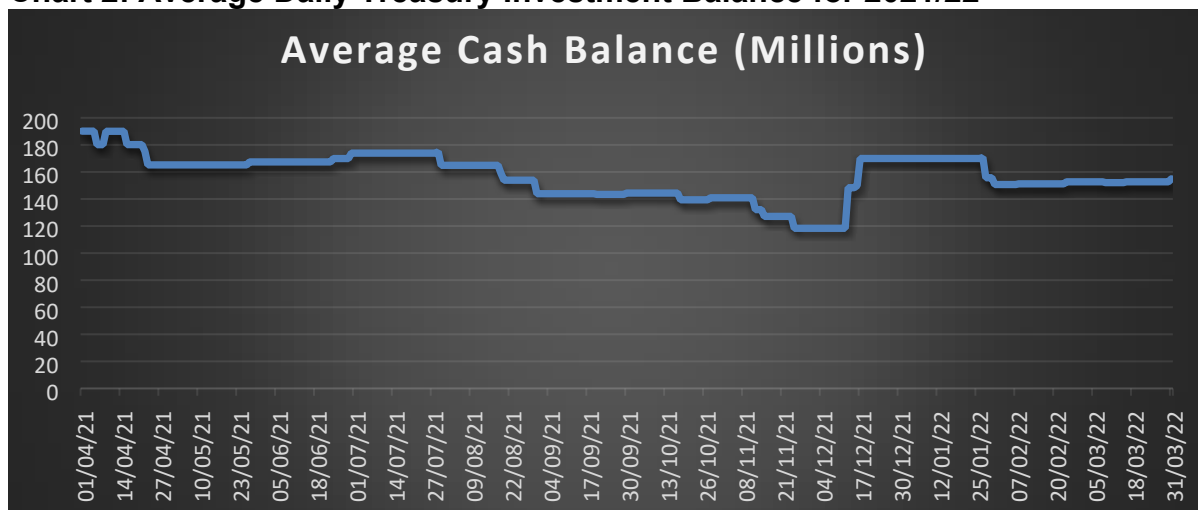
4.1.3 The IAS, underperformed its target by £1.3m during a particularly difficult investment period. At the time of this report, final numbers had not yet been received from Reside for the net contribution to the IAS. The IAS underperformance is likely to reduce but currently it is not possible to estimate what the contribution from Reside will be. Any contribution from Reside will be transferred to the IAS

reserve. The borrowing costs and treasury and IAS income is outlined in detail in the next sections.

4.2 Annual Investment Strategy (AIS) 2021/22

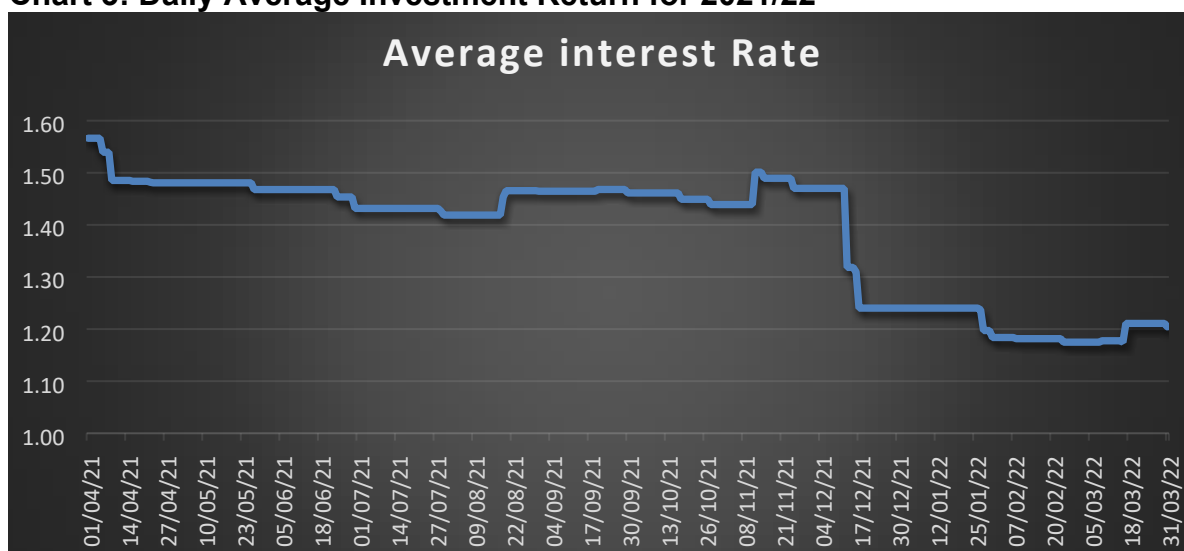
- 4.2.1 All investments were managed in-house and were invested with institutions of high credit standing listed in the Council's approved lending list and specified limits. The Council's investment policy is outlined in the 2021/22 Annual Investment Strategy. The policy sets out the Council's approach for choosing investment counterparties.
- 4.2.2 Council officers met quarterly with Treasury Adviser to discuss financial performance, objectives, targets and risk in relation to the Council's investments and borrowing. The Cabinet Member for Finance, Performance and Core Services was briefed regularly on treasury activity by the Section 151 Officer.
- 4.2.3 **Investments decisions during 2021/22** - When making investment decisions the Council's investment priorities are **security** of capital; **liquidity** of its investments; and **Yield** (after ensuring the above are met). Using the above as the basis for investment decisions does mean that investment returns will be lower than would be possible were yield the only consideration. During 2021/22, the Council ensured that all investments were made with appropriately rated counterparties and that liquidity was maintained. On occasion, short term borrowing was also used to allow the Council to take advantage of investment opportunities.
- 4.2.4 Treasury made few investments during the year as cash and borrowing was used to fund the IAS developments. The Council held an investment balance of £210.2m at 31 March 2021 and ended the year with a cash balance of £154.9m. The average investment balance (excluding cash) held for 2021/22 was £157.0m. The average cash balance for 2021/22 is shown in chart 2:

Chart 2: Average Daily Treasury Investment Balance for 2021/22



- 4.2.5 Treasury investments provided an average return of 1.39% for 2021/22 (1.40% for 2020/21). Although the average return was on a reducing balance, the increase in the average return for the year provided a net interest surplus. Chart 3 below graphically illustrates the average daily treasury return for the year:

Chart 3: Daily Average Investment Return for 2021/22



4.3 Strategy Changes in 2021/22

4.3.1 The Council’s investment policy was agreed by the Assembly on 3 March 2021. Members agreed to delegate authority to the Section 151 officer in consultation with the Cabinet Member for Finance, Performance and Core Services to proportionally amend the counterparty lending limits agreed within the TMSS. During the year an increase in the maximum short-term cash the Council could hold was agreed by the S151 officer to allow treasury to respond to any liquidity issues but also to manage large cashflow movements resulting from borrowing £100m in December 2021. In addition, the maximum amount that can be invested in A rated financial institutes was raised to £50m each.

4.4 Performance Benchmark in 2021/22

4.4.1 As part of ensuring value for money and to monitor the Council’s investment return, the Council’s treasury performance is benchmarked by against a peer group of 21 London Authorities. Benchmarking data is provided by the Council’s treasury advisors, Link Asset Services. Table 3 summarises the data as at 31 December 2021.

