

Notice of Meeting

CABINET

Tuesday, 20 June 2023 - 7:00 pm
Council Chamber, Town Hall, Barking

Members: Cllr Darren Rodwell (Chair); Cllr Saima Ashraf (Deputy Chair) and Cllr Dominic Twomey (Deputy Chair); Cllr Sade Bright, Cllr Cameron Geddes, Cllr Syed Ghani, Cllr Kashif Haroon, Cllr Jane Jones, Cllr Elizabeth Kangethe and Cllr Maureen Worby

Invited: Cllr John Dulwich (non-voting)

Date of publication: 12 June 2023

Fiona Taylor
Chief Executive

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

Please note that this meeting will be webcast 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 23 May 2023 (Pages 3 - 6)

4. Provisional Outturn Report for the 2022/23 Financial Year (Pages 7 - 57)

5. Treasury Management Annual Report 2022/23 (Pages 59 - 89)

6. **New Build Schemes: Approval of Disposals, Head Leases and Loan Facility Agreements (Pages 91 - 139)**
7. **Improvements at Chadwell Heath Cemetery including Provision of Multi-Faith Facility (Pages 141 - 153)**
8. **B&D Energy Business Plan 2023/24 (Pages 155 - 208)**

Appendix 1 to the report is exempt from publication as it contains commercially confidential information (exempt under paragraph 3, Part 1, Schedule 12A of the Local Government Act 1972 (as amended)).

9. **Barking and Dagenham Trading Partnership (BDTP) Business Plan 2023/24 - 2026/27 (Pages 209 - 284)**

Appendix 1 to the report is exempt from publication as it contains commercially confidential information (exempt under paragraph 3, Part 1, Schedule 12A of the Local Government Act 1972 (as amended)).

10. **Barking and Dagenham Reside Regeneration Ltd (Reside) Business Plan 2023-28 (Pages 285 - 332)**

Appendix A to the report is exempt from publication as it contains commercially confidential information (exempt under paragraph 3, Part 1, Schedule 12A of the Local Government Act 1972 (as amended)).

11. **Barking and Dagenham School Improvement Partnership Business Plan 2023-2026 (Pages 333 - 347)**

12. **Contract for the Provision of Translation and Interpretation Services (Pages 349 - 362)**

13. **Social Value Impact Report 2022/23 (Pages 363 - 379)**

14. **Debt Management Performance 2022/23 (Quarter 4) (Pages 381 - 385)**

15. **Procurement of Contract for the Provision of Leaseholder Insurance (Pages 387 - 392)**

16. **Any other public items which the Chair decides are urgent**

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

Private Business

The public and press have a legal right to attend/observe Council meetings such as the Cabinet, except where business is confidential or certain other sensitive information is to be discussed. Items 8, 9 and 10 above include appendices which are exempt from publication, as described. ***There are no other such items at the time of preparing this agenda.***

- 18. Any other confidential or exempt items which the Chair decides are urgent**

This page is intentionally left blank

Our Vision for Barking and Dagenham

**ONE BOROUGH; ONE COMMUNITY;
NO-ONE LEFT BEHIND**

Our Priorities

- Residents are supported during the current Cost-of-Living Crisis;
- Residents are safe, protected, and supported at their most vulnerable;
- Residents live healthier, happier, independent lives for longer;
- Residents prosper from good education, skills development, and secure employment;
- Residents benefit from inclusive growth and regeneration;
- Residents live in, and play their part in creating, safer, cleaner, and greener neighbourhoods;
- Residents live in good housing and avoid becoming homeless.

To support the delivery of these priorities, the Council will:

- Work in partnership;
- Engage and facilitate co-production;
- Be evidence-led and data driven;
- Focus on prevention and early intervention;
- Provide value for money;
- Be strengths-based;
- Strengthen risk management and compliance;
- Adopt a “Health in all policies” approach.

The Council has also established the following three objectives that will underpin its approach to equality, diversity, equity and inclusion:

- Addressing structural inequality: activity aimed at addressing inequalities related to the wider determinants of health and wellbeing, including unemployment, debt, and safety;
- Providing leadership in the community: activity related to community leadership, including faith, cohesion and integration; building awareness within the community throughout programme of equalities events;
- Fair and transparent services: activity aimed at addressing workforce issues related to leadership, recruitment, retention, and staff experience; organisational policies and processes including use of Equality Impact Assessments, commissioning practices and approach to social value.

MINUTES OF CABINET

Tuesday, 23 May 2023
(7:01 - 7:57 pm)

Present: Cllr Darren Rodwell (Chair), Cllr Dominic Twomey (Deputy Chair), Cllr Sade Bright, Cllr Cameron Geddes, Cllr Syed Ghani, Cllr Kashif Haroon, Cllr Jane Jones, Cllr Elizabeth Kangethe and Cllr Maureen Worby

Also Present: Cllr John Dulwich and Cllr Mukhtar Yusuf

Apologies: Cllr Saima Ashraf

1. Declaration of Members' Interests

There were no declarations of interest.

2. Minutes (18 April 2023)

The minutes of the meeting held on 18 April 2023 were confirmed as correct.

3. LBBD Draft Local Plan: Provision of Gypsy and Traveller Sites in Barking and Dagenham

Further to Minute 25 (22 September 2020), the Cabinet Member for Regeneration and Economic Development presented a report on proposals regarding the provision of gypsy and traveller sites within the Borough as part of the development and progression of the Barking and Dagenham Local Plan 2037.

At the meeting in September 2020, it was noted that three sites at Choats Road, Collier Row Road and the extension of the existing traveller site at Eastbrookend Country Park were proposed to provide the additional capacity of 25 new pitches required to meet identified need for the period up to 2037, in line with national planning policy requirements and the Mayor's London Plan. Since that time, the sites at Choats Road and Collier Row Road, which were not in the Council's ownership, had been withdrawn as potential options by the landowners, leaving the extension of the site at Eastbrookend Country Park as the only remaining option. During the Preliminary Hearings stage of the draft Local Plan consultation programme, the Planning Inspectors had raised that issue as a major risk for the Council to address before the draft Local Plan could proceed to the main Examination stage, due to commence later in the year.

In light of the Planning Inspectors' comments, Be First identified a further 60 potential alternative sites in the Borough owned either by the Council or third-parties and conducted a formal "Call for Sites" process, inviting landowners to propose additional sites. Whilst the "Call for Sites" process did not receive any responses, Be First carried out detailed assessments of 19 of the 60 sites, which were detailed in Appendix A to the report, to assess whether they met the key criteria of (1) reasonable access to health and education services, (2) good environmental quality in terms of noise and air pollution levels, (3) not prone to flooding, (4) able to accommodate a minimum of five pitches, and (5) owned by the

Council or have a realistic prospect of being available. The Cabinet Member advised that only one of those potential sites, at 47 Thames Road, Barking, passed the key criteria test. However, it was recognised that financial and social issues relating to the site, as well as its future inclusion in the Thames Road Transformation Zone, meant that the 47 Thames Road site was also not considered a practical site to put forward to the Examination stage of the Local Plan.

The Cabinet Member explained that meeting the needs of the gypsy and traveller community was an integral part of the Council's Inclusive Growth strategy, not only because of the Council's obligations to that protected group under the Equality Act 2010 but also its commitment to provide all residents of the Borough, including the gypsy and traveller community, with the best possible housing and living conditions. He would, therefore, continue to work with officers to identify potential alternative sites and it was noted that discussions were ongoing with the Greater London Authority (GLA), Barking Riverside Limited and Transport for London (TfL) regarding their land-holdings in the Borough.

The Cabinet Member had met with the local Eastbrook and Rush Green ward councillors who had conveyed their opposition to a future potential expansion of the Eastbrookend Country Park site and the Cabinet were presented with a letter and supporting documents from Jon Cruddas, MP for Dagenham and Rainham constituency (tabled at the meeting in the form of a supplementary report which the Chair agreed could be considered at the meeting as a matter of urgency under the provisions of Section 100B(4)(b) of the Local Government Act 1972) expressing his views against the expansion and the desire for the Council to identify alternative provision.

The Cabinet Member explained that as it was not possible to identify specific alternative sites despite the extensive work that had been undertaken, the expansion of the existing site at Eastbrookend Country Park would have to remain in the draft Local Plan as the sole identifiable option for meeting potential future need over the first five-year period of the Local Plan.

The Cabinet Member concurred, however, that the option to expand the existing site faced some challenges and was not the preferred long-term option and, to that end, he spoke on a longer-term alternative that had been identified. National planning policy allowed local planning authorities to identify broad locations which could come forward later in the Local Plan period and the matter had also been suggested by the Planning Inspectors during the Local Plan Hearing sessions held last summer. The Castle Green area in the south of the Borough was currently allocated as Strategic Industrial Land with industrial units operating on a 24/7 basis. For that reason, a number of potential sites which had been identified within Castle Green were not considered suitable for the allocation of a traveller site within the first five-year period of the Local Plan. However, the area was identified as a 'transformation area' with potential to deliver up to 12,000 new homes, subject to a decision being made on the tunnelling of the A13 and the building of a new rail station. Subject to that development coming forward, there would be a number of opportunities to deliver a state-of-the-art traveller site in the location towards the end of the Plan period. With that in mind, officers had been tasked with securing an appropriate location within the Castle Green masterplan area. In terms of the potential benefits of that proposal, the Cabinet Member explained that

the inclusion of a state-of-the-art gypsy and traveller site in the Castle Green masterplan could not only deal with the future additional sites needed to meet current projections but could also serve to accommodate all of the Borough's gypsy and traveller community in the new facility, which would enable the existing or extended site at Eastbrookend Country Park to be closed and the site re-incorporated into the Country Park.

Following discussions on the proposals, the Cabinet Member clarified a number of points, which included:

- It was not within the Council's remit to withdraw the potential expansion of the Eastbrookend Country Park site from the draft Local Plan at the current point in time. It would, however, be within the remit of the Planning Inspectors to reject the proposal should they determine that extension into the Green Belt was undesirable;
- The proposals before the Cabinet this evening would enable the Council to proceed through the remaining stages of the draft Local Plan consultation process and should not be construed as the Council approving the expansion of the Eastbrookend Country Park gypsy and traveller site;
- Any future decisions regarding gypsy and traveller site provision would be the subject of extensive public consultation as part of the statutory planning process, overseen by the Council's Planning Committee;
- It was noted that, in the future, there may be a need to review the evidence-base that informed the original Gypsy and Travellers Accommodation Needs Assessment (GTAA), particularly as current need levels appear to have diverged from those original projections;
- There was an urgent need to address the Council's site management arrangements at the existing Eastbrookend Country Park site to improve the facilities and living conditions for the families currently in residence;
- It was the Council's long-term aim to provide its gypsy and traveller community with a purpose-built, state-of-the-art site away from the Eastbrookend Country Park.

Cabinet colleagues fully recognised the importance of the Council's Local Plan 2037 and the considerable risks of it being delayed or deemed unsound, noting that any prolonged absence of an approved Local Plan could hinder the Council's overarching aims of:

- Delivering ambitious regeneration in the Borough, including over 44,000 new homes and 20,000 jobs;
- Providing new, high-quality affordable homes that reflected local needs;
- Providing certainty for future investment plans and Government grants in the Borough;
- Delivering transformation areas;
- Provision of new supporting infrastructure such as school and healthcare facilities.

Cabinet **resolved** to:

- (i) Note that of the three sites previously approved for allocation as Gypsy and Traveller Provision in the draft Local Plan, two had been withdrawn by the landowners and, therefore, the extension of the existing site at

Eastbrookend Country Park represented the only site available to contribute to the identified need within the first five years of the Local Plan period;

- (ii) Confirm, after consideration of the assessment of all potential sites identified based on their suitability for traveller pitches set out in section 2 and Appendix A of the report, that 47 Thames Road would not be available due to the identified financial and social implications and its future inclusion in the Thames Road Transformation Zone;
- (iii) Note that in view of 47 Thames Road being deemed unavailable and in the absence of any further sites being deemed suitable, a shortfall of 13 pitches remained within the Local Plan period which presented a risk to the soundness of the Council's Local Plan; and
- (iv) Commit to the provision of a state-of-the-art, modern Gypsy and Traveller site within the strategic proposals for the Castle Green Transformation Area with the aim being to meet the Borough's future requirements for its Gypsy and Traveller community.

CABINET

20 June 2023

Title: Provisional Outturn Report for the 2022/23 Financial Year	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: Katherine Heffernan and Philippa Farrell, Heads of Service Finance; David Dickinson, Head of Capital and Investments;	Contact Details: E-mail: Katherine.heffernan@lbbd.gov.uk Philippa.farrell@lbbd.gov.uk David.dickinson@lbbd.gov.uk
Accountable Executive Team Director: Philip Gregory, Strategic Director, Finance & Investment	
Summary	
<p>This report sets out the Council's draft financial position for 2022/23 after the end of the financial year. The position is still being finalised in some areas and should be considered to be provisional until it has been finally signed off by the Council's external auditors which could be some way off. However, the high-level picture is now clear and should inform the Cabinet's assessment of performance and its financial planning for the future.</p> <p>The Council's General Fund final budget for 2022/23 was £180.944m. The final revenue expenditure outturn is £194m after a net transfer to/from reserves of £14.849m, which is an effective overspend against the budget of £27.9m. This is the result of inherent service driven overspends that amount to £8m across the Council and a further £19m of year-end adjustments some of which relate to the Council's subsidiary Barking and Dagenham Trading Partnership Ltd (Co No: 1089284) (BDTP). This is offset by £2.4m additional corporate income making the final variance £25m.</p> <p>The draft outturn for the Housing Revenue Account is not finalised but is expected to be an overspend of £2.4m.</p> <p>The Capital Programme adjusted budget for 2022/23 was £468.8m and the final outturn is £360.4m. The slippage in schemes is partially attributable to COVID-19 and the capacity of partners to deliver in a timely way. The slippage will be carried forward and added to next year's capital programme.</p> <p>Since the budget was approved in March 2022 the Council has faced significant increases in costs as a result of inflation, for example the cost of the Local Government pay award and higher energy costs, as well as increasing demand and costs for social care services.</p> <p>The Council has received no additional funding from government to fund the increased costs and demand placing the burden of meeting these unforeseen costs on the council.</p>	

This is a significant overspend for the year. Key drivers linked to inflation are outside of the control of the Council. We must respond to the market in the same way as any other organisation. This is seen in the cost of provision, energy prices, and the pay award. In addition, a review of the charges between the HRA and GF has seen an impact of a changing balance of costs between the HRA and the General Fund. This has resulted in increased costs being felt within the General Fund.

The overspend can be managed by use of the budget support reserve and the collection fund reserve and other non-ringfenced reserves. However, this does leave the Council with very few available reserves to absorb overspends in 2023/24. The position will continue to be closely monitored and risks and opportunities recognised as soon as certain.

Recommendation(s)

Cabinet is recommended to:

- (i) Note that the General Fund provisional outturn position for 2022/23 was £194.079m, which represented an overspend of £25.509m once movements to and from reserves, income and an increase in corporate funding had been taken into account, as detailed in Appendix A to the report;
- (ii) Agree the transfers from corporate reserves to mitigate the 2022/23 overspend, as detailed in Appendix A to the report;
- (iii) Note that the Housing Revenue Account provisional outturn position for 2022/23 showed an overspend of £2.405m which shall be met from the HRA Reserve, as detailed in Appendix A to the report;
- (iv) Note that the Dedicated Schools Grant (DSG) budget provisional outturn position for 2022/23 showed an overspend of £0.592m which shall be met from the DSG Reserve, as detailed in Appendix A to the report;
- (v) Note that the Capital Programme provisional outturn position for 2022/23 showed an underspend of £92.09m against the revised budget of £467.868m and approve the carry forwards to 2023/24, as detailed in Appendices B and C to the report; and
- (vi) Note the update on progress on the year-end accounts and the work still outstanding, as set out in section 5 of the report;

Reason(s)

As a matter of good financial practice, the Cabinet should be informed about the Council's financial risks, spending performance and budgetary position. This will assist in holding officers to account and inform further financial decisions and support the objective of achieving Value for Money.