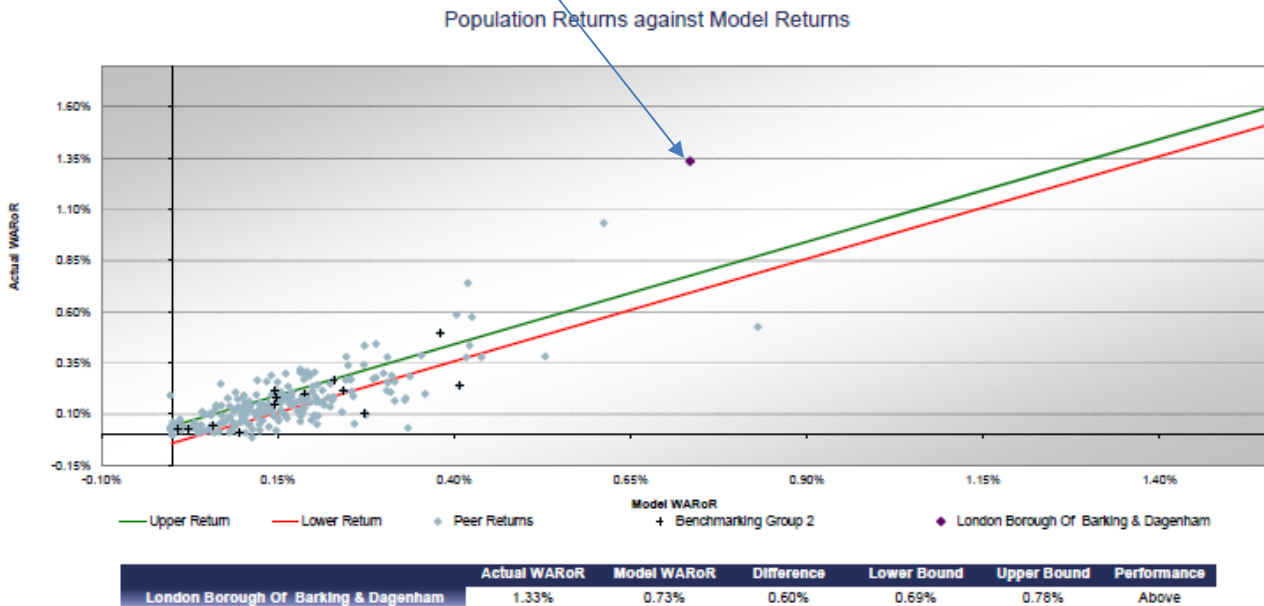
Table 3: Advisor’s Benchmarking data as at 31 December 2021

Savings Proposal	LBBB	London Peer Group (21)
Weighted Average Rate of Return	1.33%	0.21%
Weighted Average Maturity(days)	285	85
Credit Risk (lower is less risky)	2.47	2.61

4.4.2 The benchmarking data outlines the outperformance of the Council’s treasury investment return by 1.12% against the average London Peer Group. On an average investment balance of £157.0m that equates to additional income above the average of £1.88m. The Council’s credit risk, at 2.47 was lower (better) than the London Peer Group at 2.61. Chart 4 illustrates the Council’s return against the upper and lower banding levels. The Council has a high overall return and significantly outperforms the model return.

The Council's treasury return is indicated in the chart below:

Chart 4: Advisor's benchmarking data as at 31 December 2021



4.5 Table 4: Investments held by the Council at 31 March 2022

Counterparty	Rating	Rate %	£000s	Start	End
LBBD Pension Fund	Local Authority	0.50	24,150		
Lloyds Bank PLC	A+	1.59	5,500	18/04/2019	19/04/2022
Birmingham CC	Local Authority	1.70	10,000	24/04/2020	22/04/2022
L B Croydon	Local Authority	1.70	10,000	06/07/2020	06/07/2022
L B Croydon	Local Authority	1.70	10,000	14/07/2020	14/07/2022
Goldman Sachs Int. Bank	A+	0.72	20,000	17/12/2021	19/09/2022
Goldman Sachs Int. Bank	A+	0.72	30,000	13/12/2021	13/12/2022
Runnymede BC	Local Authority	1.80	5,000	20/12/2019	20/12/2022
Colchester BC	Local Authority	1.75	5,000	02/03/2020	03/01/2023
Cardiff Council	Local Authority	1.75	10,250	10/01/2020	10/01/2023
Dudley Metropolitan BC	Local Authority	1.80	10,000	21/02/2020	21/02/2023
Northumberland BC	Local Authority	1.80	5,000	27/02/2020	27/02/2023
Cambridgeshire CC	Local Authority	1.00	10,000	11/01/2021	11/01/2024
Total Investments			154,900		

5. Borrowing Outturn and Capitalised Interest

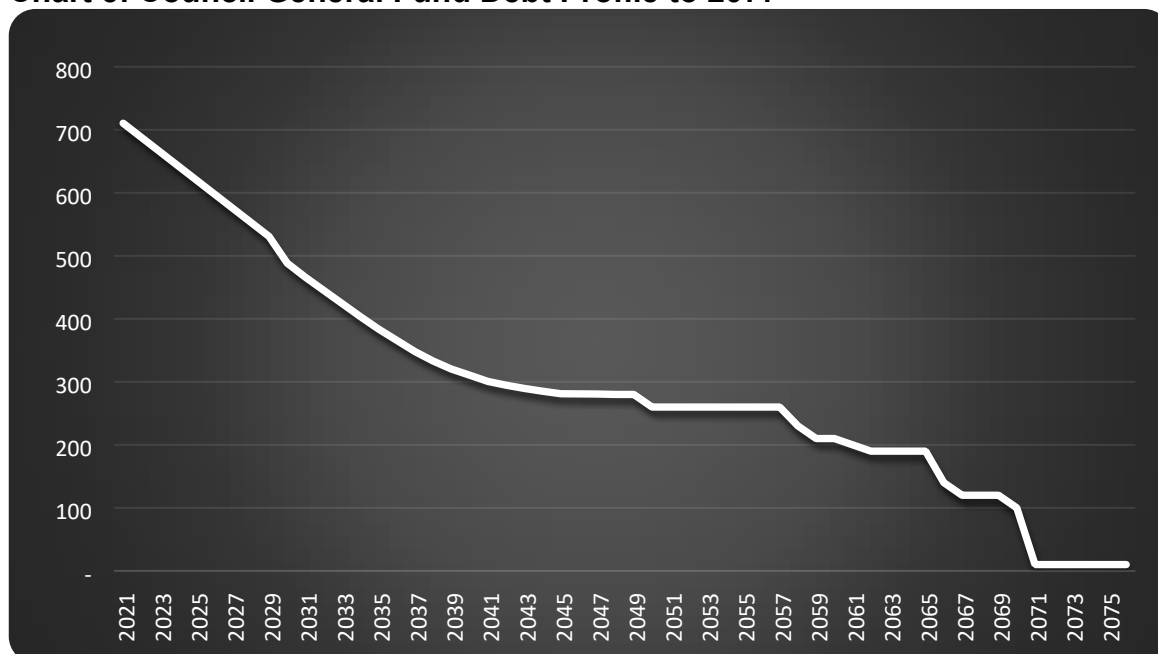
5.1 A mix of Long-term and short-term borrowing was used for most of the year to cover cashflow requirements, with a total of £140m borrowed in 2021/22. These loans were mostly maturity loans (pay at maturity date) and were used as the strategy already has a significant amount of Equal Instalment and Annuity borrowing and these durations allowed both for a reduced rate but also smoothed the Council's overall repayment. Fixing long term borrow improves the future year budget requirements as the borrowing is locked in. Savings over the life of the borrowing compared to a 2.0% target is £34.28m.