1. Introduction and Background

- 1.1 This is the provisional outturn report to Cabinet for the 2022/23 financial year. There was a net £9.4m of growth added to the budget for 2022/23 as part of the Council's budget setting process in February and March in order to meet the then known pressures, especially those in Care and Support. This was funded from Council Tax increases, commercial returns and Government grants.
- 1.2 The final budget for the year was £180.943m – this differs from the budget reported earlier in the year of £183m. This is due to two specific lines of income being reclassified as service income rather than corporate funding. These were £1.5m Investment income and £0.616 Adult Social Care grant. The monies have been received but have been coded directly to the services reducing net expenditure rather than being held corporately.
- 1.3 The time since Covid has been a difficult period for Local Government as a sector and for LBBB in particular. We have experienced a high level of financial risk including inflation and the cost-of-living crisis, the ongoing impact of the Covid pandemic and its aftermath, the potential impacts of Brexit, which have all compounded the long-standing pressures that impact across the Local Government sector. These risk factors are beyond the Council's control and are being felt across all Local Authorities but they are at risk of impacting LBBB more significantly as a result of the high levels of deprivation and disadvantage that already existed for residents of the Borough.
- 1.4 As part of our ongoing improvement programme, a new financial system and budget monitoring process was introduced in April 2022. This has resulted in some changes to the format of the budget monitoring report. This report is a high-level summary with key information and action points with more detail being contained within the appendices.
- 1.5 The implementation of the new finance system empowers budget holders to own their financial information and to work alongside finance. This has resulted in several deep dives and data cleanses, particularly within the area of People and Resilience creating a more robust data position from which to forecast and is allowing greater analysis of trends.

2. Overall Financial Position

- 2.1 As **Appendix A** shows, the expenditure forecast is £194.079m after planned transfers to and from reserves of £14.849m, so effectively an overspend variance of £27.9m. In mitigation, there is an overachievement in income from additional section 31 grants of £2.475m giving a final variance of £25.5m. The service driven variance is £8m but there were a further £17.4m of year-end items including bad debt and the impact of the Council's subsidiaries.
- 2.2 In addition there is a forecast overspend of £2.4m on the Housing Revenue Account, mostly driven by inflation on energy and the costs of compliance and safety works. There is also a shortfall on rent income from voids and dwellings being taken out of use as part of the Council's estate renewal programme. This is partly offset by underspends in repairs where there have been delays in recruiting additional workers to the DLO.

3. Use of Reserves

- 3.1 The Council does not normally allow services to carry forward general underspends. However, the reserves may be used to move monies between financial years in order to deliver specific projects and objectives. This applies to both external grant funding and monies given by the Council itself for specific projects. Full details of all such requests are given in Appendix A.
- 3.2 In addition, the Council has had to use reserves to cover the level of financial pressure that has been experienced this year. This includes using the collection fund smoothing reserve not only to cover the fund deficit but also to support broader Council overspending. We have also drawn down from the budget support reserve, the welfare reform reserve and the levies reserves. This has enabled us to manage the position in the short term but in the longer term exposes the Council to more risk.

4. Capital Programme

- 4.1 Outturn expenditure on the 2022/23 capital programme was £375m out of a total budget of £467.9m, resulting in an underspend of £92.9m. Approx. £59m (64%) of the variance was on the Investment Strategy, £25m (27%) on the General Fund and £7.4m (8%) on the HRA. At Period 11 the forecast position on the programme was an underspend of £89.4m. The final outturn was an underspend of £92.9m, which is an increase of £3.5m.
- 4.2 There has been a net increase of £2.965m to the capital programme budget since the Quarter 3 report to Cabinet in March, from £464.904m to £467.868m. This comprises the following schemes:

Programme	Scheme	Adjustment £'000	Funding source
Inclusive Growth	UK Shared Prosperity Fund	143	GLA grant
CIL	Box Up Crime	300	Stock condition
TFL	Cycle Routes and Valence Ave	221	Transport for London grant
IT	Customer Services channel shift	64	correction of negative budget
Culture and Heritage	Woodward Arts and Culture Centre	278	Arts Council grant
Parks Commissioning	Old Dagenham Park	48	DLUHC grant
Parks Commissioning	Central Park Pavilion	125	Stock condition, Parks programme, borrowing
Parks Commissioning	Tennis Courts development	75	Parks programme, s106
Parks Commissioning	Parks programme	(50)	contributions from Parks programme
Parks Commissioning	Decontamination	(159)	Transfer to finance revenue expenditure
My Place	Healthy Streets	200	Parking Reserve
My Place	Habitat for Humanity	169	Stock condition
My Place	Highways Programme	231	TFL, s278 developer contribution
My Place	Stock Condition	(520)	contributions from stock condition
My Place	Dispersed Working	320	Budget correction, funded from borrowing
IAS Residential	Gascoigne West Phase 3	1,224	Borrowing
Transformation	Transformation	297	Capital receipts
		2,965	

- 4.3 The capital programme is financed from several sources, including grant, borrowing, CIL, s106 contributions and revenue contributions. Overall, 86% of the programme is financed from borrowing. The table below provides a breakdown of sources of funding.

	Grant £'000	s106 £'000	CIL £'000	Capital Receipts £'000	HRA resources £'000	Revenue £'000	Borrowing £'000	Total £'000
General Fund	22,581	558	739	0	0	77	8,116	32,071
Transformation	0	0	0	2,106	0	0	0	2,106
HRA	1,234	0	0	198	23,268	0	0	24,700
Investment Strategy	0	0	0	0	0	0	316,089	316,089
Total	23,815	558	739	2,304	23,268	77	324,205	374,966

4.4 Most underspends will be carried forward into 2023/24. The total carry forwards amount to £92.661m. This will be added to the existing capital programme budget for 2023/24 to give an updated budget of £496.684m. In the few instances where individual schemes have overspent in 2022/23, the overspends will be deducted from the capital programme budget for 2023/24.

5. Update on Audit Issues

5.1 The statutory date for publishing draft accounts for Local Authorities is 31st May. However, this is a challenging target and has widely not been achieved. Less than half of London Boroughs met the deadline and potentially only 30% of all Councils did so. LBBDD were not able to publish.

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

- Final agreement with the Reside companies and LLPs of payments due to and from the Council and return on investment;
- Final agreement with BDTP of payments due to and from the Council;
- Final settlement and financing of the capital programme;
- Final reconciliation of the Housing Revenue Account;
- Final approval of previous years accounts and the balances brought forward.

5.3 In addition, the draft final accounts will be subject to external audit and cannot be regarded as final until the auditors have issued their opinion. The deadline for completion of the audit is November 2023 although this is likely to be considerably delayed as the audits for the previous three years (2019/20, 2020/21 and 2021/22) are still outstanding. The Audit and Standards Committee continues to hold our external auditors, BDO, to account for their performance.

6. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

6.1 This report is one of a series of regular updates to Cabinet about the Council's financial position. As the report makes clear the Council's financial position is challenging and there are significant risks and pressures that will require urgent attention.

7. Legal Implications

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

7.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and

ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

- 7.2 Nevertheless, the unique situation of the aftermath of Covid 19 combined with the continuing hostilities between the Russian Federation and the Ukraine presents the prospect of the need to purchase supplies and services with heavy competition for the same resources together with logistic challenges which is causing scarcity and inflationary rising costs. However, value for money and the legal duties to achieve best value still apply. There is also the issue of the Councils existing suppliers and service providers facing issues of pressure on supply chains and labour availability. As a result, these pressures will inevitably create extra costs which will have to be paid to ensure statutory services and care standards for the vulnerable are maintained. The Council must continue careful tracking of these costs and itemise and document the reasoning for procurement choices to facilitate grounds for seeking such additional support funds as the Authority may be able to access.
- 7.3 As stated in the body of the report, the local audit for three years has yet to be published and on current trend the audit for 2022/23 is inevitably going to be late too. The performance of External Auditors carrying out the Audit matters, as it is a vital component in providing an external perspective in the governance and assurance of a local authority.

Public Background Papers used in preparation of this report

- The Council's MTFs and budget setting report, Assembly 2 March 2022
<https://modgov.lbbd.gov.uk/Internet/documents/s152346/BF%202022-23%20Report.pdf>

List of appendices:

- **Appendix A:** Revenue Outturn for GF, DSG, HRA and reserves transfers (Period 10)
- **Appendix B:** Capital Programme Outturn
- **Appendix C:** Capital Programme Carry Forward

Appendix A Revenue Outturn

**Barking &
Dagenham**

Page 13

2022/23

one borough; one community; no one left behind

General Fund Revenue Position 2022/23

	Final Revised Budget 2022/23	YTD Actuals	Transfers to Reserves	Transfers from Reserves	Outturn	SERVICE PRESSURES	TOTAL YEAR END ADJUSTMENTS
PEOPLE & RESILIENCE	130,687,336	140,565,307	2,726,084	(1,870,799)	141,420,591	9,278,495	1,454,760
CORPORATE MANAGEMENT	(6,407,369)	(9,491,851)	(20,172,229)	33,124,253	3,460,173	(2,475,852)	12,343,394
LAW AND GOVERNANCE	(3,658,958)	(4,301,433)	932,633	(883,586)	(4,252,386)	(543,235)	(50,193)
STRATEGY	1,412,900	1,994,228	119,000	(364,059)	1,749,169	(23,815)	360,084
INCLUSIVE GROWTH	3,574,574	3,387,246	633,334	(544,557)	3,476,023	272,369	(370,920)
COMMUNITY SOLUTIONS	26,510,652	30,643,455	3,474,178	(2,580,356)	31,537,277	(877,116)	5,903,741
MY PLACE	28,824,676	31,282,741	287,000	(31,000)	31,538,741	2,453,460	260,605
GENERAL FUND I&E TOTAL	180,943,811	194,079,692	(12,000,000)	26,849,896	208,929,587	8,084,306	19,901,470
GENERAL FUND I&E FUNDING	(180,943,811)	(195,419,629)	12,000,000	0	(183,419,629)	0	(2,475,818)
NET GF BALANCE	0	(1,339,937)	(0)	26,849,896	25,509,958	8,084,306	17,425,652

This financial year has been particularly challenging for several reasons resulting in a service driven overspend of £8m (4.4%) . In addition, increases in Bad Debt and the need to financially support BDTP, as well as a review of the application of the HRA recharge policy has led to other costs of £19.91m. Corporate income including section 31 grants was £2.475m over budget resulting in a final variance after transfers to and from reserves **of £25.509m**

In April 2022, LBBDD implemented a new Financial System which impacted the complete visibility of financial information throughout the year until November. The implementation of the new system has been a substantial cultural shift for the organisation, especially Budget Holders, and there has only been the existing resources in place to support this change during 2022/23. Although progress has been made, this is still a journey the organisation is on.

Inflationary pressures have contributed to increased costs in many parts of the organisation, particularly energy costs and staff pay. We continue to see demand pressure within the Children's and Disabilities placements and staffing costs. There has been ongoing work in the Children's service with the Children's improvement program and Disabilities is now set to be reviewed. We are therefore working through this current MTFS cycle to zero base the budget.

General Fund Revenue Position 2022/23 TOTAL YEAR END ADJUSTMENTS

There were known financial pressures on the services that led to an overspend of £10.560 against service departments and £8.084 including central costs. As an overall figure this was broadly in line with the last reported forecast (£10.7m at period 10) with an increase in People and Resilience and My Place offset by reduction in central budgets.

	SERVICE PRESSURES	General Debt	BDTP Debt	Oracle Write Back	Court Cost Bad Debt	HRA Recharges variance to budget	TOTAL YEAR END ADJUSTMENTS	Variance
PEOPLE & RESILIENCE	9,278,495	5,275,875		(3,821,115)		0	1,454,760	10,733,255
CORPORATE MANAGEMENT	(2,475,852)	283,250	11,992,848	(109,964)	611,563	(434,303)	12,343,394	9,867,542
LAW AND GOVERNANCE	(543,235)	144,272	221,824	(272,930)		(143,359)	(50,193)	(593,428)
STRATEGY	(23,815)	25,497	400	(31,613)		365,800	360,084	336,269
INCLUSIVE GROWTH	272,369	118,009	3,292	(531,480)		39,259	(370,920)	(98,551)
COMMUNITY SOLUTIONS	(877,116)	422,361	2,668,002	(199,598)	2,060,191	952,785	5,903,741	5,026,624
MY PLACE	2,453,460	244,127	1,151,955	(883,490)		(251,987)	260,605	2,714,065
GENERAL FUND I&E TOTAL	8,084,306	6,513,391	16,038,321	(5,850,191)	2,671,754	528,195	19,901,470	27,985,776

In addition, at year end we included several other adjustments for pressures that were not wholly within the control of services. These increased the overall expenditure variance by £19.901m to £27.985m .

Further detail on these areas is included within the Directorate Detail Revenue Outturn section later in this appendix.

The cost of living increased sharply across the UK during 2021 and 2022. The annual rate of inflation reached 11.1% in October 2022, a 41-year high, before easing in subsequent months. It was 10.1% in March 2023, the seventh successive month of double-digit inflation.

This has impacted service costs in several areas but most notably in energy costs and the pay award.

- Inflation impact – Energy costs of Gas and Electricity of c£14.8m against a budget of c£8m. This figure includes HRA, which is still in draft so subject to change.
- Pay Award – Local Government Employers and Unions agreed a flat rate pay award (in London) of £2,229 per FTE. For LBBD this amounted to an average 6.6% increase at a cost of £7m. This was above the budgeted amount by £4m.

We have also seen a large increase in demand for services this year especially in social care. The increase has been both an increase in numbers and also in the levels of need experienced by individuals. For example there has not only been a small net increase in the number of Looked After Children but within that number there has been an increase in the proportion in residential care.

PERIOD 10 VARIANCE	REPORT LEVEL	2022/23 FORECAST OUTTURN			
		BUDGET	OUTTURN	VARIANCE	CHANGE
		£'000	£'000	£'000	£'000
£3,152	SUPERVISION & MANAGEMENT	43,523	47,972	£4,450	£1,298
(£1,529)	REPAIRS & MAINTENANCE	24,215	21,665	(£2,550)	(£1,021)
£341	RENTS, RATES ETC	950	1,846	£896	£555
£356	INTEREST PAYABLE	10,944	11,215	£271	(£85)
£0	DISREPAIR PROVISION	0	1,064	£1,064	£1,064
(£1,309)	BAD DEBT PROVISION (BDP)	3,309	1,752	(£1,557)	(£248)
£0	CDC RECHARGE	1,003	844	(£158)	(£158)
£1,010	TOTAL EXPENDITURE	83,942	86,358	£2,415	£1,405
£852	DWELLING RENTS	(£88,255)	(86,281)	£1,974	£1,122
£2	NON-DWELLING RENTS	(£770)	(764)	£6	£5
(£768)	CHARGES FOR SERVICES & FACILITIES	(£22,186)	(21,479)	£707	£1,475
(£51)	INTEREST & INVESTMENT INCOME	(£299)	(341)	(£42)	£9
£34	TOTAL INCOME	(£111,509)	(£108,865)	£2,644	£2,610
£255	TRANSFER TO HRA LEASEHOLDER RESERVE	£1,281	1,644	£363	£108
£0	TRANSFER FROM HRA RESERVE	£0		£0	£0
£1,300	NET TOTAL	(£26,286)	(£20,863)	£5,423	£4,123
£2,122	DEPRECIATION	17,088	19,210	£2,122	£0
(£3,422)	TRANSFER TO MAJOR REPAIR RESERVE (MRR)	9,198	4,057	(£5,141)	(£1,719)
(£1,300)	CAPITAL PROGRAMME FUNDING	£26,286	£23,268	(£3,018)	(£1,719)
(£0)		(£0)	£2,405	£2,405	£2,405

The Housing Revenue Account is still in draft but the indicative outturn is an overspend of £2.4m which will be drawn down from the HRA reserve.

	2022/23 Budget	2022/23 Outturn	Surplus / (Deficit) Outturn
	£'000	£'000	£'000
Schools Block – ISB	180,624	180,004	621
Central Block	2,224	2,227	(3)
High Needs Block	44,509	47,024	(2,515)
Early Years Block	21,877	20,570	1,307
Total	249,234	249,825	(591)
DSG Surplus B/F			10,664
Revised DSG Reserve			10,073
Less EY clawback			(1,041)
22/23 DSG Reserve			9,032
Of which:			
SFFD retained		963	
Growth & Falling Fund C/F		309	
Net DSG Reserve			7,760

The Dedicated Schools Grant is reporting an overall in-year overspend of £592k (please refer to DSG table below). This consists of an overspend on High needs of £2,515k and a small overspend of £3k on the Schools Central Services block. This combined overspend of £2,518k has been mitigated by underspends against the Early Years and Schools block of £1,307k and £620k, respectively.

The Early Years funding is based on prior year allocations and funding is only finalised using the previous two spring census data. The underspend of £1,307k is made up of £154k underspend on the 2-year-old funding and £887k on the 3- and 4-year-old funding. The central early years budget reported an underspend of £266k. As in previous years, we have assumed a full claw back of the in-year underspend of £1,041k being the sum of the underspend on the 2- and 3 and 4-year-old funding. Although there will be a retained element, this will not be known until July 2023.

The total DSG reserves brought forward from 2021/22 was £10,664k. This amount is reduced by the 22/23 in-year overspend of £591k to give the revised DSG reserve of £10,073k. We have assumed the full clawback of the early years underspend on the 2-year-old and 3- to 4-year-old funding of £1,041k, therefore adjusted reserve is £9,032k. £309k of this amount relates to the underspend of the growth fund allocation which is earmarked to support future growth proposals and schools facing falling rolls. And 963k is the year-end balance held against the Schools Facing Financial Difficulty fund.

	Opening Balance	2022/23	Closing Balance
	£000	£000	£000
General Fund	17,030	0	17,030
Budget Support Reserve	22,839	-13,895	8,944
Collection Fund Reserve	16,254	-16,254	0
Investment Strategy Reserve	9,578	18,590	28,168
Capital Reserves	3,779	0	3,779
Planned Future Spend	14,590	-112	14,478
Ring Fenced Reserves	30,826	9,068	39,894
Risk Reserves	21,104	1,518	22,621
Specific Service Reserves/Trading Accounts	1,092	-56	1,037
TOTAL GF RESERVES	137,093	-1,142	135,951

Despite the overspend the net movement in reserves was relatively small. This is because there were some large transfers to reserves related to specific transactions where monies are being held for future spend or to mitigate investment risk. These include £15.5m related to the Isle of Dogs Travelodge, £12m from the sale of the Mueller site and £7m in year surplus on the Investment strategy carried forward.

Although the reserves look healthy many of them are already intended for use in 23/24 and following – more analysis will be provided in the MTFS update.

Directorate Detail Revenue Outturn

**Barking &
Dagenham**

Page 21

2022/23

one borough; one community; no one left behind

Outturn Position - £141.4m - there was a service driven variance of £9.3m (7%).

Page 22

	Final Revised Budget 2022/23	YTD Actuals	Transfers to Reserves	Transfers from Reserves	Outturn	Variance	SERVICE PRESSURES	TOTAL YEAR END ADJUSTMENTS
PEOPLE & RESILIENCE	130,687,336	140,565,307	2,726,084	(1,870,799)	141,420,591	10,733,255	9,278,495	1,454,760
DISABILITIES CARE & SUPPORT								
ADULT'S CARE & SUPPORT	28,933,247	34,582,093	0	0	34,582,093	5,648,846	5,048,026	600,820
ADULT'S CARE & SUPPORT	21,240,332	24,068,673	1,076,250	(1,138,970)	24,005,953	2,765,621	(821,097)	3,586,718
COMMISSIONING - CARE & SUPPORT	13,277,028	10,199,669	803,517	(362,829)	10,640,357	(2,636,671)	(91,113)	(2,545,558)
PUBLIC HEALTH	(318,250)	(787,782)	511,593	(63,000)	(339,189)	(20,939)	34,413	(55,352)
CHILDREN'S CARE & SUPPORT	42,835,419	48,520,155	0	(206,000)	48,314,155	5,478,736	5,413,382	65,354
EDUCATION, YOUTH & CHILDCARE	20,815,423	20,628,388	334,724	(100,000)	20,863,111	47,688	245,111	(197,423)
EARLY HELP SERVICE	3,904,137	3,354,111	0	0	3,354,111	(550,026)	(550,397)	371

These services had been forecasting an overspend all year and the position worsened further at year end.

Key Drivers of Variance(Service Pressures)

- **Disabilities Service: - £5.048m**
 - **Children with Disability Residential placement with Education need**, £2.334m overspend – largely attributable to high costs of packages and historical insufficient budget to contain the pressure.
 - **Out of Borough School Transport**, £1.069m overspend – Lack of special schools in the Borough, hence children being transported out of the Borough to attend special schools
 - **Supported Living**, £0.935m overspend- Rise in unit costs, client numbers and complexity & Chronicity .
 - **Life Planning Team B Staffing Costs**, £0.476m – The decision to employ agency staff through Innovate Agency Services and having two posts above establishment has resulted in an overspend in staffing costs.
 - **Day Care**, £0.374m – Client numbers increasing as COVID is over and people feel more confident going out to public places. The budget is not right sized for the demand and prior to Covid was overspending. Management action needs to be taken to realign budgets and mitigate spend in other areas within Disabilities, if this is not possible it will need to be within Adults.
- **Adults Care and Support: - (£0.821m)**
 - £0.560m Additional Hospital discharge fund from ICB and other improvements
- **Commissioning Care and Support: - (£0.091m)**
 - No material variances
- **Public Health: - £0.034m**
 - No material variances
- **Children’s Care and Support: - £5.413m**
 - **Staffing costs**, £1.235m overspend – reliance on agency staff to fill vacant roles accounting for circa 15-20% of the workforce at any given time.
 - **Placements**, £4.104m overspend – Fostering allowances were increased at the start of the year with no additional funding in place to cover the cost, resulting in a £1.4m overspend. Residential placements overspent by £3.618m, demand led service that saw an increase in number of placements from 32 in April to 64 in March. With underspends on Adoption and Secure Units of £0.340m and £0.483m respectively offsetting some of the costs, due in part to miscodings when placements are set up.
 - **Legal Services Charge**, £0.370m overspend – Legal services salary recharge received at year end with no funding agreement in place to cover the cost, this if for additional legal staff to cover the increase in the number of cases and workload for children’s legal services.
- **Education, Youth and Childcare: - £0.245m**
- **Early Help Service: - (£0.550m)**
 - Grant funding of (£1.543m) was received in year against a budget of (£0.992m)

The table below outlines the requests for transfers to and from reserves for People and Resilience for 2022/23

	Reserve Name	2022/23 Reserves Balance	Transfers to Reserves	Transfers from Reserves	2022/23 Closing Balance	Comments
	Service Grant C/F- Social Care	-2,140,536				
Children's Care and Support	MOPAC - Your Choice funding			100,000		Funding rolled over from 21/22 had to be used in 22/23, drawn down to cover costs of delivering service
Children's Care and Support	CCG- Emotional Wellbeing and Mental Health Practitioner for Care Leavers			60,000		Drawn down to cover cost of Emotional Wellbeing and MH Practitioner in 22/23
Children's Care and Support	CCG Respite Risk Register Funding			46,000		Drawn down to cover an element of placements costs
Adults Care and Support	Winter fund		-210,000			To fund Social workers and Occupational therapist
Adults Care and Support	ASC Discharge fund		-95,000			To fund Commissioning manager and Consultant Social Work
Adults Care and Support	Virtual Ward NEL		-537,000			Providing support in the community to people with the most complex medical and social needs
Adults Care and Support	Streamline Local Authority ASC Assessments grant		-130,000			To fund Streamlining Local Authority ASC Assessments
Adults Care and Support	Charging Reform Implementation Support Grant		-104,250			To fund IT and other set up costs for Adults Social Care reform
Adults Care and Support	BCF Underspend 21/22 (Demand pressure on D2A)			1,000,000		To mitigate demand discharge pressures
Adults Care and Support	Unspent Winter access fund			110,000		To mitigate demand pressures
Public Health	Service Grant C/F- Social Care		-114,365		-114,365	Unspent DLUHC grant from 2021/22
Commissioning - Care and Support	Service Grant C/F- Social Care		-394,998	314,078		To fund future drug and alcohol detox and rehabilitation programmes
Commissioning - Care and Support	Service Grant C/F- Social Care		-43,619			To fund future weight management programmes or return to OHID
Commissioning - Care and Support	Service Grant C/F- Social Care			23,751		To fund ReMove DA Perpetrator expenditure relating to 21/22
Commissioning - Care and Support	Service Grant C/F- Social Care		-214,900			Additional Ageing Well BCF (Bal b/f was £514k) - To fund future Ageing Well programme of Adults commissioning
	Service Grant C/F- Social Care				-2,330,839	
Commissioning - Care and Support	Departmental Reserve - Social Care	-413,886	-150,000	25,000	-538,886	£150k - To fund future Children & Young People Mental Health programmes; £50k was used for extra capacity in Brokerage team (Adults Commissioning)
Children's Care and Support	Grants - Dept for Education	-38,700			-38,700	CF: To fund new placement SW in 23/24 - as agreed with P.Williams/J.Tarbutt
Children's Care and Support	LEAVING CARE NEET FUNDING CMF	-140,074			-140,074	CF: Will be used to fund participation posts in 23/24, as per S.Girty
Adults Care and Support	MS0102 - Welfare - Cost of Living			28,970		To fund cost of living costs charged to project MS0102; Check ComSol Reserves
Public Health	Public Health Reserve	-3,591,199	-397,228	63,000	-3,925,427	Unspent Public Health Grant
Children's Care and Support	YOS Health & Justice From CCG	-115,766			-115,766	YOS Health & Justice From CCG
Education, Youth & Childcare			-334,724	100,000		

The My Place Service Pressure is £2.45m

	Final Revised Budget 2022/23	YTD Actuals	Transfers to Reserves	Transfers from Reserves	Outturn	Variance	SERVICE PRESSURES	TOTAL YEAR END ADJUSTMENTS
MY PLACE	28,824,676	31,282,741	287,000	(31,000)	31,538,741	2,714,065	2,453,460	260,605
MY PLACE CENTRAL	(17,570,839)	(23,832,858)	0	0	(23,832,858)	(6,262,020)	(7,549,429)	1,287,409
HOMES AND ASSETS	30,356,728	38,222,839	0	(31,000)	38,191,839	7,835,112	9,130,019	(1,294,907)
PUBLIC REALM	16,038,787	16,892,760	287,000	0	17,179,760	1,140,973	872,870	268,103

Page 25

Highways £1,392k overspent. The overspend is driven by Highways contract inflation of £570k, Street Lighting electricity inflation of £452k and unrecoverable Street Lighting staffing costs of £20k.

Asset Management £216k overspent. The overspend is largely due to energy costs, particularly B&D Energy.

Major Works - £94k overspent, largely due to a lower recharge of salary costs to the capital programme.

Commercial Property £435k overspent, due to a shortfall in income. The Commercial Rents income target was increased by £300k in 2022/23 to £6m, but the additional income was not achieved.

Public Realm £224k overspent due to agency staffing costs in Waste Operations.

Reserves adjustments: Growth funding of £287k has been carried forwards due to delays around DEFRA'S Waste Strategy consultation and the requirement to finance the Cleaner Communities campaign in 2023/24. The £31k drawdown is a developer contribution to Highways in support of resurfacing work in Abbey Road.

Outturn Position – £3.5m (£272k overspend)

	Final Revised Budget 2022/23	YTD Actuals	Year end adjs	Transfers to Reserves	Transfers from Reserves	Outturn	TOTAL YEAR END ADJUSTMENTS	SERVICE PRESSURES
COMMERCIAL	(210,660)	384,932	0	0	0	384,932	166,028	429,564
INCLUSIVE GROWTH	3,785,234	3,002,314	0	633,334	(544,557)	3,091,090	(536,948)	(157,196)
INCLUSIVE GROWTH	3,574,574	3,387,246	0	633,334	(544,557)	3,476,023	(370,920)	272,369

Key Drivers of Variance (Service Pressures) - £272k overspend:

Commercial: - £429k overspend:

- **Film Unit** – £167k overspend due to a shortfall in income generation.
- **CR27** – 103k overspend due to the increased rent payable by LBB, whilst tenant is on a rent free period.
- **Procurement /Accounts Payable**- £231k HRA recharge allocated to front line service level, leaving a shortfall.
- **Leisure** - £18k underspend on non -pay budgets;
- **Isle of Dogs Travelodge** – £13.5k Investment income surplus

Inclusive Growth – (£157k) underspend:

- **Heritage NNDR Refund of (£108k)** for Eastbury Manor offset by Valance House overspend of £142k mainly on backdated salaries and business rates
- **Inclusive Growth core team - (£151k)** underspend attributable to carrying staff vacancies offset by agency costs and approx. (£40k) in additional fees and charges

The table below outlines the 2022/23 request for transfer to and from reserve for Inclusive Growth