Table 5: Long-Term Borrowing in 2021/22

Lender	Start Date	End Date	Amount £Ms	Rate	Duration (Yrs)	Savings Against 2% £Ms	Savings Against 3% £Ms
PWLB	12/07/2021	12/07/2039	20	1.38%	18.00	2.23	5.83
PWLB	12/07/2021	13/07/2071	20	1.71%	50.00	2.90	12.90
PWLB	10/11/2021	10/11/2063	20	1.51%	42.00	4.12	12.52
PWLB	10/11/2021	10/11/2063	30	1.37%	42.00	7.94	20.54
PWLB	16/12/2021	16/12/2066	30	1.31%	45.00	9.32	22.82
PWLB	16/12/2021	16/12/2071	20	1.25%	50.00	7.50	17.50
Total and Average Rate			140	1.41%	41.50	34.28	92.10

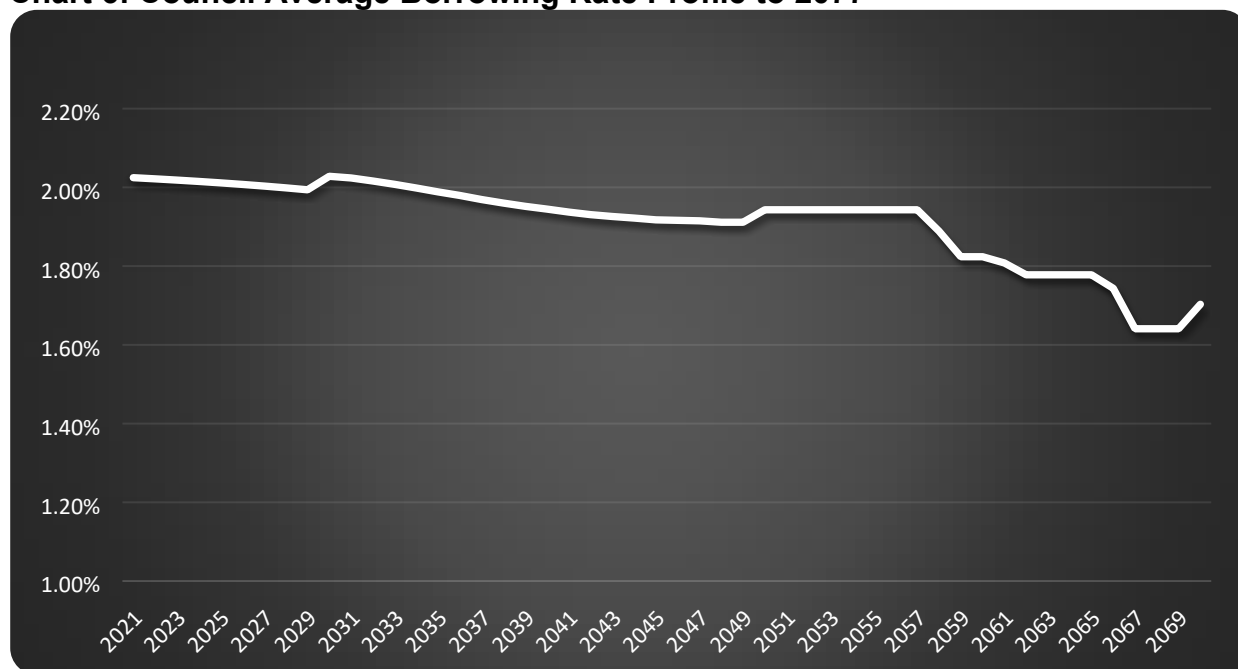
- 5.2 During the year commercial purchase costs were transferred from short-term funding to long-term funding. Receipts from the sale of a number of the commercial purchases will be used to fund remaining costs for the residential developments. Cash balances will also be used to fund developments, although, given the current borrowing requirement, some borrowing may be required in 2023. New developments agreed in future will need additional borrowing.
- 5.3 Officers have sought to ensure that the borrowing matches the relevant asset life and repayment profile of the Council’s investment portfolio. Chart 5 below summarises the GF long term debt position as at 31 March 2022, indicating the repayment profile.

Chart 5: Council General Fund Debt Profile to 2077



- 5.4 The current borrowing strategy has a target of reducing the long-term average borrowing rate to 2.02% (excluding short-term borrowing), a reduction of 0.2% from the average long-term borrowing of 2.22% as at 31 March 2020. The average rate is reduced further by using short-term borrowing, with the total average borrowing rate for the General Fund at 1.88%. Chart 6 outlines the average borrowing costs over the duration of the Council’s borrowing. With the recent loans that are repaid at maturity, the repayment profile is much smoother and the average rate decreases over the next 45 years to an average rate of 1.64%. Charts 5 and 6 are based on the same time period.

Chart 6: Council Average Borrowing Rate Profile to 2077



5.5 Capitalisation of Development Interest

- 5.5.1 The Council's IAS will increase the Council's interest payment costs as borrowing increases to fund the development costs. Were the Council to borrow a billion pounds at 2.0% (the current target average long-term debt rate) then the interest costs would be £20m per year, although this would decrease as debt is repaid. This will be funded by rental income from the various schemes but will result in a long-term obligation for future generations as some of the loans that will be taken out have maturity dates of up to 50 years.
- 5.5.2 The Council's borrowing is largely to fund the IAS. During the construction stage there is a cost of carry as there is no income from the scheme. For previous developments, such as Weavers, interest was capitalised during the construction against loans made to Reside. As construction is now carried out by the Council, a method to capitalise the interest was identified through advice provided by the fund's Treasury advisors, Link. As a result, interest incurred during the construction phase is capitalised against developments that cost over £10m and that take in excess of two years to build. This approach has reduced the pressure on the Council's interest budget.
- 5.5.3 Capitalisation of interest starts from when the development has been agreed at Gateway 2. Where land has been purchased as part of land assembly the capitalisation of interest will be from the later date of either the completion date of the purchase or the date of this accounting policy. Some scheme, such as Temporary Accommodation developments have been combined as one overall scheme.
- 5.5.4 Interest is capitalised on a quarterly basis and will be based on the weighted average of the borrowing costs that are outstanding during the period. Cessation of capitalisation will occur when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

5.6 Borrowing Owed at 31 March 2022

5.6.1 Table 5 outlines the borrowing owed by the Council at 31 March 2022.

Table 5: Loans as at 31 March 2022

Lender	Start Date	End Date	Amount	Rate %
HRA				
PWLB(Maturity)	28/03/2012	28/03/2042	50,000	3.50
PWLB(Maturity)	28/03/2012	28/03/2062	65,912	3.48
PWLB(Maturity)	28/03/2012	28/03/2061	50,000	3.49
PWLB(Maturity)	28/03/2012	28/03/2052	50,000	3.52
PWLB(Maturity)	28/03/2012	28/03/2060	50,000	3.49
LANCASHIRE CC (Maturity)	15/05/2019	27/02/2060	10,000	4.05
LANCASHIRE CC (Maturity)	15/05/2019	26/03/2059	10,000	4.05
BARCLAYS (Maturity)	30/05/2008	30/05/2078	10,000	3.98
HRA Total LT Borrowing			295,912	
General Fund				
PWLB(Maturity)	09/06/2016	09/06/2066	20,000.00	2.72
PWLB(Maturity)	14/06/2016	15/12/2059	10,000.00	2.65
PWLB(Maturity)	28/06/2016	29/12/2059	10,000.00	2.49
PWLB(Maturity)	29/06/2016	29/06/2062	10,000.00	2.38
PWLB(Maturity)	07/07/2016	06/01/2062	10,000.00	2.14
PWLB(Maturity)	05/04/2017	05/04/2067	20,000.00	2.36
PWLB(EIP)	12/09/2017	12/09/2040	16,086.96	1.98
PWLB(Maturity)	19/12/2017	19/06/2058	30,000.00	2.36
PWLB(EIP)	21/02/2018	21/02/2036	15,555.56	2.38
PWLB(EIP)	07/03/2018	07/03/2035	7,647.06	2.20
PWLB(EIP)	19/03/2018	19/03/2038	16,000.00	2.31
PWLB(EIP)	31/05/2018	29/05/2043	17,200.00	2.27
PWLB(EIP)	01/10/2018	01/10/2039	34,285.71	2.38
PWLB(EIP)	30/10/2018	30/10/2036	16,666.67	2.14
PWLB(EIP)	10/12/2018	10/12/2043	17,600.00	2.28
PWLB(EIP)	04/02/2019	04/02/2042	17,391.30	2.17
PWLB(EIP)	26/03/2019	26/03/2042	34,782.61	1.99
PWLB(EIP)	04/06/2019	04/06/2046	18,148.15	1.97
PWLB(EIP)	08/08/2019	08/08/2039	17,500.00	1.39
PWLB(EIP)	05/09/2019	05/09/2042	17,826.09	1.23
PWLB(Annuity)	28/02/2020	01/03/2038	18,157.46	2.27
PWLB(Annuity)	03/03/2020	03/03/2038	18,143.32	2.18
PWLB(Annuity)	10/03/2020	10/03/2040	18,348.35	2.06
PWLB(Annuity)	11/03/2020	11/03/2045	18,737.11	1.98
PWLB(Maturity)	15/12/2020	15/12/2070	20,000.00	1.33
PWLB(Maturity)	23/12/2020	23/12/2030	20,000.00	1.02
PWLB(Maturity)	23/12/2020	23/12/2055	20,000.00	1.50
PWLB(Annuity)	12/07/2021	12/07/2039	19,444.44	1.38
PWLB(Maturity)	12/07/2021	13/07/2071	20,000.00	1.71
PWLB(Maturity)	17/11/2021	17/11/2071	20,000.00	1.51
PWLB(Maturity)	07/12/2021	07/12/2071	30,000.00	1.37
PWLB(Maturity)	16/12/2021	16/12/2066	30,000.00	1.31
PWLB(Maturity)	16/12/2021	16/12/2071	20,000.00	1.25