Inclusive Growth Service	Reserve Name	22/23 Reserve Balance	Transfer to Reserves	Transfers From Reserves	22/23 Closing Balance	Comments
	SHDF Balance	(280,074)				
Inclusive Growth	Social Housing Decarbonisation Fund			99,500		Drawdown Request to cover grant expenditure
Sustainability	Social Housing Decarbonisation Fund			128,527		Drawdown Request to cover grant expenditure
Sustainability	Social Housing Decarbonisation Fund		(78,898)			Grant Carry Forward for committed spend
	SHDF Balance c/f				(130,945)	
	IG Departmental Balance	(1,301,564)				
Inclusive Growth	IG departmental reserve			5,730		Drawdown Economic development growth funding to cover spend
Sustainability	IG departmental reserve		(45,190)			Carry Forward Electric charging points income
	IG Departmental Reserve Balance c/f				(1,341,024)	
	IG Grant Balance c/f	(409,850)				
Culture & Heritage	IG grant reserve			84,186		New Town Culture Drawdown to offset spend
Employment & Skills	IG grant reserve		(90,733)			Multiply bid for Adult College carry forward Request
Inclusive Economy	IG grant reserve		(286,368)			UK Shared Prosperity Fund grant carry forward for committed spend
Inclusive Growth	IG grant reserve			1,860		Welcome Trust grant Drawdown
Inclusive Growth	IG grant reserve			30,000		Drawdown GLA Neighbourhoods grant to offset spend
Inclusive Growth	IG grant reserve			9,800.00		BioDiversity Net Gain grant 21/22 - Drawdown Request
Inclusive Growth	IG grant reserve		(26,807)			BioDiversity Net Gain 22/23 grant carry forward request
Inclusive Growth	IG grant reserve			15,446		Design Code Pathfinder Programme (DLUHC) adjustment- Drawdown Request
Inclusive Growth	IG grant reserve		(77,766)			Design Code Pathfinder Programme (DLUHC)- Carry forward Request
Parks Commissioning	IG grant reserve		(22,647)			DLUHC Levelling Up Fund Grant (Tree Uplift) - Carry forward Request
	IG Grant reserve Balance c/f				(772,879)	
	Film Studios Balance	(991,502)				
Inclusive Economy	Film Studios			148,368		Film studios costs - Drawdown Request
Inclusive Economy	Film Studios		(1,105)			Film studios adjustment - Carry forward Request
	Film Studios Balance c/f				(844,239)	
Inclusive Economy	Welfare reserve		(3,820)			Food Sector Cost of Living funding adj Carry Forward request; see Comsol Reserves
Inclusive Economy	Welfare reserve			13,500		Food sector Costs of living funding Drawdown Request; see Comsol Reserves
Employment Team	Welfare reserve			7,640		Employment team costs of living funding Drawdown Request; see Comsol Reserves
Total 22/23 Inclusive Growth Transfers to/from Reserves Requests			(633,334)	544,557		

Outturn Position – £1.7m (£70k overspend)

	Final Revised Budget 2022/23	YTD Actuals	Year end adjs	Transfers to Reserves	Transfers from Reserves	Outturn	TOTAL YEAR END ADJUSTMENTS	SERVICE PRESSURES
STRATEGY & TRANSFORMATION	694,433	827,394	0	119,000	(364,059)	582,335	139,231	(251,329)
COMMUNICATIONS	718,467	1,166,834	0	0	0	1,166,834	126,934	321,433
STRATEGY	1,412,900	1,994,228	0	119,000	(364,059)	1,749,169	266,165	70,104

Page 28

The Key service driven variance to budget is an overspend of **£70k**:

- **Strategy & Transformation - (251k):**
 - **Advertising - (£54k)** income overachievement on advertising contract.
 - **The PMO – (£86.6k)** underspend on salaries
 - **Strategy – (138k)** underspend, mainly attributable to (£133k) underspend on the £167k Growth funding.
- **Communications - £321k:**
 - **Community Events** - £160k overspend on non-pay budgets of which £94k relates to Events. £105k overspend is attributable to pay budgets, made up of £56k on salaries and agency costs and £49k on overtime.
 - **Civic Events** - £37k overspend on both pay and non - pay budgets.
 - **Marketing and Communications** – £31k overspend is primarily due to agency costs.

The table below outlines the 2022/23 request for transfer to and from reserve for Strategy

Strategy Service	Reserve Name	22/23 Reserve Balance	Transfer to Reserves	Transfers From Reserves	22/23 Closing Balance	Comments
Strategy	Strategy departmental reserve	(33,012)	(19,000)		(52,012)	Growth funding for WRES post carry forward
	Strategy Grant Balance	(497,899)				
Strategy	Strategy grants reserve			364,059		CEV grant expenditure drawdown
Insight and Innovation	Strategy grants reserve		(100,000)			One View Supporting families project carry forward
	Strategy Grant Balance c/f				(233,840)	
Total Strategy Transfer to/from Reserves Requests 22/23			(119,000)	364,059		

Page 29

Outturn Position – £3.4m - £9.867m overspent mostly related to BDTP

	Final Revised Budget 2022/23	YTD Actuals	Transfers to Reserves	Transfers from Reserves	Outturn	Variance	SERVICE PRESSURES	TOTAL YEAR END ADJUSTMENTS
CORPORATE MANAGEMENT	(6,407,369)	(9,491,851)	(20,172,229)	33,124,253	3,460,173	9,867,542	(2,475,852)	12,343,394
STRATEGIC LEADERSHIP	457,365	645,897	0	0	645,897	188,532	(164,236)	352,767
FINANCE	4,646,152	3,829,871	62,214	(43,036)	3,849,049	(797,103)	(1,668,590)	871,488
IAS	(4,786,491)	(23,402,672)	22,500,000	0	(902,672)	3,883,819	3,710,250	173,569
CENTRAL EXPENSES	(6,724,396)	9,435,053	(42,734,443)	33,167,289	(132,101)	6,592,294	(4,353,276)	10,945,570

Page 39

Key Drivers of Variance (Service Pressures) - £ (3.3m) underspend:

- **Strategic Leadership- (£164k)** underspend - (£144k) is due to senior management vacancy and (£20k) underspend due to non-pay budgets.
- **Finance (£1.6m)**
 - **IT (£1.04m)** underspend:
 - Third Party Contracts (£618k) underspend as a result of savings from the Oracle to Advanced E5, Itrent and Brent Hosting contract costs of £540,000
 - IT Staff and Agency (£1.08m) underspend due to staff vacancies, net of agency costs
 - IT Projects – £181k overspend. Historical issue with the budget of (£170k) as IT projects does not operate as an income generating cost centre.
 - **Corporate Finance** – (£327k) underspend due to staff vacancies and
 - **Service Finance** - £244k net overspend on Salaries and agency costs
 - **Audit and Insurance** - (£400k) underspend largely attributable to Insurance recharges
- **IAS:- £3.7m** – Overspend
- **Central Expenses:** £6.6m of which the majority relates to the pay award (£3m) and BDTP £11m offset by underspends on other contingencies.

The table below outlines the 2022/23 request for transfer to and from reserve for Corporate Management

Corporate Management Service	Reserve Name	Transfer to Reserves	Transfers From Reserves	Comments
Investment Strategy	Investment Reserve	15,500,000		Income receipt for Lease Inducement - Movement in Reserves - MIRS
Investment Strategy	Investment Reserve	7,000,000		Carry forward Treasury Management surplus- Movement in Reserves - MIRS
Central Expenses	Levy Funding	564,177		22-23 Underspend carry forward towards future cost increases - Movement in Reserves - MIRS
Central Expenses	Lifestyle Reserve	196,235		Carry forward to adjust Lifestyle Account - Movement in Reserves - MIRS
Corporate Finance	Property Reserve	532		Carry forward to Adjust Property Account -Movement in Reserves - MIRS
IT	IT Core Fund		(43,036)	Drawdown to cover IT core spend - Movement in Reserves - MIRS
Central Expenses	Service Grant C/F - Corp (Finance & IT grants)		(54,221)	Drawdown to cover costs incurred for COMF Grant funded expenditure 22-23 - Movement in Reserves - MIRS
Finance	Service Grant C/F - Corp (Finance & IT grants)	62,214		IT - LUHC Local Digital Cyber Fund grant carry forward - Movement in Reserves - MIRS
Central Expenses	Earmarked reserves	(43,495,387)	33,237,309	Re-apportionment of MIRS transactions
Total Corporate Management Transfer to/from Reserves 22/23		(20,172,229)	33,140,052	

Page 11

Outturn Position – £32m (underspend of £0.9m, 3.3% variance)

Page 32

	Final Revised Budget 2022/23	YTD Actuals	Year end adjs	Transfers to Reserves	Transfers from Reserves	Outturn	TOTAL YEAR END ADJUSTMENTS	SERVICE PRESSURES
SUPPORT AND COLLECTIONS	10,249,151	14,368,811		1,261,164	(1,071,253)	14,558,722	3,096,828	1,212,743
COMMUNITY SOLUTIONS	5,103,530	7,276,972		170,000	(472,109)	6,974,863	2,764,445	(893,112)
COMMUNITY PARTICIPATION & PREV	11,157,971	8,997,672		2,043,014	(1,036,994)	10,003,692	42,468	(1,196,747)
COMMUNITY SOLUTIONS	26,510,652	30,643,455		3,474,178	(2,580,356)	31,537,277	5,903,741	(877,116)

Key Drivers of Variance(Service Pressures)

- **Support & Collections: - £1.2m**
 - The recalculation of the HRA recharge from 2021/22 created a budget gap of £1.7m for 2022/23.
 - As part of budget monitoring the service identified one-off mitigations of c£0.8m
 - The new security contract has led to an increase in cost c£0.2m
 - Under recovery on forecast income for the Becontree Collection Service c£0.1m
- **Community Solutions: - (£0.9m)**
 - As part of budget monitoring, one-off in-year mitigations of c£0.6m were identified
 - One-off Taxi Card refund c£0.2m
- **Community Participation & Prevention: - (£1.2m)**
 - As part of budget monitoring, one-off in-year mitigations of c£1.2m were identified

Court Cost BDP

The move to E5 has allowed better reporting and outstanding of debt at a granular level. This has resulted in the creation of a new provision for outstanding Court Costs (Council Tax, Business Rates and Rents).

The table below outlines the request for transfer to and from reserve for Community Solutions for 2022/23

	Reserve Name	22/23 Reserve Balance	Transfers to Reserves	Transfers from Reserves	2022/23 Closing Balance	Comments
	COMSOL Service Grant c/f	(913,814)				
Support & Collections	HSF Reserve		(1,211,164)			Grant carry forward for committed spend
Support & Collections	P2P Reserve			481,930		Drawdown off grant repaid
Support & Collections	ASC Grant carry orward		(50,000)			Grant carry forward for committed spend
Community Solutions	Housing Advisory programme Grant		(20,000)			Carry forward of grant for committed spend
Community Participation & Prevention	Pen to Print			61,084		Drawdown of reserve to offset expenditure
Community Participation & Prevention	CEV Grant		(42,185)			Carry forward of grant for 1 year fixed term post
Community Participation & Prevention	Ukraine Refugee Scheme		(1,603,673)			Grant carry forward for committed spend
Community Participation & Prevention	Asylum Grant		(185,750)			Grant carry forward for committed spend
	COMSOL Service Grant c/f				(3,483,573)	
	COMSOL Departmental Reserve	(2,979,589)				
Support & Collections	Cost of Living			500,000		Drawdown to offset expenditure relating to cost of living
Community Solutions	Community Banking		(150,000)			Carry forward of CSR payment for payment to Community Banking partner in 2023/24 and 2024/25
Community Solutions	Community Banking			35,000		Drawdown of reserve to offset expenditure
Community Solutions	Onewiew			300,000		Onewiew back posting 2021/22 drawdown
Community Solutions	Digitalisation			128,250		Drawdown of reserve to offset expenditure
Community Participation & Prevention	P&E Staffing			243,922		Drawdown of reserve to offset expenditure
Community Participation & Prevention	P&E Staffing		(60,000)			Carry forward of part 1year growth for fixed term posts
Community Participation & Prevention	Community Hubs			247,922		Drawdown of reserve to offset expenditure
	COMSOL Departmental Reserve				(1,734,495)	
	Welfare Reserve c/f	(4,500,000)				
Community Solutions	Welfare Reserve			8,859		Drawdown of reserve to offset expenditure
Community Participation & Prevention	Welfare Reserve			141,996		Drawdown of reserve to offset expenditure
Community Participation & Prevention	Welfare Reserve			242,000		Drawdown of reserve to offset expenditure
Other Directorates	Welfare Reserve			46,290		Drawdown of reserve to offset expenditure
	Welfare Reserve c/f				(4,060,855)	
Support & Collections	Butler Court	(89,323)		89,323		Drawdown of reserve to offset expenditure
Community Participation & Prevention	Connected Communities			100,000		Drawdown of reserve to offset expenditure (Budget Support Reserve)
Community Participation & Prevention	NCIL Reserve	(410,000)	(151,406)		(561,406)	NCIL Carry forward

Outturn Position – (£6m) (underspend of £1m, 20% variance)

Page 34

	Final Revised Budget 2022/23	YTD Actuals	Year end adjs	Transfers to Reserves	Transfers from Reserves	Outturn	TOTAL YEAR END ADJUSTMENTS	SERVICE PRESSURES
LEGAL	1,118,211	1,924,508		30,000	(789,062)	1,165,446	(28,930)	76,165
ENFORCEMENT	(5,877,837)	(7,893,228)		902,633	(94,524)	(7,085,119)	(99,619)	(1,107,663)
LAW AND ENFORCEMENT	(4,759,626)	(5,968,719)		932,633	(883,586)	(5,919,672)	(128,549)	(1,031,497)

Key Drivers of Variance(Service Pressures)

- **Legal: - £76k**
 - The recalculation of the HRA recharge from 2021/22 created a budget gap of £177k for 2022/23.
- **Enforcement: - (£1.1)m**
 - Vacancies across Enforcement led to an in-year savings of c£780k.
 - Additional TMO income within Parking c£180k
 - Additional Private Sector Housing Income c£171k

The table below outlines the request for transfer to and from reserve for Law and Enforcement for 2022/23

	Reserve Name	22/23 Reserve Balance	Transfers to Reserves	Transfers from Reserves	2022/23 Closing Balance	Comments
Legal	Elections Reserve	(371,755)		242,755	(129,000)	Drawdown to offset electin costs
Legal	Legal Trading Reserve	(794,108)		516,307	(277,801)	Drawdown to offset Be-First advisory service fees
Enforcement	LEP Housing Rental (PRPL) Reserve	(1,911,284)		94,524	(1,816,760)	Drawdown of income recognised in 2022/23
Enforcement	Parking Reserve (On-Street)	(7,144,081)	(381,533)		(7,525,614)	Transfer of surplus to reserve
Enforcement	Parking (Off-Street) Reserve	(633,000)	(521,100)		(1,154,100)	Transfer of surplus to reserve

Outturn Position - £1.7m (overspend of £0.5m, 45% variance)

	Final Revised Budget 2022/23	YTD Actuals	Year end adjs	Transfers to Reserves	Transfers from Reserves	Outturn	TOTAL YEAR END ADJUSTMENTS	SERVICE PRESSURES
WORKFORCE CHANGE / HR	790,111	1,302,994				1,302,994	80,020	432,863
LEADERS OFFICE	310,557	364,292				364,292	(1,664)	55,400
HR & LEADERS OFFICE	1,100,668	1,667,286				1,667,286	78,356	488,262

Page 36

Key Drivers of Variance(Service Pressures)

- **Workforce Change/HR: - £432k**
 - The recalculation of the HRA recharge from 2021/22 created a budget gap of £437k for 2022/23.
- **Leaders Office: - £55k**
 - Historic budget pressure within the staffing establishment as a result of a unfunded restructure many years ago.

Cross Council Impact of ADJUSTMENTS Detail

**Barking &
Dagenham**

Page 37

2022/23

one borough; one community; no one left behind

Following the implementation of the new financial system the way bad debt is categorised has improved – previously it was treated as a central expense but the new system allows debt to be broken down by service. Over time this will allow greater transparency and control – however as this is a new methodology we have shown it separately for this year.

The overall level of debt held by the Council has increased – as has the amount of older debt (more than one year.) This is particularly the case in Adults and Disabilities where debt has been re-categorised from sundry debt requiring an increase in bad debt provision as the collection rate for social care debt is lower than sundry debt. Overall, the impact of the economic downturn and the increase in bad debt has added £6.5m to our final outturn. The impact of bad debt by service is shown below.