DEXIA (Maturity - LOBO)	30/06/2008	30/06/2077	10,000.00	3.98
L1 RENEW (Annuity)	15/12/2016	01/10/2046	6,768.06	3.44
EIB (Annuity)	30/01/2015	31/03/2044	74,220.26	2.21
Total GF Long Term Borrowing			720,509.11	
Lender	Start Date	End Date	Amount	Rate %
MIDDLESBROUGH TEESIDE	11/02/2021	11/05/2021	10,000.00	0.50
NEWCASTLE CITY COUNCIL	17/02/2021	17/05/2021	10,000.00	0.54
CITY & COUNTY of SWANSEA	22/02/2021	24/05/2021	5,000.00	0.56
L B REDBRIDGE	10/12/2020	10/06/2021	5,000.00	0.56
Basildon District Council	10/03/2021	10/06/2021	5,000.00	0.64
CHELMSFORD CC	19/02/2021	19/08/2021	5,000.00	0.65
MIDDLESBROUGH BC	19/02/2021	19/08/2021	5,000.00	0.60
Neath Port Talbot CBC	19/02/2021	19/08/2021	4,000.00	0.60
Cambridge City Council	19/02/2021	19/08/2021	5,000.00	0.60
VALE OF GLAMORGAN	22/02/2021	23/08/2021	5,000.00	0.64
NEWPORT CITY COUNCIL	22/02/2021	23/08/2021	4,000.00	0.62
GF Total ST Borrowing			63,000.00	
Total General Fund and HRA Borrowing			1,079,421.11	

6. Commercial and Reside Loans Outturn

- 6.1 The Council has several loans including working capital, residential property loans and a prepayment to the pension fund. These are outlined in table 6 below:

Table 6: Commercial and Reside Loans at 31 March 2022

Counterparty	Loan Type	Value £000s
B&D Homes Ltd	Commercial Loan	4,100.00
B&D Homes Ltd	Commercial Loan	6,450.70
Barking Enterprise Centre	Commercial Loan	142.62
BARKING RIVERSIDE LTD	Commercial Loan	5,500.00
BD ENERGY LTD	Commercial Loan	4,016.77
BD ENERGY LTD	Commercial Loan	1,953.13
BD ENERGY LTD	Commercial Loan	954.87
BD Muller Developments	Commercial Loan	26,661.68
BD TP Working Capital	Commercial Loan	1,500.00
LEUK	Commercial Loan	24,867.85
BE-FIRST LTD	Commercial Loan	4,769.41
CARE CITY	Commercial Loan	31.21
Dagenham & Redbridge FC	Commercial Loan	81.11
Reside Abbey Roding LLP	Commercial Loan	47.68
Reside Ltd	Commercial Loan	308.83
Reside Regeneration LLP	Commercial Loan	6,400.43
Reside Regeneration Ltd	Commercial Loan	168.82
Reside Weavers LLP	Commercial Loan	34,553.14
Reside Weavers LLP	Commercial Loan	66.29
Reside Weavers LLP	Commercial Loan	2,200.73
TPFL Regeneration Ltd	Other	162.5
BD Muller Developments	Equity	23,348.97
Total Loans & Equity		148,286.74
LBBB Pension Fund	Pension Prepayment	20,000.00

- 6.2 The majority of the loans outlined above are secured against an asset or a guarantee. Where the loan is unsecured the company is closely monitored to ensure that it remains viable.
- 6.3 Loans against residential properties (Reside Loans) are very long term, with the loan duration of up to 55 years (to match the asset life of the asset it is secured against). A repayment schedule, based on an annuity repayment, is in place for each loan.
- 6.4 Commercial loans durations vary with most of the loans having a maximum duration of 5 years. Each loan has a state aid compliant interest rate and have been agreed at Cabinet. A number of loans are linked to the Bank of England base rate and these will provide an increased return for 2022/23 due to the increase in base rate to 1.0%.
- 6.5 The Pension Fund amount is a prepayment of pension contributions totalling £40m and also includes a short-term loan. The prepayment provides the pension fund with cash, which it uses to fund investments in infrastructure but also provides a return to the Council from making the payment early. Each month a portion of the loan is repaid and the actual contribution for the month is paid by the Council to ensure that the correct contribution rate is paid to the pension fund.
- 6.6 The loan and equity investment in BD Muller Developments was for the purchase of the Muller site in Chadwell Heath, which was sold and the loan repaid in April 2022. The equity element will be repaid when the final payment is received in December 2022.
- 6.7 **Potential Loan Impairment**
- 6.7.1 The Council has loaned one of its subsidiary companies, BDTP, £24.87m to purchase a company, London East UK (LEUK). The loan is secured against the land held by LEUK and BDTP. Included in the loan agreement is a breach clause, whereby a breach occurs if the combined value of LEUK and BDTP is below the outstanding loan balance. Since the purchase, BDTP has sold two parcels of land and has used the proceeds from the sale to fund losses incurred by BDTP over the past two years. As a result, the valuation of the land held by LEUK has reduced, with the latest valuation being £21.7m, which is below the outstanding loan value of £24.87m, a difference of £3.17m.
- 6.7.3 BDTP are currently working on the accounts for both LEUK and BDTP and they have advised that potentially there will be a relatively small breach. The size of the breach will only be confirmed when final accounts have been produced.
- 6.7.4 Where the outstanding loan is higher than the value of BDTP and LEUK, there is the potential for an impairment (recognize a loss) to be required.

7. Investment and Acquisition Strategy Outturn

7.1 Council's Growth Strategy

- 7.1.1 In 2015, the Growth Commission Report – “No-one left behind: in pursuit of growth for the benefit of everyone”, recommended the establishment of a Borough-wide regeneration vehicle that would be an early statement of the Council's intent to increase the pace of regeneration of the borough.
- 7.1.2 Subsequently Be First was set up to deliver the Council's long-term strategic regeneration objectives, including enhancing economic growth and prosperity for the people of Barking and Dagenham. In addition, Be First has been charged with delivering significant financial benefits to the council by bringing forward returns in New Homes Bonus, Council Tax and NNDR, and delivering dividends to the Council.
- 7.1.3 In October 2016, Cabinet agreed an Investment and Acquisition Strategy (IAS) and an Investment Panel was also established and charged with managing an investment portfolio. In 2017 the Council revised the IAS, with a revised strategy subsequently taken to Cabinet each year; the last one was agreed by the Cabinet at its meeting on 19 April 2022.
- 7.1.4 The IAS was originally set a target of delivering a net income of £5.13m per annum by 2021/22. Subsequently £0.60m was added as an additional target for the Abbey Road scheme and a further £0.91m was added as a return target for the CR27 income strip deal. As a result, for 2021/22 the total return target is £6.64m.

7.2 Overall Summary

- 7.2.1 In 2021/22 the IAS returned £5.4m against a revised target of £6.75m, which equates to an underachievement of £1.3m.
- 7.2.2 The main reasons for the lower return includes delays in a number of residential schemes becoming operational, an increase in bad debt, predominantly from Heathway. In addition, security costs on a number of commercial and residential site impacted the return.
- 7.2.3 A bad debt provision (including 100% provision in some cases) has been included as part of the commercial return, with most of the provision made against outstanding debt from the purchase of the Heathway Shopping centre and it is likely that some of these debts will need to be written off. The commercial return is predominantly income from sites acquired as part of land assembly in Thames Road.
- 7.2.4 Minimum Revenue Provision (MRP) payments were made on three of the commercial assets that are being held as long-term investments, including Travelodge, Welbeck and Restore, with MRP on Pianoworks to start in 2022/23. No MRP was charged on the other sites as they are part of land assembly for Thames Road. A summary of the outturn for each income type is provided in table 7 below:

Table 7: IAS Outturn 2021/22

Income Type	Actual	Target	Variance
Residential	506	2,000	-1,494
Abbey Road	600	600	0
Total Residential	1,106	2,600	-1,494
Commercial Income	5,402	2,485	2,917
MRP	-399		-399
Bad Debt Provision	-267		-267
Support Costs	-233		-233
Security Costs	-464		-464
Other costs	-525		-525
Brokerage	-229		-229
Surplus Income to Be First	-531		-531
Total Commercial	2,754	2,485	269
Other Commercial	800	800	0
CR27	774	862	-88
IAS Total	5,434	6,747	-1,313

7.2.5 Residential income covers only the surplus from Abbey Road. The remaining Reside surpluses have not been included as the outturn position for Reside is not finalised. It is expected that Reside will provide additional returns, which will be accrued in 2021/22. Any additional surpluses from Reside will be transferred to the Investment Reserve, subject to Member approval.

7.2.6 For 2021/22, total gross spend on the investment strategy was £282.9m. The split between residential, commercial, and temporary accommodation is below:

Table 7: IAS Capital Spend 2021/22

IAS	£000
Residential Developments	271,049
Temporary Accommodation	945
Commercial Investments	10,929
Investments Total	282,923

7.2.7 For 2022/23 it is likely that there will remain a reliance on returns from the commercial properties but there will be a shift towards the majority of the return coming from residential schemes that will become operational in 2022/23 and from an improvement in the returns from the current Reside schemes. A list of residential schemes that became operational, started on site or were agreed in 2021/22 is provided in table 8, 9 and 10:

Table 8: Residential Schemes Completed in 2021/22

Project	BP Homes	Net Costs (£m)	Q4 2021/22 update	Actual delivered	Actual Net Costs (£)
Sacred Heart	29	£9m	Completed Q4 2021/22	29	£8.1m
Melish & Sugden Way	19	£5m	Sugden completed Jan-21 Melish delayed to 22/23	13 (Sugden)	£2.5m (Sugden)
A House for Artists	12	£3m	Completed Q3 2021/22	12	£3.6m
Becontree Ave. 200	19	£6m	Completed Q4 2021/22	19	£5m
Sebastian Court	95	£20m	33 Block C completed Q3 2021/22	33	£5.4m
			Blocks A & B handover in Q1 22/23	-	
Margaret Bondfield	15	£4m	Project on hold	-	-
GE P2 – Block C	52	£13m	Completed Q4 2021/22	52	£12.1m
Subtotal	241	£60m	N/A	145	£36.7m
GWP1	201		Completed Q4 2021/22	201	£63m
Total homes	442		N/A	346	£99.7

Table 9: Start on Site Pipeline units in 2021/22

Project	BP Homes	Net Costs (£m)	Start on Site	Q4 2021/22 update
Oxlow Lane	62	£13m	Q2 21/22	Commenced
RBL/Jervis Court	64	£19m	Q4 21/22	Negotiations ongoing
Roxwell Road	87	£20m	Q2 21/22	Contract award Q1 2022/23
Brocklebank	41	£10m	Q4 21/22	Q3 2022/23
Industria	9,000 m2	£34m	Q2 21/22	Q3 2021/22
Total as per BP	254	£96m	N/A	
GE Ph2 E1	112		Q1 21/22	Q2 2022/23 – currently not Viable
12 Thames Road	156	£55.6m	Q1 21/22	Commenced
GE3A Block I	102	£71m	Q4 21/22	Commenced

Table 10: Start on Site Pipeline - Turnkey units in 2021/22

Project	BP Homes	Net Costs (£m)	BP Start on Site	Q4 2021/22 update
Beam Park	936	£282m	Q1 21/22	Exchanged Q4 2021/22 - SoS Jan 2023
Town Quay Wharf	62	£14m	Q1 21/22	Dec 2022
Trocoll House	198	£64m**	Q4 21/22	Contract signed Q3 2021/22
Church Elm Lane	85	£21m	Q4 21/22	On hold
Ecoworld	562	£132m	Q4 21/22	Negotiations ongoing
Total as per BP	1,843	£513m	N/A	

8. Compliance with Treasury limits and Prudential Indicators

- 8.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordable limits) are included in the approved Treasury Management Strategy (TMSS).
- 8.2 During the financial year to date the Council has operated within and complied with the treasury limits and Prudential Indicators set out in the Council's annual TMSS. The Council's prudential indicators are set out in Appendix 1 to this report. In 2021/22, the Council did not breach its authorised limit on borrowing of £1.8bn or its Operational limit of £1.7bn.

9. Options Appraisal

- 9.1 There is no legal requirement to prepare a Treasury Management Annual Report, however, it is good governance to do so and meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

10. Consultation

- 10.1 The Section 151 officer has been informed of the approach, data and commentary in this report.
- 10.2 The Cabinet considered and endorsed this report at its meeting on 21 June 2022.

11. Financial Implications

Implications completed by: Katherine Heffernan, Finance Group Manager

- 11.1 This report sets out the outturn position on the Council's treasury management position and is concerned with the returns on the Council's investments as well as its short- and long-term borrowing positions. The net impact of the position is reflected in the Council's overall outturn position and the impacts into future years from borrowing and investment decisions will be incorporated into its MTFS.

12. Legal Implications

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

- 12.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor its budget during the financial year and its expenditure and income against the budget calculations. The Council sets out its treasury strategy for borrowing and an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 12.2 The Council is legally obliged to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act. Furthermore, the Prudential Code emphasises that authorities can set their own prudential

indicators beyond that specified in the Code where it will assist their own management processes.

13. Risk Management

13.1 The whole report concerns itself with the management of risks relating to the Council's cash flow. The report mostly contains information on how the Treasury Management Strategy has been used to maximise income throughout the past year.

13.2 EIB funded urban regeneration programme - The urban regeneration programme will be governed by a programme delivery board established in the Regeneration department. A programme manager will be identified within the Council who will be responsible for delivering each scheme within the investment programme.

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

List of appendices:

Appendix 1 - The Prudential Code for Capital Investment in Local Authorities
Appendix 2 - Glossary of Terms

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The Prudential Code for Capital Investment in Local Authorities

1. Introduction

1.1 There are a number of treasury indicators which previously formed part of the Prudential Code, but which are now more appropriately linked to the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). Local authorities are still required to “have regard” to these treasury indicators.

1.2 The key treasury indicators which are still part of the Prudential Code are:

- Authorised limit for external debt;
- Operational boundary for external debt; and
- Actual external debt.

2. Net borrowing and the Capital Financing Requirement

2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council’s borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

2.2 To ensure that borrowing levels are prudent over the medium term the Council’s external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure.

2.3 Net borrowing should not therefore, except in the short term, have exceeded the Capital Financing Requirement (“CFR”) for 2021/22 plus the expected changes to the CFR over 2021/22 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2021/22.