	General Debt
PEOPLE & RESILIENCE	5,275,875
CORPORATE MANAGEMENT	283,250
LAW AND GOVERNANCE	144,272
STRATEGY	25,497
INCLUSIVE GROWTH	118,009
COMMUNITY SOLUTIONS	422,361
MY PLACE	244,127
GENERAL FUND I&E	6,513,391

	Oracle Write Back
PEOPLE & RESILIENCE	(3,821,115)
CORPORATE MANAGEMENT	(109,964)
LAW AND GOVERNANCE	(272,930)
STRATEGY	(31,613)
INCLUSIVE GROWTH	(531,480)
COMMUNITY SOLUTIONS	(199,598)
MY PLACE	(883,490)
GENERAL FUND I&E	(5,850,191)

Following the changeover of systems there were balances brought forward from Oracle relating to old purchase orders that have either been paid directly from E5 (ie double counted) or are no longer required. These balances have been written off as a one off accounting adjustment.

BDTP are a company that provide repairs and maintenance, cleaning and catering services. They are a wholly owned subsidiary of the council. The company has been experiencing financial pressures and this means that we must make provision in our accounts for the possibility that some or all debts to us will not be paid.

The following amounts have therefore been reflected in the accounts.

Within the year-end adjustments to Service Departments there is:

£5.9 m which is a 100% provision for debt owed by BDTP in unpaid invoices to LBBD. This has been reflected in

There have also been a number of impairments which have been offset against income flows:

£2.4m impairment of the asset value for LEUK in 21/22. This is to be funded from 21/22 Reside income.

£2.4m impairment of the LEUK asset value in 22/23

£5.0m Impairment of the Working Capital Loan to BDTP

£0.3m Interest costs on the above

The above is to be funded from Travelodge income of (£8.0m). This had originally been intended to create an Invest to Save pot)

Capital Programme Outturn 2022/23

Strategic Function	P12 Revised Budget	YTD Actuals	Final Variance	Carry Forwards	Initial Budget 2023/24	Revised Budget 2023/24
	£000s	£000s	£000s	£000s	£000s	£000s
GF - CARE & SUPPORT	2,456	2,373	(83)	83	3,474	3,557
GF - INCLUSIVE GROWTH	9,925	3,655	(6,269)	6,269	152	6,421
GF - CIL	1,031	314	(718)	726	0	726
GF - TFL	1,771	1,515	(256)	256	1,983	2,238
GF - ICT	1,472	1,158	(315)	315	2,100	2,415
GF - COMMUNITY SOLUTIONS	15	9	(6)	6	0	6
GF - CULTURE & HERITAGE	921	93	(828)	828	294	1,121
GF - PARKS COMMISSIONING	17,904	5,747	(12,158)	12,158	250	12,408
GF - ENFORCEMENT	2,254	103	(2,151)	2,151	0	2,151
GF - MY PLACE	8,867	5,682	(3,185)	3,247	5,599	8,846
GF - PUBLIC REALM	1,334	1,302	(32)	159	1,161	1,320
GF - EDUCATION, YOUTH & CHILD	10,538	11,177	639	(634)	16,783	16,149
General Fund	58,487	33,125	(25,361)	25,564	31,795	57,359
HRA STOCK INVESTMENT	18,925	18,665	(260)	260	19,000	19,260
HRA ESTATE RENEWAL	10,247	4,101	(6,145)	6,145	0	6,145
HRA NEW BUILD SCHEMES	2,045	1,012	(1,033)	1,033	0	1,033
HRA Total	31,217	23,779	(7,438)	7,438	19,000	26,438
IAS RESIDENTIAL	323,936	264,992	(58,944)	59,134	349,687	408,821
IAS COMMERCIAL	51,578	51,097	(481)	525	3,540	4,065
Investments Total	375,514	316,089	(59,425)	59,659	353,227	412,886
TRANSFORMATION	2,651	2,106	(545)	0	0	0
De-activated Projects		(133)	(133)	0	0	0
Total	467,868	374,966	(92,902)	92,661	404,023	496,684

1 Summary

- 1.1 Outturn expenditure on the 2022/23 capital programme was £375m out of a total budget of £467.9m, resulting in an underspend of £92.9m. Approx. £59m (64%) of the variance was on the Investment Strategy, £25m (27%) on the General Fund and £7.4m (8%) on the HRA. At Period 11 the forecast position on the programme was an underspend of £89.4m. The final outturn was an underspend of £92.9m, which is an increase of £3.5m.

2 General Fund

2.1 Care and Support

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
AIDS & ADAPTATIONS - HRA	1,000	-	1,000	921	(79)	79	1,000	1,079
DISABLED FACILITIES GRANT-PRVT	1,456	0	1,456	1,452	(4)	4	1,857	1,861
Family Hubs			0	0	0	0	117	117
Care Tech- HRA funded			0	0	0	0	500	500
GF - CARE & SUPPORT	2,456	0	2,456	2,373	-83	83	3,474	3,557

The Aids and Adaptations budget and the Disabled Facilities Grant is used for adaptations to older and disabled people's homes to help them live independently and safely. The programme underspent by £83k.

2.2 Inclusive Growth

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
CORPORATE RETROFIT	2,969	0	2,969	-	(2,969)	2,969	0	2,969
ABBEY GREEN & BTC CONS HLF	1,007	1	1,006	730	(277)	277	0	277
DECARBONISATION	7,040	1,234	5,806	2,887	(2,918)	2,918	0	2,918
UK SHARED PROSPERITY FUND	-	143	143	38	(105)	105	152	256
GF - INCLUSIVE GROWTH	11,016	-1,091	9,925	3,655	(6,269)	6,269	152	6,421

The Inclusive Growth programme underspent by £6,269k.

The Corporate Retrofit Programme aims to undertake energy efficiency measures which will reduce energy consumption and decrease carbon emissions as part of LBBD's Net Zero Carbon Strategy. There have been ongoing contractual issues and negotiations regarding prices in materials. Mobilisation of the contract and the beginning of installs is anticipated in June 2023.

The variance of (£2.9m) on De-Carbonisation is due to slippage on the Sustainable Warmth programme. This funding aims to tackle fuel poverty by increasing low-income homes' energy efficiency rating while reducing their energy bills. The programme is due to complete by September 2023 and is funded by BEIS.

The Barking Abbey and Town Centre Heritage Project is largely complete. This is a Heritage Lottery funded project which has delivered improvements to the public realm on Abbey Green and shopfront and building improvements.

The UK Shared Prosperity Fund is a grant-funded programme with 4 separate strands: Barking town centre and Food Hall, Eastbury Manor, Valence House and Greatfields Park. This is a 3-year programme which is part of the DLUHC levelling-up agenda.

2.3 Community Infrastructure Levy (CIL) Schemes

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
BOX UP CRIME	214	300	514	58	(455)	455	0	455
EAST END WOMENS MUSEUM	175	0	175	-	(175)	175	0	175
BECONTREE CENTENARY	61	0	61	69	8	0	0	0
LITTER IN PARKS (CIL)	96	-	96	0	(96)	96	0	96
STUDIO 3 ARTS	156	-	156	156	0	0	0	0
KINGSLEY HALL	30	-	30	30	0	0	0	0
GF - CIL	731	300	1,031	314	(718)	726	0	726

CIL is a levy charged to new developments, with to fund new and improved infrastructure as defined by regulations (including housing, community facilities, open spaces, sport and leisure, education, transport and health) within the borough. An initial round of CIL allocations in 2019 utilised CIL income for third party delivery benefitting LBB, along with allocations for in-house parks improvements (included within Parks Commissioning budgets).

The CIL programme underspent against 22/23 budget by £718k, all of which will be carried forward to spend in future years in order to complete schemes that are ongoing. There was a minor £8k overspend against Becontree Centenary which has been funded from CIL – this scheme has now completed.

It was expected that East End Women’s Museum and Box Up Crime would require carry forward to 23/24. Issues with delays to the East End Women’s Museum project have recently been addressed by changing contractor and this is now expected to complete in 23/24. The Box Up Crime project initially had £300k CIL allocated to provide a boxing gym in Leys Pavilion, however due to the poor condition of the building, an additional £300k was allocated from the Stock Condition budget (internal funding) to carry out additional works to the building prior to fit-out as a boxing facility.

2.4 Transport for London schemes

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
LOCAL TRANSPORT PLANS (TFL)	136	0	136	73	(63)	0	0	0
BECONTREE HEATH LOW EMISSION	88	0	(88)	(18)	70	0	0	0
HEATHWAY HEALTHY STREETS	130	-	130	143	13	(13)	330	317
TFL MINOR WORKS - VARIOUS LOCS	99	0	99	69	(30)	23	132	155
CYCLE ROUTE CFR10	265	211	476	420	(57)	57	120	177
LOW TRAFFIC NEIGHBOURHOODS	548	0	548	418	(131)	131	110	241
BUS PRIORITY	459	0	459	409	(50)	50	803	852
VALANCE AVENUE HEALTHY STREET	0	10	10	1	(9)	9	34	43
Porters Avenue Healthy Streets			0	0	0	0	105	105
Dagenham Road Healthy Streets			0	0	0	0	172	172
High Road Healthy Streets			0	0	0	0	100	100
Gascoigne Healthy Streets			0	0	0	0	77	77
GF - TFL	1,549	222	1,771	1,515	-256	256	1,983	2,238

The TfL programme aims to improve the borough’s transport networks in line with the Mayor's Transport Strategy objectives. This includes Corridors funding that is allocated by a formula reflecting transport need across London, and bus and cycling project funding. The programme underspent by £256k.

2.5 IT Programme

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
ORACLE	-	-	0	5	5	0	0	0
KEEP THE LIGHTS ON	1,209	0	1209	906	(303)	303	0	303
CS CHANNEL SHIFT	64	64	0			0	0	0
ICT END USER COMPUTING	263	0	263	246	(17)	12		12
Laptop Replacement Programme			0	0	0	0	2,100	2,100
GF - IT	1,408	64	1,472	1,158	-315	315	2,100	2,415

The IT programme underspent by £315k, largely due to a lack of capacity to deliver KTLO projects. These have been deferred to 2023/24.

2.6 Community Solutions

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
COMMUNITY HALLS	15	0	15	9	(6)	6	0	6
GF - COMMUNITY SOLUTIONS	15	0	15	9	-6	6	0	6

These works comprise a new boiler at Village Hall and electrical works at Fanshawe Community Centre.

2.7 Culture and Heritage

The Culture programme underspent by £828k.

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
RE IMAGINING EASTBURY	4	0	4	-	(4)	4	0	4
REDRESSING VALENCE	250	0	250	39	(211)	211	0	211
THE ABBEY: UNLOCKING BARKING	389	0	389	42	(347)	347	0	347
WOODWARD ARTS & CULTURE CENT	0	278	278	12	(266)	266	0	266
MEND Valence House			0	-	0	0	294	294
GF - CULTURE & HERITAGE	643	278	921	93	-828	828	294	1,121

Unlocking Barking Abbey is a part Heritage Lottery funded project. The vision for the project is to 'unlock' the heritage of Barking Abbey, ensuring a sustainable future, and includes the post excavation assessment of the archaeology from the Barking Abbey site.

Woodward Arts and Culture is a new Arts Council funded project. This scheme entails the transformation of the former Woodward Library into a community arts and digital hub, offering training, rehearsal, exhibition and performance spaces for local groups.

2.8 Parks Commissioning

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
PARSLOES PARK (CIL)	13,600	-	13600	5,099	(8,501)	8,501	0	8,501
CHILDRENS PLAY SPCS & FAC (CIL)	214	0	214	120	(94)	94	0	94
PARKS & OPEN SPCS STRAT 17 (CIL)	219	26	193	124	(69)	69	100	169
SAFER PARKS (CIL)	84	-	84	32	(52)	52	0	52
B & D LOCAL FOOTBALL FACILITY (CIL)	157	0	157	-	(157)	157	0	157
LAKES	293	0	293	7	(287)	287	150	437
PARK INFRASTRUCTURE ENHNCMTS	30	0	30	28	(2)	2	0	2
FIXED PLAY FACILITIES	96	0	96	22	(73)	73	0	73
PARK BUILDINGS BLDNG SUR	92	25	67	5	(62)	62	0	62
CENTRAL PARK MASTERPLAN IMP	982	0	982	266	(716)	716	0	716
PLAY FACILITY AT VALENCE PARK	5	-	5	5	0	0	0	0
DE-CONTAMINATION AT ECP	2,094	159	1935	38	(1,897)	1,897	0	1,897
OLD DAGENHAM PARK LEVELLING UP	-	48	48	-	(48)	48	0	48
CENTRAL PARK PAVILION	-	125	125	-	(125)	125	0	125
TENNIS COURT DEVELOPMENT	-	75	75	-	(75)	75	0	75
GF - PARKS COMMISSIONING	17,866	38	17,904	5,747	-12,158	12,158	250	12,408

The projects within this programme relate to the enhancement of Parks and Open Spaces, with developments in play infrastructure and various sports pitches. The programme underspent by £12.158k, which is largely due to the underspend of £8.5m on Parsloes Park, and £1.9m on Decontamination measures.

The investment in Parsloes Park is to upgrade the pitch and pavilion facilities as part of the nationwide Parklife Football Hubs programme for key strategic sport sites.

The importation of inert material from building sites across London and the South East is being utilised to create a new landscape in Central Park, deliver biodiversity enhancements and provide improved infrastructure and leisure and recreation facilities.

A provision of £2.5m was allocated for costs arising from decontamination of land adjacent to Eastbrookend Country Park. There are plans to build a new roadway to access the site and to construct a permanent power supply for the effluent treatment plant.

2.9 Enforcement

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
CONTROLLED PARKING ZONES	2,154	0	2154	175	(1,979)	1,979	0	1,979
ENFORCEMENT EQUIPMENT	100	0	100	73	(173)	173	0	173
GF - ENFORCEMENT	2,254	0	2,254	103	(2,151)	2,151	0	2,151

The Enforcement programme underspent by £2,151k, the majority of which relates to slippage in the rollout of CPZ schemes.

The CPZ project aims to improve road safety and air quality, reduce traffic congestion, provide improved parking for residents and businesses, and better access for pedestrians.

There have also been delays in purchasing equipment for the CCTV control room due to delays in awarding the CCTV maintenance contract.

2.10 My Place

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
WARD CAPITAL BUDGETS	666	0	666	220	(447)	447	340	787
STRUCT REPS & MAINTCE-BRIDGES	33	0	33	6	(27)	27	0	27
STREET LIGHTING	0	-	0	62	62	0	0	0
HIGHWAYS INV PROG	3,016	231	3247	3,407	160	(160)	3,820	3,660
REPLACEMENT OF WINTER EQUIP	3	0	3	0	(3)	3	0	3
ENGINEERING WORKS (RD SAFETY)	99	0	99	116	17	0	0	0
FLOOD SURVEY	84	0	84	23	(61)	61	80	141
BRIDGES AND STRUCTURES	1,124	0	1124	299	(826)	826	0	826
STOCK CONDITION SURVEY	1,596	520	1076	333	(743)	743	1,000	1,743
82A AND 82B OVAL ROAD SOUTH	325	-	325	0	(325)	325	0	325
ROAD SAFETY AND ACCESS	457	0	457	407	(50)	33	159	192
DISPERSED WORKING	488	320	808	337	(471)	471	0	471
HABITAT FOR HUMANITY	574	170	744	442	(302)	302	0	302
HEALTHY STREETS	-	200	200	31	(169)	169	200	369
GF - MY PLACE	8,466	402	8,867	5,682	-3,185	3,247	5,599	8,846

The My Place programme underspent by £3,185k.

The £160k overspend on the Highways Investment Programme (HIP) will be deducted from the HIP budget for 23/24. There has been a £62k overspend on Street Lighting. The budget for this scheme was withdrawn as it should have completed.