2.4 For a number of years, the Council has used borrowing to fund its Investment and Acquisition Strategy (IAS), which is predominantly focused on the regeneration of the borough and the provision of affordable housing. Prior to any investment a scheme is appraised to ensure that it is financially viable and provides a contribution to the Council that will, at a minimum, cover its interest costs and Minimum Revenue Provision (MRP) contribution, as well as pay for its management and maintenance costs. The IAS will result in a significant increase in the Council’s borrowing, but this will be supported by an asset of a similar value being built and cash flows into the Council to support the increased borrowing.

- 2.5 Once a scheme is agreed and after development starts, treasury will seek to secure the borrowing to fund the scheme at a competitive rate. As such, from time to time, the Council may hold a higher-than-average cash balance as it holds the borrowed amount until it is required for the investment. It also means that decisions made on future schemes may have different borrowing rate assumptions, depending on borrowing rates at the time.
- 2.6 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.
- 2.7 **The authorised limit** – This sets the maximum level of external borrowing on a gross basis (i.e. Not net of investments) and is the statutory limit determined under Section 3 (1) of the Local Government Act 2003 (referred to in the legislation as Affordable Limit).
- 2.8 **The operational limit** – This links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limits reflecting the most likely prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit for future known capital needs now. It should act as a monitor indicator to ensure the authorised limit is not breached.
- 2.9 **Total external borrowing**, including PFI and Finance Leases at 31 March 2022 was £1.35bn, which is lower than the Approved Authorised Limit of £1.8bn and Operational Boundary of £1.7bn. During 2021/22 there were no breaches of these limits.

3. Capital Outturn and Capital Finance Requirement for 2021/22

- 3.1 The 2021/22 gross Capital Spend was £360.4m against a budget of £468.8m, an underspend of £108.3m or 23.1%. with most of the spend in the IAS (£282.9m), Education, Youth and Childcare (£26.6m) and HRA (£24.0m).
- 3.2 The HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms servicing the cost of borrowing.
- 3.3 The 2021/22 outturn position is detailed in table 1 below, including the net financing need for 2021/22.

Table 1: 2021/22 Capital Outturn and Financing

Capital Expenditure by Service	2021/22 Outturn	Mar 2022 Revised Budget	Over / (Under) spend
	£000s	£000s	£000s
Adults Care & Support	1,148	1,582	-434
Community Solutions	70	74	-4
CIL	925	1,501	-576
Culture, Heritage & Recreation	3,107	8,894	-5,787
Enforcement	705	724	-19
Inclusive Growth	4,513	10,236	-5,723
Transport for London schemes	1,114	1,446	-332
My Place	5,548	7,144	-1,596
Public Realm	1,386	1,657	-271
Education, Youth and Childcare	26,592	44,093	-17,501
Devolved Formula Capital	1,857	1,650	207
Other	360	1,765	-1,405
General Fund	47,326	80,766	-33,440
HRA			
Stock Investment (My Place)	16,348	35,129	-18,781
Estate Renewal (Be First)	6,953	5,155	1,798
New Build Schemes (Be First)	667	2,908	-2,241
HRA Total	23,968	43,192	-19,224
IAS			
Residential Developments	271,049	297,689	-26,640
Temporary Accommodation	945	5,749	-4,804
Commercial Investments	10,929	33,321	-22,392
IAS Total	282,923	336,759	-53,835
Transformation			
Dispersed Working	412	1,220	-808
Core	968	2,119	-1,151
ERP	4,813	4,701	112
Transformation	6,194	8,040	-1,846
Approved Capital Programme	360,411	468,757	-108,346
Financed by:			
Grants	-35,644	-69,927	34,283
s106	-29	-254	225
CIL	-1,926	-	-1,926
Capital Receipts	-5,500	-6,094	594
MRR	-17,820	-37,752	19,932
RCCO (GF)	-1,294	-1,968	674
RCCO (HRA)	-5,934	-28,981	23,047
Sub-Total	-68,146	-144,976	76,830
Net financing need for the year	292,265	323,781	-31,515

- 3.4 The movement in the CFR is outlined in table 2 below. Overall, 2021/22 ended with an under borrowed position of £120.2m, calculated as CFR less Total Debt, but was well below the operational boundary and authorised limit.

Table 1: 2021/22 CFR and Borrowing

Prudential Indicator – Capital Financing Requirement			
	£000s	£000s	£000s
Opening CFR at 31 March 2021	1,117,439	1,117,439	0
CFR – General Fund	279,555	305,440	-25,885
CFR – Housing	0	0	0
Total CFR as at 31 March 2022	1,396,994	1,422,879	-25,885
Net movement in CFR	279,555	305,440	-25,885
Net financing need for the year	292,265	323,781	-31,515
Less: MRP*	-12,710	-12,247	-463
Less: Capital Receipts		-6,094	6,094
Movement in CFR	279,555	305,440	-25,885
Long & Short-Term Borrowing	1,079,421	1,063,850	15,571
PFI and finance lease liabilities	197,357	200,365	-3,008
Total debt 31 March 2022	1,276,778	1,264,215	12,563
Operational Boundary	1,700,000	1,700,000	0
Authorised Limit	1,800,000	1,800,000	0
Under/(Over) Borrowing	120,216		

4. Affordability Prudential Indicators.

- 4.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.
- 4.2 The ratio of financing costs to net revenue stream. This indicator identifies the cost of capital (borrowing and MRP net of investment income) against the net revenue stream. For 2021/22 this was 3.96%, with most of the cost being MRP.
- 4.3 In future the interest payable is likely to increase significantly as the Council continues to borrow and the treasury income is likely to reduce as cash balances are reduced. In addition, as schemes become operational, then interest will no longer be capitalised. At this point the interest costs will be covered, with a margin, from the cashflows coming from the assets being built. There is also forecast to be an increase in investment income from the various investments, including both residential and commercial.

Table 2: Ratio of financing costs to net revenue stream 2021/22

	2021/22 Outturn	Mar 2022 Revised Budget	Over / (Under) spend
	£000s	£000s	£000s
Net Cost of Services	168,614	161,318	7,296
MRP	12,710	12,247	463
GF Borrowing costs	13,536	14,121	- 585
GF Interest Income	-8,495	-6,503	- 1,992
Capitalised Interest (21/22)	-5,463	-5,000	- 463
Investment Income	-5,611	-6,782	1,171
Net GF Cost	6,677	8,083	-1,406
Financing Cost to Net Revenue	3.96%	5.01%	
HRA Interest Payable	10,503	10,503	0
Total Net Cost	17,180	18,586	-1,406

5. Limits for Fixed and Variable Interest Exposure

- 5.1 The following prudential indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The Council's existing level of fixed interest rate exposure is 100.0% and variable rate exposure is 0.0%. Table 3 shows the fixed and variable interest rate exposure.

Table 3: Fixed and variable rate exposure 2021/22 TO 2023/24

Interest rate exposures	2021/22	2022/23	2023/24
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates:			
• <i>Debt only</i>	100%	100%	100%
• <i>Investments only</i>	90%	90%	90%
Limits on variable interest rates			
• <i>Debt only</i>	70%	70%	70%
• <i>Investments only</i>	80%	80%	80%

6. Maturity Structure of Fixed Rate Borrowing

- 6.1 This prudential indicator deals with projected borrowing over the period and the rates that they will mature over the period. The majority of General Fund borrowing is either equal instalment repayment or annuity repayment, which means that each

year a part of the loan is repaid. Table 4 summarises the borrowing structure based on £981.688m of long and short-term borrowing.