The underspends on the other schemes will carry forwards to finance works planned to take place in 2023/24.

2.11 Public Realm

The Public Realm programme underspent by £32k.

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
PARKS BINS RATIONALISATION	34	0	34	7	(27)	27	0	27
VEHICLE FLEET REPLACEMENT	1,052	0	1052	1,160	108	(108)	1,131	1,023
CHADWELL HEATH CEMETERY EXT	149	0	149	66	(83)	83	0	83
REDUCE HAND ARM VIBRATIONS	5	0	5	5	1	0	0	0
PROCURING IN CAB TECH	205	-	205	64	(141)	141	30	171
ON-VEHICLE BIN WEIGHING SYS	16	0	16	-	(16)	16	0	16
TREE PLANTING	127	0	-127	-	127	0	0	0
GF - PUBLIC REALM	1,334	0	1,334	1,302	-32	159	1,161	1,320

The Fleet Replacement programme overspent by £108k – this will be deducted from the 2023/24 budget.

The Tree Planting programme overspent by £127k – it is anticipated that this will be funded by outstanding grant income from the GLA.

The outstanding works at Chadwell Heath cemetery comprising further landscaping, cemetery vaults and columbaria are set to complete in 2023.

The In Cab Technology project will automate the current business processes for waste collection planning, recording and administration and will provide an automated routing facility for all rounds. The system will go live in 23/24.

2.12 Education Programme

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
EASTBURY SECONDARY	156	-	156	161	5	0	0	-
DAGENHAM PARK	0	-	0	-	0	0	77	77
GREATFIELD SECONDARY SCH (NEW	451	-	451	31	(420)	420	418	838
GASCOIGNE PRIMRY - 5FE TO 4FE	60	-	60	26	(34)	34	0	34
LYMINGTON FIELDS SCHOOL 2016	236	-	236	136	(372)	372	0	372
SEND 2018-21	292	-	292	277	(15)	15	38	53
SCA 2018-20	0	-	0	21	21	0	0	0
MARKS GATE INFS & JNRS 18-20	831	-	831	776	(55)	55	0	55
CHADWELL HEATH ADDI CAPACITY	0	-	0	-	0	0	0	0
RODING FIRE	34	-	34	34	0	(0)	0	0
SCHOOL CONDITION ALCTNS 18-19	25	-	25	483	458	(473)	506	33
SCA 2019/20 (A)	0	-	0	6	(6)	0	0	0
RIPPLE PRIMARY SUFFOLK ROAD	6	-	6	1	(5)	5	0	5
SCA PRIORITY WORKS 20/22	100	-	100	14	(114)	114	277	392
SCHOOLS EXPANSION PROG 20/22	375	-	375	414	39	(39)	1,500	1,461
HEALTHY SCHOOL	121	-	121	-	(121)	121	0	121
SCA 20-21	800	-	800	550	(250)	250	139	388
GREATFIELDS PRIMARY	1000	-	1000	1,607	607	(607)	7,515	6,908
SCA 21-22	2500	-	2500	2,737	237	(237)	1,218	981
SEND 21	1100	-	1100	1,006	(94)	94	581	675
BASIC NEEDS 21/22	450	-	450	642	192	(192)	1,514	1,322
SCA 22-23	2000	-	2000	2,566	566	(566)	2,000	1,434
MAYESBROOK ADDN CLASSROOM	0	-	0	-	0	0	400	400
SPECIAL SCHOOL FEASIBILITY STUDI	0	-	0	-	0	0	100	100
MONTEAGLE DINING HALL EXTENSIO	0	-	0	-	0	0	500	500
GF - EDUCATION, YOUTH & CHILD	10,538	0	10,538	11,177	639	-634	16,783	16,149

The Education programme overspent the 22/23 profiled budget by £639k due to acceleration of schemes compared to what was built into the profile. All projects are fully funded through capital grants already received so there is no actual overspend, just a timing difference compared to the budget profile.

The main reason for the acceleration was the Greatfields Primary project which is part of the DfE Free Schools programme and was able to get underway at the end of 22/23, with the agreement with DfE being finalised.

All underspends or overspends will be carried forward against 23/24 budgets and the budget profiles will be reviewed again for the coming year.

3. HRA Programme

3.1 HRA Stock Investment

The HRA Stock Investment programme underspent by just £260k on a budget of £18.9m.

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24
CAPITAL VOIDS	1,242	0	1242	1,266	24	0	1,500
FIRE SAFETY IMP ? 2015/16	-	-	-	11	(11)	0	0
LIFT REPLACEMENT	453	0	453	124	(329)	0	1,400
DOMESTIC HEATING	993	0	993	434	(559)	0	500
BOX-BATHRM REFURB (APPRENTICE	35	0	35	32	(67)	0	0
MINOR WORKS & REPLACEMENTS	144	0	144	52	(93)	0	300
DH INTERNAL	2,481	0	2481	978	(1,503)	0	1,000
EXTERNALS 1 - HOUSES & BLOCKS	2,317	0	2317	4,896	2,580	0	3,000
EXTERNALS 2 - HOUSES & BLOCKS	3,011	0	3011	2,216	(795)	0	2,000
DOOR ENTRY SYSTEMS	298	0	298	1,430	1,132	0	500
COMPLIANCE	324	0	324	41	(283)	0	500
FIRE SAFETY IMPROVEMENT WORKS	54	0	54	234	180	0	500
FIRE DOORS	200	-	200	26	(174)	0	1,500
COMM/ COMP - DE-GASSING BLOCKS	27	0	27	28	(56)	0	0
ELECTRICAL PROGRAMMES	-	-	0	-	0	0	250
COMMUNAL BOILERS	245	0	245	29	(216)	0	200
ESTATE ROADS RESURFACING	3,000	-	3000	4,020	1,020	0	1,000
ENERGY EFFICIENCY	2,000	1,234	3234	1,672	(1,562)	260	3,000
FEES and CONTINGENCY	641	0	641	884	243	0	1,200
ESTATE IMPROVEMENT	-	-	0	-	0	0	450
ADAPTATIONS and EXTENSIONS	225	0	225	190	(35)	0	200
COLNE & MERSEA	-	-	0	245	245	0	-
HRA STOCK INVESTMENT	17,690	1,235	18,925	18,665	- 260	260	19,000

The programme has been contained within the overall budget, in spite of rising costs due to inflation and unforeseen works required such as at Colne & Mersea House.

The 22/23 Stock Investment Programme delivered c£18.7m of improvements to the housing stock. The main programmes included internal works (new kitchens bathrooms and heating systems), a significant external works programme to both houses and blocks (roofs, windows, doors etc), a programme of replacing fire doors to several blocks, the replacement of communal door entry systems and energy efficiency projects.

3.2 Estate Renewal

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
ESTATE RENEWAL	10,247		10247	4,101	(6,145)	6,145	-	6,145
HRA ESTATE RENEWAL	10,247		10,247	4,101	(6,145)	6,145	0	6,145

An HRA estate renewal budget of £10.2m has been allocated to redevelop and regenerate existing estates. £6.1m of the programme has slipped into 2023/24 as there have been delays in arranging buybacks.

3.3 HRA New Build

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
MELISH AND SUGDEN	299		299	15	(314)	314	-	314
MELLISH CLOSE - AUSTIN HOUSE	1746		1746	1,027	(719)	719	-	719
HRA NEW BUILD SCHEMES	2,045	-	2,045	1,012	- 1,033	1,033	-	1,033

The HRA new build programme has underspent by £1m.

4. Investment Strategy

4.1 In 2022/23 a total of £316.1m was sent on IAS investments, although this was £59.4m less than the budgeted £375.5m. Of this £51.1m was spent on commercial, including £26.3m on Industria and £20.5m on purchasing Maritime House.

A total of £265.0m was spent on residential developments. The spend on residential is gross expenditure and is netted off by grant and right to buy receipts.

4.2 During the year a number of schemes were completed and were handed over to Reside for sales and letting. The completion of these schemes highlights the Council's commitment to addressing housing needs in the borough and providing high quality, affordable housing for residents. These new homes will offer residents a varied supply of housing with most of the new homes in this report to be let on Affordable Housing tenures. These schemes included:

- Sacred Heart (Convent Court)
- 200 Becontree Avenue
- A House for Artists
- Sebastian Court (Sir Alf Ramsey, Martin Peters and Bobby Moore Court)
- Chequers Lane – Kerwin House
- Crown House (Challingsworth House)
- Gascoigne West Phase 1 (Cargo, Carrier, and Forge)
- Gascoigne East Gascoigne C (Arbour Court, Ketch and Tide street)
- Gascoigne East Phase E2

4.3 Due to viability issues caused by high build costs and increased borrowing costs, few new schemes were agreed in 2022/23. Two commercial schemes were purchased, including Maritime House and Edwards Waste, with two further commercial schemes, namely Industria and 12 Thames Road being developed. Industria is due to handover in August 2023.

4.4 Due to viability issues, the tenure for some of the schemes under development, is being reviewed and operational costs and assumptions are being reviewed.

Investment Strategy Spend 2022/23

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
GASCOIGNE WEST (HOUSING ZONE)	0		0	22	(22)	0	-	-
GASCOIGNE EAST	918		918	936	18	0	-	-
PURCHASE OF SACRED HEART CONT	173		173	97	(76)	76	-	76
ACQSTN OF ROYAL BRITISH LEGION	1,073		1,073	42	(1,031)	1,031	22,128	23,158
SEBASTIAN COURT - REDEVELOP	1,128		1,128	257	(871)	871	-	871
LAND AT BEC - LIVE WORK SCHEME	104		104	8	(111)	111	-	111
BECONTREE HEATH NEW BUILD	-233		-233	328	(95)	95	-	95
GASCOIGNE EAST PH2	1,261		1,261	1,549	288	(288)	368	80
200 BECONTREE AVE	154		154	69	(85)	85	-	85
ROXWELL RD	5,052		5,052	6,080	1,028	(1,028)	15,190	14,162
12 THAMES RD	33,019		33,019	32,049	(970)	970	20,300	21,269
OXLOW LNE	6,063		6,063	6,862	799	(799)	9,876	9,077
CROWN HOUSE	4,005		4,005	2,292	(1,713)	1,713	33	1,745
RAINHAM ROAD SOUTH RM10 7XB	0		0	3	3	0	-	-
SITE LONDON RD/NORTH STREET	0		0	188	188	0	-	-
GASCOIGNE WEST P1	970		970	1,737	767	(767)	-	767
WOODWARD ROAD	9,866		9,866	7,624	(2,243)	2,243	1,943	4,186
GASCOIGNE WEST PHASE 2	72,843		72,843	71,074	(1,769)	1,769	53,579	55,348
GASCOIGNE EAST PHASE 3A	28,534		28,534	18,797	(9,737)	9,737	10,755	20,493
PADNALL LAKE PHASE 1	9,210		9,210	4,048	(5,161)	5,161	528	5,689
TRANSPORT HOUSE	10,167		10,167	7,067	(3,100)	3,100	21,859	24,959
GASCOIGNE WEST PHASE 3	0	1224	1,224	1,548	324	(324)	3,744	3,420
MULLER CHADWELL HEATH	0		0	4	4	0	-	-
CHEQUERS LANE	0		0	246	246	(246)	307	61
BEAM PARK Phase 6	22,489		22,489	958	(21,531)	21,531	36,184	57,715
BROCKLEBANK LODGE	1,129		1,129	46	(1,083)	1,083	-	1,083
GASCOIGNE EAST 3B	13,691		13,691	9,012	(4,679)	4,679	43,143	47,823
GASCOIGNE EAST PHASE 2 (E1)	26		26	115	(141)	141	19,872	20,013
Beam Park - Phase 7	0		0	386	386	(386)	-	386
TROCOLL HOUSE	762		762	689	(73)	73	668	741
GASCOIGNE EAST 3A - BLOCK I	7,543		7,543	15,020	7,477	(7,477)	28,612	21,135
GASCOIGNE EAST PHASE 2 F	39,545		39,545	37,586	(1,959)	1,959	20,700	22,659
GASCOIGNE EAST PHASE 2 E2	24,203		24,203	20,404	(3,799)	3,799	1,436	5,235
PADNALL LAKE PHASE 2	19,363		19,363	17,017	(2,346)	2,346	4,891	7,237
PADNALL LAKE PHASE 3	3,469		3,469	1,279	(2,190)	2,190	15,541	17,730
BARKING RIVERSIDE HEALTH	806		806	246	(560)	560	10,860	11,420
TOWN QUAY WHARF	5,379		5,379	132	(5,247)	5,247	7,170	12,417
GASCOIGNE ROAD	0		0	123	123	(123)	-	123
IAS RESIDENTIAL	322,712	1,224	323,936	264,992	-58,944	59,134	349,687	408,821
14-16 Thames Road	0		0	1,994	1,994	(1,994)	1,994	-
TRAVELODGE DAGENHAM	0		0	1	1	0	0	-
WIVENHOE CONTAINER	0		0	10	10	0	0	-
TRAVELODGE ISLE OF DOGS	0		0	31	31	0	0	-
PURCHASE OF WELBECK WHARF	1,018		1,018	615	(403)	403	0	403
1-4 Riverside Industrial	0		0	51	51	(51)	51	-
FILM STUDIOS	117		117	175	59	(59)	59	-
26 THAMES RD	0		0	388	388	(388)	388	-
DAGENHAM HEATHWAY	0		0	26	26	(26)	26	-
INDUSTRIA	29,930		29,930	26,268	(3,662)	3,662	0	3,662
BARKING BUSINESS CENTRE	0		0	0	0	(0)	0	-
7 CROMWELL CENTRE	0		0	1,239	1,239	0	-	-
Purchase of Maritime House	20,513		20,513	20,712	199	(199)	199	-
Purchase of Edwards Waste Site	0		0	823	823	(823)	823	-
3 GALLIONS CLOSE	0		0	1,237	1,237	0	-	-
IAS COMMERCIAL	51,578	0	51,578	51,097	-481	525	3,540	4,065
IAS TOTAL	374,290	1,224	375,514	316,089	-59,425	59,659	353,227	412,887

5 Transformation

5.1 The Transformation programme underspent by £545k.

Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24
CCS TRANSFORMATION	114	-114	0	153	153	0	0	
ERP	2,240	411	2,651	1,953	(698)	0	0	
TRANSFORMATION	2,354	297	2,651	2,106	(545)	0	-	-

Expenditure comprises £1,953k on the ERP programme and £153k on two Adult Social Care schemes which have now completed.

6. De-activated Projects

6.1 There are a few projects which have been deactivated but have had transactions on them in 2022/23 resulting in a net credit of £133k. This is largely due to the write back of POs which had been receipted in Oracle.

7 Devolved Formula Capital

7.1 There has been expenditure of £2,351k on schools' Devolved Formula Capital (DFC) schemes. DFC is direct funding for schools for small-scale capital projects.

This page is intentionally left blank

Project Code	Project Name	Q3 Budget	Adjust	P12 Revised Budget	Outturn Expenditure	P12 Variance	Carry forwards	Initial Budget 23/24	Updated Budget 2023/24	24/25 Budget	25/26 Budget
C00100	AIDS & ADAPTATIONS - HRA	1,000	-	1,000	921	(79)	79	1,000	1,079	1,000	0
C00106	DISABLED FACILITIES GRANT-PRVT	1,456	0	1,456	1,452	(4)	4	1,857	1,861	1,857	0
C05125	Family Hubs			0	0	0	0	117	117	61	0
C05127	Care Tech- HRA funded			0	0	0	0	500	500	0	0
CAP01	GF - CARE & SUPPORT	2,456	0	2,456	2,373	-83	83	3,474	3,557	2,918	0
C03028	CORPORATE RETROFIT	2,969	0	2,969	-	(2,969)	2,969	0	2,969	0	0
C03099	ABBEY GREEN & BTC CONS HLF	1,007	1	1006	730	(277)	277	0	277	0	0
C05084	DECARBONISATION	7,040	1,234	5806	2,887	(2,918)	2,918	0	2,918	0	0
C05114	UK SHARED PROSPERITY FUND	-	143	143	38	(105)	105	152	256	611	0
CAP02	GF - INCLUSIVE GROWTH	11,016	-1,091	9,925	3,655	(6,269)	6,269	152	6,421	611	0
C05028	BOX UP CRIME	214	300	514	58	(455)	455	0	455	0	0
C05029	EAST END WOMEN'S MUSEUM	175	0	175	-	(175)	175	0	175	0	0
C05031	BECONTREE CENTENARY	61	0	61	69	8	0	0	0	0	0
C05062	LITTER IN PARKS (CIL)	96	-	96	0	(96)	96	0	96	0	0
C05108	STUDIO 3 ARTS	156	-	156	156	0	0	0	0	0	0
C05027	KINGSLEY HALL	30	-	30	30	0	0	0	0	0	0
CAP03	GF - CIL	731	300	1,031	314	(718)	726	0	726	0	0
C02898	LOCAL TRANSPORT PLANS (TFL)	136	0	136	73	(63)	0	0	0	0	0
C04094	BECONTREE HEATH LOW EMISSION	88	0	(88)	(18)	70	0	0	0	0	0
C05052	HEATHWAY & HEALTHY STREETS	130	-	130	143	13	(13)	330	317	0	0
C05058	TFL MINOR WORKS - VARIOUS LOCS	99	0	99	69	(30)	23	132	155	0	0
C05079	CYCLE ROUTE CFR10	265	211	476	420	(57)	57	120	177	0	0
C05080	LOW TRAFFIC NEIGHBOURHOODS	548	0	548	418	(131)	131	110	241	0	0
C05083	BUS PRIORITY	459	0	459	409	(50)	50	803	852	0	0
C05056	VALANCE AVENUE HEALTHY STREETS	0	10	10	1	(9)	9	34	43	0	0
C05128	Porters Avenue Healthy Streets			0	0	0	0	105	105	0	0
C05129	Dagenham Road Healthy Streets			0	0	0	0	172	172	0	0
C05030	High Road Healthy Streets			0	0	0	0	100	100	0	0
C05131	Gascoigne Healthy Streets			0	0	0	0	77	77	0	0
CAP04	GF - TFL	1,549	222	1,771	1,515	-256	256	1,983	2,238	0	0
C04042	COMMUNITY HALLS	15	0	15	9	(6)	6	0	6	0	0
CAP05	GF - COMMUNITY SOLUTIONS	15	0	15	9	-6	6	0	6	0	0
C02877	ORACLE	-	-	0	5	5	0	0	0	0	0
C03052	KEEP THE LIGHTS ON	1,209	0	1209	906	(303)	303	0	303	0	0
C03059	CS CHANNEL SHIFT	64	64	0	0	0	0	0	0	0	0
C03068	ICT END USER COMPUTING	263	0	263	246	(17)	12		12	0	0
C05132	Laptop Replacement Programme			0	0	0	0	2,100	2,100	200	200
CAP06	GF - IT	1,408	64	1,472	1,158	-315	315	2,100	2,415	200	200
C04031	RE IMAGINING EASTBURY	4	0	4	-	(4)	4	0	4	0	0
C04033	REDRESSING VALENCE	250	0	250	39	(211)	211	0	211	0	0

C04043	THE ABBEY: UNLOCKING BARKING	389	0	389	42	(347)	347	0	347	0	0
C05115	WOODWARD ARTS & CULTURE CENTRE	0	278	278	12	(266)	266	0	266	0	0
NEW	MEND Valence House			0	-	0	0	294	294	294	294
CAP07	GF - CULTURE & HERITAGE	643	278	921	93	-828	828	294	1,121	294	294
C03032	PARSLOES PARK (CIL)	13,600	-	13600	5,099	(8,501)	8,501	0	8,501	0	0
C04080	CHILDREN'S PLAY SPACES & FAC (CIL)	214	0	214	120	(94)	94	0	94	0	0
C04081	PARKS & OPEN SPACES STRAT 17 (CIL)	219	26	193	124	(69)	69	100	169	0	0
C05060	SAFER PARKS (CIL)	84	-	84	32	(52)	52	0	52	0	0
C05061	B & D LOCAL FOOTBALL FACILITY (CIL)	157	0	157	-	(157)	157	0	157	0	0
C03090	LAKES	293	0	293	7	(287)	287	150	437	0	0
C04013	PARK INFRASTRUCTURE ENHNCMTS	30	0	30	28	(2)	2	0	2	0	0
C04017	FIXED PLAY FACILITIES	96	0	96	22	(73)	73	0	73	0	0
C04018	PARK BUILDINGS ⇒ BLDNG SUR	92	25	67	5	(62)	62	0	62	0	0
C04084	CENTRAL PARK MASTERPLAN IMP	982	0	982	266	(716)	716	0	716	0	0
C04085	PLAY FACILITY AT VALENCE PARK	5	-	5	5	0	0	0	0	0	0
C05089	DE-CONTAMINATION AT ECP	2,094	159	1935	38	(1,897)	1,897	0	1,897	0	0
C05113	OLD DAGENHAM PARK LEVELLING UP	-	48	48	-	(48)	48	0	48	0	0
C05122	CENTRAL PARK PAVILION	-	125	125	-	(125)	125	0	125	0	0
C05123	TENNIS COURT DEVELOPMENT	-	75	75	-	(75)	75	0	75	0	0
CAP11	GF - PARKS COMMISSIONING	17,866	38	17,904	5,747	-12,158	12,158	250	12,408	0	0
C02982	CONTROLLED PARKING ZONES	2,154	0	2154	175	(1,979)	1,979	0	1,979	0	0
C04015	ENFORCEMENT EQUIPMENT	100	0	100	73	(173)	173	0	173	0	0
	GF - ENFORCEMENT	2,254	0	2,254	103	(2,151)	2,151	0	2,151	0	0
C02811	WARD CAPITAL BUDGETS	666	0	666	220	(447)	447	340	787	0	0
C03011	STRUCTURE REPAIRS & MAINTNCE-BRIDGES	33	0	33	6	(27)	27	0	27	0	0
C03064	STREET LIGHTING	0	-	0	62	62	0	0	0	0	0
C03065	HIGHWAYS INV PROG	3,016	231	3247	3,407	160	(160)	3,820	3,660	0	0
C04019	REPLACEMENT OF WINTER EQUIP	3	0	3	0	(3)	3	0	3	0	0
C04029	ENGINEERING WORKS (RD SAFETY)	99	0	99	116	17	0	0	0	0	0
C04063	FLOOD SURVEY	84	0	84	23	(61)	61	80	141	0	0
C04064	BRIDGES AND STRUCTURES	1,124	0	1124	299	(826)	826	0	826	0	0
C05018	STOCK CONDITION SURVEY	1,596	520	1076	333	(743)	743	1,000	1,743	0	0
C05038	82A AND 82B OVAL ROAD SOUTH	325	-	325	0	(325)	325	0	325	0	0
C05055	ROAD SAFETY AND ACCESS	457	0	457	407	(50)	33	159	192	0	0
C05077	DISPERSED WORKING	488	320	808	337	(471)	471	0	471	0	0
C04032	HABITAT FOR HUMANITY	574	170	744	442	(302)	302	0	302	0	0
C05117	HEALTHY STREETS	-	200	200	31	(169)	169	200	369	200	0
CAP09	GF - MY PLACE	8,466	402	8,867	5,682	-3,185	3,247	5,599	8,846	200	0
C04012	PARKS BINS RATIONALISATION	34	0	34	7	(27)	27	0	27	0	0
C04070	VEHICLE FLEET REPLACEMENT	1,052	0	1052	1,160	108	(108)	1,131	1,023	0	0
C03083	CHADWELL HEATH CEMETERY EXT	149	0	149	66	(83)	83	0	83	0	0
C04028	REDUCE HAND ARM VIBRATIONS	5	0	5	5	1	0	0	0	0	0
C05048	PROCURING IN CAB TECH	205	-	205	64	(141)	141	30	171	0	0

C04016	ON-VEHICLE BIN WEIGHING SYS	16	0	16	-	(16)	16	0	16	0	0
C05039	TREE PLANTING	127	0	-127	-	127	0	0	0	0	0
CAP10	GF - PUBLIC REALM	1,334	0	1,334	1,302	-32	159	1,161	1,320	0	0
C02959	ROBER CLACK EXPANSION EXISTING	0	-	0	-	0	0	0	-	0	0
C03018	EASTBURY SECONDARY	156	-	156	161	5	0	0	-	0	0
C03020	DAGENHAM PARK	0	-	0	-	0	0	77	77	0	0
C03022	GREATFIELD SECONDARY SCH (NEW)	451	-	451	31	(420)	420	418	838	0	0
C03042	ADDITIONAL SEN PROVISION	0	-	0	-	0	0	0	-	0	0
C03053	GASCOIGNE PRMRY - 5FE TO 4FE	60	-	60	26	(34)	34	0	34	0	0
C03054	LYMINGTON FIELDS SCHOOL 2016	236	-	236	136	(372)	372	0	372	0	0
C04052	SEND 2018-21	292	-	292	277	(15)	15	38	53	0	0
C04053	SCA 2018-20	0	-	0	21	21	0	0	0	0	0
C04058	MARKS GATE INFS & JNRS 18-20	831	-	831	776	(55)	55	0	55	0	0
C04059	CHADWELL HEATH ADDI CAPACITY	0	-	0	-	0	0	0	0	7,000	0
C04071	RODING FIRE	34	-	34	34	0	(0)	0	0	0	0
C04072	SCHOOL CONDITION ALCTNS 18-19	25	-	25	483	458	(473)	506	33	0	0
C04087	SCA 2019/20 (A)	0	-	0	6	(6)	0	0	0	0	0
C04097	TRINITY SPECIAL SCH EXPANSION	0	-	0	-	0	0	0	-	0	0
C04098	RIPPLE PRIMARY SUFFOLK ROAD	6	-	6	1	(5)	5	0	5	0	0
C05033	SCA PRIORITY WORKS 20/22	100	-	100	14	(114)	114	277	392	0	0
C05034	SCHOOLS EXPANSION PROG 20/22	375	-	375	414	39	(39)	1,500	1,461	382	382
C05040	HEALTHY SCHOOL	121	-	121	-	(121)	121	0	121	0	0
C05069	SCA 20-21	800	-	800	550	(250)	250	139	388	0	0
C05078	GREATFIELDS PRIMARY	1000	-	1000	1,607	607	(607)	7,515	6,908	3,000	3,000
C05098	SCA 21-22	2500	-	2500	2,737	237	(237)	1,218	981	0	0
C05099	SEND 21	1100	-	1100	1,006	(94)	94	581	675	0	0
C05105	BASIC NEEDS 21/22	450	-	450	642	192	(192)	1,514	1,322	0	0
C05107	SCA 22-23	2000	-	2000	2,566	566	(566)	2,000	1,434	1,188	1,188
C05118	MAYESBROOK ADDN CLASSROOM	0	-	0	-	0	0	400	400	0	0
C05119	SPECIAL SCHOOL FEASIBILITY STUDIE	0	-	0	-	0	0	100	100	0	0
C05120	MONTEAGLE DINING HALL EXTENSION	0	-	0	-	0	0	500	500	700	700
CAP20	GF - EDUCATION, YOUTH & CHILD	10,538	0	10,538	11,177	639	-634	16,783	16,149	12,270	5,270
	GF TOTAL	58,276	212	58,487	33,125	-25,361	25,564	31,795	57,359	16,493	5,764
C02933	CAPITAL VOIDS	1,242	0	1242	1,266	24	0	1,500	1,500	1,500	0
C03048	FIRE SAFETY IMP ? 2015/16	-	-	-	11	(11)	0	-	-	-	-
C04002	LIFT REPLACEMENT	453	0	453	124	(329)	0	1,400	1,400	1,000	1,000
C04003	DOMESTIC HEATING	993	0	993	434	(559)	0	500	500	500	0
C04004	BOX-BATHRM REFURB (APPRENTICE)	35	0	35	32	(67)	0	0	-	0	0
C04006	MINOR WORKS & REPLACEMENTS	144	0	144	52	(93)	0	300	300	500	500
C05000	DH INTERNAL	2,481	0	2481	978	(1,503)	0	1,000	1,000	1,000	1,000
C05002	EXTERNALS 1 - HOUSES & BLOCKS	2,317	0	2317	4,896	2,580	0	3,000	3,000	4,500	4,500
C05003	EXTERNALS 2 - HOUSES & BLOCKS	3,011	0	3011	2,216	(795)	0	2,000	2,000	1,500	1,500

C05004	DOOR ENTRY SYSTEMS	298	0	298	1,430	1,132	0	500	500	500	500
C05005	COMPLIANCE	324	0	324	41	(283)	0	500	500	250	250
C05006	FIRE SAFETY IMPROVEMENT WORKS	54	0	54	234	180	0	500	500	250	250
C05007	FIRE DOORS	200	-	200	26	(174)	0	1,500	1,500	1,500	1,500
C05008	COMM/ COMP - DE-GASSING BLOCKS	27	0	27	28	(56)	0	0	-	0	0
C05009	ELECTRICAL PROGRAMMES	-	-	0	-	0	0	250	250	500	500
C05011	COMMUNAL BOILERS	245	0	245	29	(216)	0	200	200	0	0
C05013	ESTATE ROADS RESURFACING	3,000	-	3000	4,020	1,020	0	1,000	1,000	1,000	0
C05014	ENERGY EFFICIENCY	2,000	1,234	3234	1,672	(1,562)	260	3,000	3,260	3,000	3,000
C05015	FEES and CONTINGENCY	641	0	641	884	243	0	1,200	1,200	1,000	1,000
NEW	ESTATE IMPROVEMENT	-	-	0	-	0	0	450	450	500	500
C05068	ADAPTATIONS and EXTENSIONS	225	0	225	190	(35)	0	200	200	0	0
C05121	COLNE & MERSEA	-	-	0	245	245	0	-	-	-	-
CAP30	HRA STOCK INVESTMENT	17,690	1,235	18,925	18,665	260	260	19,000	19,260	19,000	16,000
C02820	ESTATE RENEWAL	10,247		10247	4,101	(6,145)	6,145	-	6,145	-	-
CAP31	HRA ESTATE RENEWAL	10,247		10,247	4,101	(6,145)	6,145	0	6,145	0	0
C03071	MELISH AND SUGDEN	299		299	15	(314)	314	-	314	-	-
C05102	MELLISH CLOSE - AUSTIN HOUSE	1746		1746	1,027	(719)	719	-	719	-	-
C02970	MARKS GATE				0		0	-	-	-	-
CAP32	HRA NEW BUILD SCHEMES	2,045	-	2,045	1,012	1,033	1,033	-	1,033	-	-
	HRA TOTAL	29,982	1,235	31,217	23,779	(7,438)	7,438	19,000	26,438	19,000	16,000
C02985	GASCOIGNE WEST (HOUSING ZONE)	0		0	22	(22)	0	-	-	-	-
C02986	GASCOIGNE EAST	918		918	936	18	0	-	-	-	-
C03072	PURCHASE OF SACRED HEART CONT	173		173	97	(76)	76	-	76	-	-
C03080	ACQSTN OF ROYAL BRITISH LEGION	1,073		1,073	42	(1,031)	1,031	22,128	23,158	6,913	6,913
C03084	SEBASTIAN COURT - REDEVELOP	1,128		1,128	257	(871)	871	-	871	-	-
C03086	LAND AT BEC - LIVE WORK SCHEME	104		104	8	(111)	111	-	111	-	-
C03089	BECONTREE HEATH NEW BUILD	-233		-233	328	(95)	95	-	95	-	-
C04062	GASCOIGNE EAST PH2	1,261		1,261	1,549	288	(288)	368	80	-	-
C04065	200 BECONTREE AVE	154		154	69	(85)	85	-	85	-	-
C04066	ROXWELL RD	5,052		5,052	6,080	1,028	(1,028)	15,190	14,162	9,143	9,143
C04067	12 THAMES RD	33,019		33,019	32,049	(970)	970	20,300	21,269	2,009	2,009
C04068	OXLOW LNE	6,063		6,063	6,862	799	(799)	9,876	9,077	256	256
C04069	CROWN HOUSE	4,005		4,005	2,292	(1,713)	1,713	33	1,745	-	-
C04075	RAINHAM ROAD SOUTH RM10 7XB	0		0	3	3	0	-	-	-	-
C04090	SITE LONDON RD/NORTH STREET	0		0	188	188	0	-	-	-	-
C04099	GASCOIGNE WEST P1	970		970	1,737	767	(767)	-	767	-	-
C05020	WOODWARD ROAD	9,866		9,866	7,624	(2,243)	2,243	1,943	4,186	323	323
C05025	GASCOIGNE WEST PHASE 2	72,843		72,843	71,074	(1,769)	1,769	53,579	55,348	5,306	5,306
C05026	GASCOIGNE EAST PHASE 3A	28,534		28,534	18,797	(9,737)	9,737	10,755	20,493	654	654
C05035	PADNALL LAKE PHASE 1	9,210		9,210	4,048	(5,161)	5,161	528	5,689	-	-
C05041	TRANSPORT HOUSE	10,167		10,167	7,067	(3,100)	3,100	21,859	24,959	10,001	10,001