Table 4: Borrowing as at 31 March 2022

Maturity structure of fixed interest rate borrowing 2021/22			
	Actual Position	Lower	Upper
Under 12 months	5.84%	0%	50%
12 months to 2 years	0.0%	0%	60%
2 years to 5 years	0.0%	0%	70%
5 years to 10 years	1.85%	0%	70%
10 years and above	92.31%	0%	100%

7. Investments over 364 days

- 7.1 The overriding objective of the investment strategy is to ensure that funds are available on a daily basis to meet the Council's liabilities. Taking into account the current level of investments, and future projections of capital expenditure, the following limits will be applied to sums invested:

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

8.1 Summary Assessment

- 8.1 The outturn position is set out above in respect of the Prudential Indicators approved by Assembly in February 2021.
- 8.2 The outturn figures confirm that the limits and controls set for 2021/22 were applied throughout the year, and that the treasury management function adhered to the key principles of the CIPFA Prudential Code of prudence, affordability, and sustainability. The treasury management indicators were regularly monitored throughout 2021/22.

Glossary of Terms

1. **CFR:** capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.
2. **CIPFA:** Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.
3. **CPI:** consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.
4. **ECB:** European Central Bank - the central bank for the Eurozone
5. **EU:** European Union
6. **EZ:** Eurozone -those countries in the EU which use the euro as their currency
7. **Fed:** the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.
8. **FOMC:** the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.
9. **GDP:** gross domestic product – a measure of the growth and total size of the economy.
10. **G7:** the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.
11. **Gilts:** gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.
12. **HRA:** housing revenue account.
13. **IMF:** International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

14. **LIBID:** the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). These benchmarks ceased on 31st December 2021 and have, generally, been replaced by SONIA, the Sterling Overnight Index Average.
15. **MHCLG:** the Ministry of Housing, Communities and Local Government - the Government department that directs local authorities in England.
16. **MPC:** the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.
17. **MRP:** minimum revenue provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).
18. **PFI:** Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.
19. **PWLB:** Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.
20. **QE:** quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.
21. **RPI:** the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.
22. **SONIA:** the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

23. **TMSS:** the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.
24. **VRP:** a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

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ASSEMBLY**27 July 2022**

Title: Appointment of Parent Governor (Primary) and Church Representative (Church of England) Co-optees to the Overview and Scrutiny Committee	
Report of the Chief Executive	
Open Report	For Decision
Wards Affected: None	Key Decision: No
Report Author: Claudia Wakefield, Senior Governance Officer	Contact Details: Tel: 020 8227 5276 E-mail: claudia.wakefield@lbbd.gov.uk
Accountable Strategic Leadership Director: Fiona Taylor, Acting Chief Executive	
<p>Summary</p> <p>The Parent Governor (Primary) and Church Representative (Church of England) co-optee positions on the Overview and Scrutiny Committee are currently vacant.</p> <p>As stated in Part 2, Chapter 8 of the Council's Constitution and in accordance with the Education Act 1996 and the Local Government Act 2000, the Overview and Scrutiny Committee should include the above listed co-optees, to scrutinise education matters, appointed by the Assembly. Statutory co-optees have voting rights in respect of education matters only.</p> <p>Nominations to fill the vacancies were sought by Governance Services, which resulted in:</p> <ul style="list-style-type: none"> • One application for the Parent Governor (Primary) position; and • One application for the Church Representative (Church of England) position. <p>As both positions resulted in one application, election processes were not necessary. The applicant for the Parent Governor (Primary) position is Mr Sajjad Ali, who is currently a Parent Governor at Northbury Primary School. The applicant for the Church Representative (Church of England) position is Mr Richard Hopkins, who is currently the Schools Adviser at the Diocese of Chelmsford.</p>	
<p>Recommendation(s)</p> <p>The Assembly is recommended to agree the appointment of the following nominees to their respective co-optee positions on the Overview and Scrutiny Committee, for a term of four years:</p> <ul style="list-style-type: none"> • Sajjad Ali: Parent Governor (Primary) • Richard Hopkins: Church Representative (Church of England) 	

Reason(s)

To ensure that the Council's Scrutiny function is in accordance with the Council's Constitution and legislation.

1. Financial Implications

Implications completed by: Sandra Pillinger, Group Accountant

- 1.1 This report concerns the appointment of two nominees to co-optee positions on the Overview and Scrutiny Committee. There are no financial implications.

2. Legal Implications

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

- 2.1 The appointment of Co-opted Members to Committees of the Council is an Assembly function as set out in the Council's Constitution at part 2 chapter 4 paragraph 2.1 (viii) which provides the Assembly with the power to agree and/or amend the overall political structure of meetings, the terms of reference of Committees, their composition and to make appointments to them.

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

List of appendices: None

ASSEMBLY**27 July 2022**

Title: Appointment of Statutory Scrutiny Officer	
Report of the Chief Executive	
Open Report	For Decision
Wards Affected: None	Key Decision: No
Report Author: Alan Dawson, Head of Governance & Electoral Services	Contact Details: Email: alan.dawson@lbbd.gov.uk
Accountable Director: Alison Stuart, Chief Legal Officer and Monitoring Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Acting Chief Executive	
<p>Summary:</p> <p>The Council must designate one of its officers to discharge the functions of statutory Scrutiny Officer, as required under section 9FB of the Local Government Act 2000 (amended by the Localism Act 2011). The statutory scrutiny officer's role is to:</p> <ul style="list-style-type: none"> • promote the role of the Council's overview and scrutiny committee(s); • provide support to the Council's overview and scrutiny committee(s) and its Members; • provide guidance to all Members and officers of the Council in relation to overview and scrutiny functions. <p>The former Interim Director of Strategy and Participation was the designated statutory Scrutiny Officer prior to leaving the Council at the end of May 2022. The statutory scrutiny officer cannot be the Council's Head of Paid Service (Chief Executive), the Monitoring Officer (Chief Legal Officer) or the Chief Finance Officer (Strategic Director, Finance and Investments).</p> <p>Alex Powell will be joining the Council on 1 August 2022 as Interim Chief Strategy Officer and it is proposed that he be designated as the Council's statutory Scrutiny Officer.</p>	
Recommendation(s)	
The Assembly is recommended to designate Alex Powell, Interim Chief Strategy Officer, as the Council's statutory Scrutiny Officer with effect from 1 August 2022.	
Reason(s)	
To accord with the requirements of section 9FB of the Local Government Act 2000 (as amended).	

1. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

- 1.1 There are no financial implications associated with the proposal in this report.

2. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 2.1 As set out in the summary of this report the Council is obliged by law under section 9FB of the Local Government Act 2000 (amended by the Localism Act 2011) to appoint a Scrutiny Officer who will be tasked with promoting the role of the Council's overview and scrutiny committee(s) and supporting them in their business. In addition, the statutory Scrutiny Officer shall provide guidance to all Members and officers of the Council in relation to overview and scrutiny functions, which can be found in the Constitution at Part 2 Chapter 8.
- 2.2 The Local Government Association gives further guidance on the role in that the statutory Scrutiny Officer activities could include as providing, or managing, administrative work, undertaking research, analysing data and preparation of reports.
- 2.3 The statutory Scrutiny Officer cannot be either the Council's Head of the Paid Service, the Monitoring Officer or the Chief Finance Officer (s151 officer). They do not need the word 'scrutiny' in their job title and similarly, someone with the job title 'Scrutiny Officer' will not necessarily be the Council's Statutory Scrutiny Officer.

Public Background Papers Used in the Preparation of the Report:

- Section 9FB, Local Government Act 2000 (as amended)
<https://www.legislation.gov.uk/ukpga/2000/22/section/9FB>

List of appendices: None

ASSEMBLY**27 July 2022**

Title: The Localism Act 2011 - Appointment of Independent Persons	
Report of the Monitoring Officer	
Open Report	For Decision
Wards Affected: None	Key Decision: No
Report Author: Dr Paul Feild Senior Governance Solicitor	Contact Details: Tel: 020 8227 3133 E-mail: paul.feild@lbbd.gov.uk
Accountable Head of Service: Alison Stuart, Chief Legal Officer and Interim Monitoring Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Acting Chief Executive	
Summary: This report relates to the requirement that the Council must have at least one Independent Person to carry out an advisory role as part of arrangements the Council must have in place to investigate and determine complaints regarding the Councillors Code of Conduct as required by Sections 28(6) (a) & (b) and 28(7) the Localism Act 2011(the Act).	
Recommendation(s) The Assembly is recommended to: (i) Agree the continuation of the appointment of all the Council's current Independent Persons, those being Michael Carpenter; Dr. Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu, until the next Assembly meeting following the Annual Assembly in 2023 when it shall confirm appointments; and (ii) Invite the Audit and Standards Committee to consider and advise on the current arrangements regarding the Council's Standards regime.	
Reason(s) Section 28(8) (c) (iii) of the Act states that decisions of appointment of Independent Persons must be agreed by a majority of the whole number of Councillors.	

1. Introduction and Background

- 1.1 From 1 July 2012, the Localism Act 2011 (the Act) required that principal councils such as district, county and London boroughs all adopt local codes of conduct and establish the means to investigate and determine complaints. At the Assembly meeting on 11 July 2012, Members adopted the LBBB Code of Conduct in

accordance with the Act, together with procedures for investigating and deciding on allegations of breaches of the Code.

- 1.2 The Act further required that the Council appoints at least one Independent Person (IP):
 - (a) whose views are to be sought, and taken into account, by the Council before it makes its decision on an allegation that it has decided to investigate; and
 - (b) whose views may be sought:
 - (i) by the Council in relation to an allegation in circumstances not within paragraph (a),
 - (ii) by a member, or co-opted member, of the Council if that person's behaviour is the subject of an allegation
- 1.3 To ensure 'independence', this person is not to have links to the Council, Councillors or officers or been a Member for the last five years. This meant that the previous independent Members of the statutory Standards Committee, who had served for a number of years, were disqualified from applying for the role as they were co-opted members of the Council. Initially two Independent Persons were appointed.
- 1.4 The Council's previous Monitoring Officer presented a report to Assembly on February 2014 where it was noted that the level of complaints against Members requiring the involvement of Independent Persons had so far been at a low level. It recommended that the Council make an additional appointment of an Independent Person to provide resilience in the event of potential issues of conflict of interest or general unavailability of one of the Council's IP's. The Assembly followed the recommendation of appointment and the identified need to have three IP's. However shortly after the meeting, one IP gave notice that he was stepping down from the role after deciding to be a candidate in the 2014 local elections for another Borough, leaving the Council with just one IP.
- 1.5 In accordance with the Act, to meet the risks identified, the then Monitoring Officer working with the lead Member carried out a recruitment exercise. The recruitment was conducted with local and web-based advertisements. Two expressions of interest were received from Dr.Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu. The quality of the performance of the candidates under interview and their experience was high. Both candidates had experience in dealing with ethical issues and neither have any connection with any political parties or been elected members.
- 1.6 In 2015 the Government changed the disciplinary procedure for statutory chief officers being the Head of Paid Service, Chief Finance Officer, and the Monitoring Officer. The change requires two Independent Persons to take part in statutory Chief Officer disciplinary panels by amending Statutory Standing Orders (SI 2015 / 881) to make their membership mandatory. The Councils Independent persons terms of engagement were so amended.
- 1.7 In the event that the Council's statutory Chief Officer Investigation and Disciplinary Panel considers that dismissal is the appropriate reasonable recommendation to

make to the Assembly with regard to statutory chief officer conduct, it must first refer the matter for consideration to an Independent Persons Committee, as required by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 and section 102(4) of the Local Government Act 1972. This Independent Persons Committee shall consist of at least two Independent Persons appointed under the Localism Act 2011 with priority to an Independent Person(s) appointed by the Council who is a local elector, followed by an Independent Person(s) appointed by the Council who is not a local elector and finally an Independent Person(s) appointed by another Authority.

2. Review

- 2.1 A desk top review has been carried out to look at the matters which required a formal Members Complaints Hearings Sub-Committee requiring the involvement of the Independent Person. The first being in February 2016 and the second in October 2018. While it is difficult to be certain about future complaints the picture is that standards and code of conduct matters are held in high regard by Members and Officers and transgressions are rare.
- 2.2 The Monitoring Officer's view is that the new 2022 Council and the newly composed Audit and Standards Committee ought to have an opportunity to review the functioning of the Independent Persons and that they would review, with the Monitoring Officer, the arrangements and in due course make a recommendation to the Council. As there is a statutory requirement for Independent Persons both for Member complaints hearings and statutory chief officers staffing matters, it will be necessary to offer the opportunity of retention until the Assembly meeting after Annual Assembly 2023 to the current Independent Persons and recruit in the event they vacate their office.
- 2.3 The Monitoring Officer has contacted the three Independent Persons and they have expressed a willingness to continue with the current arrangements.
- 2.4 **Terms of engagement**
 - 2.4.1 The proposal is that appointments will run until after the Annual Assembly meeting in 2023.
 - 2.4.2 The appointment attracts an annual allowance of £500. The IP's may also claim reasonable expenses for attendance, travel and subsistence. The IP's are not Co-opted Members and therefore the inclusion of such an allowance provision will not engage any need to have it approved / reviewed by the LBBD Members Remuneration Panel.
- 2.5 The Monitoring Officer recommends that the Assembly confirms that Mike Carpenter, Dr. Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu are retained as the Council's independent persons for the purposes of section 28 of the Localism Act 2011 (Note: under Section 28(8)(c)(iii) of the Localism Act 2011, this decision must be agreed by a majority of the whole number of councillors).

3. Options Appraisal

- 3.1 The appointment of at least one Independent Person is a statutory requirement of the Act. Experience has shown that number is too small as a Member facing a complaint is entitled to be able to consult with an Independent Person and that IP cannot go on to be consulted by the Council in the same matter as there will be a conflict of interest.
- 3.2 When Barking and Dagenham Council's scheme was established in late 2012 a minimum number of two was proposed principally because of the risk of conflict of interest this was raised to three since 2014 to provide the necessary level of resilience at minimal cost to the potential risk. Since that decision the change in the mandatory standing orders means that two Independent Persons have to be utilised in the disciplinary process for statutory officers. While it may be possible to 'borrow' another Authority's Independent person(s) it is hardly ideal as they will have to be trained and would need to be available, and in any event the Secretary of State has set a required preference that in a statutory officer disciplinary process it should be an Independent person who is a resident.
- 3.3 It is difficult to justify the cost of an automatic fresh recruitment round for Independent Persons and the induction and training requirements needs when the current Independent Persons are presently skilled. Nevertheless, the Monitoring Officer reaches the conclusion that the Audit and Standards Committee should be given the opportunity to review the Independent Persons tenure and working arrangement.

4. Consultation

- 4.1 It is a statutory requirement that Assembly is consulted and approves the appointments.

5. Financial Implications

Implications completed by: Katherine Heffernan, Finance Manager

- 5.1 The allowance and expenses required to fund these posts will be funded from existing budgets within Democratic Services.

6. Legal Implications

Implications completed by: Alison Stuart, Chief Legal Officer and Interim Monitoring Officer

- 6.1 The body of this report sets out the legal framework. As explained, by virtue of the Act, the Council is required to have a minimum of one IP, although, this is widely considered to be unsatisfactory as there are circumstances where statutory obligations, such as the right for a Member to consult with an IP, the need for consultation by the Monitoring Officer and the Standards Sub-Committee, coupled with the Statutory Officer disciplinary requirement dictates that two IPs are the bare minimum. An arrangement of a minimum of one IP does not provide sufficient resilience, e.g., if the IP is not available or a member wishes to consult with an IP.

Members are recommended to agree the continuation appointments of the three IP members as set out in this report.

7. Other Implications

- 7.1 **Risk Management** - The Council has a duty to promote and maintain high standards of conduct. Failure to appoint IP's puts the Council at risk of not being able to fulfil these duties in accordance with the Act
- 7.2 **Customer Impact** - Residents of the borough must be confident that the Council will continue to promote and maintain high standards of conduct through the implementation of the statutory requirements of the Act

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

List of Appendices: None

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