C05047	GASCOIGNE WEST PHASE 3	0	1224	1,224	1,548	324	(324)	3,744	3,420		
C05051	MULLER CHADWELL HEATH	0		0	4	4	0		-		
C05065	CHEQUERS LANE	0		0	246	246	(246)	307	61	-	-
C05066	BEAM PARK Phase 6	22,489		22,489	958	(21,531)	21,531	36,184	57,715	56,699	56,699
C05071	BROCKLEBANK LODGE	1,129		1,129	46	(1,083)	1,083	-	1,083	-	-
C05073	GASCOIGNE EAST 3B	13,691		13,691	9,012	(4,679)	4,679	43,143	47,823	68,169	68,169
C05076	GASCOIGNE EAST PHASE 2 (E1)	26		26	115	(141)	141	19,872	20,013	32,639	32,639
C05081	Beam Park - Phase 7	0		0	386	386	(386)		386		
C05082	TROCOLL HOUSE	762		762	689	(73)	73	668	741	558	558
C05090	GASCOIGNE EAST 3A - BLOCK I	7,543		7,543	15,020	7,477	(7,477)	28,612	21,135	5,137	5,137
C05091	GASCOIGNE EAST PHASE 2 F	39,545		39,545	37,586	(1,959)	1,959	20,700	22,659	1,235	1,235
C05092	GASCOIGNE EAST PHASE 2 E2	24,203		24,203	20,404	(3,799)	3,799	1,436	5,235	-	-
C05093	PADNALL LAKE PHASE 2	19,363		19,363	17,017	(2,346)	2,346	4,891	7,237	89	89
C05094	PADNALL LAKE PHASE 3	3,469		3,469	1,279	(2,190)	2,190	15,541	17,730	29,546	29,546
C05100	BARKING RIVERSIDE HEALTH	806		806	246	(560)	560	10,860	11,420	23,066	23,066
C05103	TOWN QUAY WHARF	5,379		5,379	132	(5,247)	5,247	7,170	12,417	3,566	3,566
C05106	GASCOIGNE ROAD	0		0	123	123	(123)	-	123	-	-
CAP40	IAS RESIDENTIAL	322,712	1,224	323,936	264,992	- 58,944	59,134	349,687	408,821	244,697	244,697
C03088	14-16 Thames Road	0		0	1,994	1,994	(1,994)	1,994	-	0	0
C04057	TRAVELODGE DAGENHAM	0		0	1	1	0	0	-	0	0
C04078	WIVENHOE CONTAINER				10	10	0		-		
C04086	TRAVELODGE ISLE OF DOGS	0		0	31	31	0	0	-	0	0
C04091	PURCHASE OF WELBECK WHARF	1,018		1,018	615	(403)	403	0	403	0	0
C04103	BARKING RESTORE plc	0		0	-	0	0		-		
C04104	1-4 Riverside Industrial	0		0	51	51	(51)	51	-		
C05024	FILM STUDIOS	117		117	175	59	(59)	59	-	0	0
C05042	26 THAMES RD	0		0	388	388	(388)	388	-	0	0
C05067	DAGENHAM HEATHWAY	0		0	26	26	(26)	26	-	0	0
C05072	INDUSTRIA	29,930		29,930	26,268	(3,662)	3,662	0	3,662	0	0
C05074	BARKING BUSINESS CENTRE	0		0	0	0	(0)	0	-	0	0
C05104	7 CROMWELL CENTRE	0		0	1,239	1,239	0		-		
C05110	Purchase of Maritime House	20,513		20,513	20,712	199	(199)	199	-	0	0
C05112	Purchase of Edwards Waste Site	0		0	823	823	(823)	823	-	0	0
C05023	3 GALLIONS CLOSE	0		0	1,237	(1,237)	0		-		
CAP42	IAS COMMERCIAL	51,578	0	51,578	51,097	-481	525	3,540	4,065	0	0
	IAS TOTAL	374,290	1,224	375,514	316,089	-59,425	59,659	353,227	412,887	244,697	244,697
C05019	CCS TRANSFORMATION	114	-114	0	153	153	0	0		0	0
C05088	ERP	2,240	411	2,651	1,953	(698)	0	0		0	0
CAP50	TRANSFORMATION	2,354	297	2,651	2,106	(545)	0	-	-	-	-
	De-activated Projects			0	(133)	(133)	0				
	TOTAL CAPITAL PROGRAMME	464,904	2,965	467,868	374,966	(92,902)	92,661	404,023	496,684	280,189	266,461

This page is intentionally left blank

CABINET**20 June 2023**

Title: Treasury Management Annual Report 2022/23	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
Report Author: David Dickinson, Investment Fund Manager	Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Executive Team Director: Philip Gregory, Strategic Director, Finance & Investment (S151 Officer)	
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 proposed borrowing, 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 2022/23. 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 31/03/2023 was £54.0m (2021/22: £154.9m); ii) Total cash held at 31/03/2023 was (-£18.4m) (2021/22: £1.7m); iii) Total loans lent held at 31/03/2023 was £168.9m (2021/22: £124.9m); iv) Total Equity held with Muller was £23.4m (2021/22: £23.4m) v) Net General Fund interest income for 2022/23 was a surplus of £6.5m compared to a net expenditure budget of £5.2, an outperformance of £11.7m. vi) £7.0m of the outperformance from interest income was transferred to the Investment Reserve, with the remaining balance used to cover shortfalls in the Investment and Acquisition Strategy (IAS); vii) Investment income from the Council's IAS totalled £1.5m (2021/22: £4.3m) for the year compared to a budget of £6.1m, an underperformance of £4.6m, which will be covered by the outperformance in interest; 	

- viii) The Council's average treasury interest return of 1.99% for 2022/23; and
- ix) The Council's average return on its loans, consisting of commercial and property loans was 3.65% for 2022/23 (4.42% for 2021/22);

Interest Expense and Borrowing:

- x) Interest payable for 2022/23 totalled £40.9m (2021/22: £37.4m), consisting of £13.5m for PFI / Finance leases, £11.0m for the HRA and £16.4m for the General Fund;
- xi) Capitalised interest for 2022/23 totalled £9.7m;
- xii) The Council borrowed £30m of medium-term General Fund borrowing in 2022/23 at an average rate of 0.77% and an average duration of 2.4 years;
- xiii) The total long-term General Fund borrowing at 31/3/2023 was £729.9m, comprising of market loans, Public Works Loan Board (PWLB), Local Authority, European Investment Bank and other loans;
- xiv) The value of short-term borrowing as at 31 March 2023 totalled £165.3m;
- xv) HRA borrowing totalled £295.9m of long-term debt and £30.6m of internal borrowing;
- xvi) With PFI / finance lease borrowing totalling £356.6m, the total Council borrowing as at 31 March 2023 was £1,547.7m (this excludes internal HRA borrowing).
- xvii) The Council did not breach its 2022/23 Operational Boundary limit of £1,600m or its Authorised Borrowing Limit of £1,700m;
- xviii) The Council complied with all other set treasury and prudential limits;
- xix) That a loan impairment of £2.4m was made in 2021/22 against the loan to Barking and Dagenham Trading Partnership (BDTP) relating to the purchase of London East UK (LEUK), as outlined in paragraph 7.9 of the report; and
- xx) A further impairment of £7.74m is required for 2022/23 relating to additional capitalised interest on the LEUK loan and two working capital loans to BDTP, as outlined in paragraph 7.10 of the report.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to:

- (i) Note the Treasury Management Annual Report for 2022/23;
- (ii) Note that the Council complied with all 2022/23 treasury management indicators;
- (iii) Approve the actual Prudential and Treasury Indicators for 2022/23, as set out in Appendix 1 to the report; and

(iv) Note that the Council borrowed £140.0m from the PWLB in 2022/23.

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 2022/23. 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 2022/23 period Assembly received the following reports:

- an annual treasury strategy in advance of the year (Assembly 02/03/2022);
- a mid-year (minimum) treasury update report (Assembly 23/11/2022); 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 2023;
- Economic Factors in 2022/23 and Interest rate forecasts;
- Treasury Investment Strategy and Performance in 2022/23;
- Borrowing Outturn and Capitalised Interest;
- Annual Investment Strategy 2022/23;
- Commercial and Reside Loans Outturn;
- Investment and Acquisition Strategy Outturn;
- Compliance with Treasury limits and Prudential indicators; and
- Prudential Indicators for 2022/23 (Appendix 2).

2. Treasury Position at 31 March 2023:

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. The position at 31 March 2023 is shown in table 1 below:

Table 1: Council's treasury position at the start and end of 2022/23

	31-Mar-22	Ave. Rate of interest	Average Life	31-Mar-23	Ave. Rate of interest	Average Life
	£'000	%	Years	£'000	%	Years
Fixed Rate Debt						
HRA – PWLB	265,912	3.50	33.81	265,912	3.50	33.81

HRA – Market	30,000	4.03	43.70	30,000	4.03	43.74
HRA - Internal Borrowing	35,905	1.98	1.00	30,612	3.01	-
Total HRA Borrowing	331,817	3.38	33.23	326,524	3.55	32.28
GF – PWLB	629,521	1.92	29.13	641,592	1.86	28.19
GF - Market	90,988	2.49	25.75	88,296	2.50	25.97
GF – ST Borrowing	63,000	0.58	0.14	165,317	4.02	1.28
Total GF Borrowing	783,509	1.98	27.38	895,205	1.91	23.66
Total Debt	1,115,326	2.33	28.72	1,191,117	2.33	28.72
Investments						
Treasury Investments	154,900	1.25	1.66	54,000	3.36	1.02
Cash	1,675	0.75	-	-18,420	1.80	-
Loans & Equity	148,287			192,243		
HRA Internal Lending	35,905	1.98	1.00	30,612	3.01	1.00
Total Investments	340,767			258,502		

3. Economic Factors in 2022/23 and Interest Rate Forecasts

3.1 This section of the report sets out key factors that have affected the UK economy during 2022/23 and their impact. In addition, the Euro-zone (EZ) and US economies are considered as comparators and benchmarks. These economic factors have a direct impact on the Council through the borrowing rates and returns on investment that have been achieved. The Council will also be impacted as the wider economy responds to these factors.

UK Economy

3.2 Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile throughout 2022/23, from Bank Rate through to 50-year gilt yields. Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022.

3.3 The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

3.4 The UK Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%. In the interim, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. The markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their period in office lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their

Autumn Statement of the 17 November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

- 3.5 GDP has been limited throughout 2022/23, although the most recent Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a recession will be avoided is still unclear. Ultimately, the Monetary Policy Committee at the Bank of England will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets before the Bank Rate is reduced. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.
- 3.6 The pound remained resilient throughout this volatile period, recovering from a low of \$1.035, following the Truss government’s “fiscal event”, to \$1.23. Notwithstanding the pound’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

USA Economy

- 3.7 The flurry of comments from Federal Reserve officials over recent months suggest there is a hawkish theme to their outlook for interest rates, which means rates are expected to rise. Markets are pricing in further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%. In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision have been concluded. US Inflation is c6% but with the economy expected to weaken in 2023, and wage data already falling back, there is the prospect that if the economy slides into a recession there will be scope for rates to be cut at the end of 2023 or shortly after.

EU Economy

- 3.8 Although Euro-zone inflation rate fell below 7%, the European Central Bank (ECB) has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely.

Borrowing strategy and control of interest rate risk

- 3.9 In 2022/23, the Council maintained an under-borrowed position and used cash balances. This meant that the capital borrowing need, (the CFR), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow were used. This strategy was prudent as returns were initially low and minimising counterparty risk on placing investments also needed to be considered. A couple of asset sales, Welbeck and Pondfield did not progress, which meant that

the Council needed to borrow short term towards the end of 2022/23, resulting in a short-term borrowing position of £165.3m by 31 March 2023. Caution was adopted with the treasury operations, with the Investment Fund Manager monitoring interest rates in financial markets and adopted a pragmatic strategy of not locking in higher rates while cash balances were used.

- 3.10 Interest rate forecasts initially suggested only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the BoE engaged in monetary policy tightening at every MPC meeting during 2022, and into 2023, by increasing Bank Rate by either 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.
- 3.11 The Council’s Treasury advisor, Link, increased their September 2024 interest rate view during 2022/23 from a rate forecast for of 1% to 3.25%. More marked is the increase for June 2023 increasing from 0.75% to the current 4.5%. The current rate forecast is below and does show rates decreasing over the next two to three years:

Link Group Interest Rate View 27.03.23		Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE		4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings		4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings		4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings		4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB		4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB		4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB		4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB		4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

- 3.12 The chart below shows the UK Gilt and US Treasury 10-year yields over the past two years, with rates dropping to historical lows of near zero in December 2019.



4. Treasury and Investment Strategy Outturn Summary for 2021/22 and 2022/23

- 4.1 Treasury and IAS Outturn is in Table 2 below and is expanded on in subsequent sections. A positive figure is a cost and a negative figure is income or an asset.

Table 2: Treasury Outturn for 2021/22 and 2022/23

Interest	2021/22 Actual	2021/22 Budget	Vari- ance	2022/23 Actual	2022/23 Budget	Vari- ance
HRA Borrowing Costs see 4.2	10,874	10,874	0	11,000	10,742	258
GF Treasury Outturn						
GF LT Borrowing costs see 4.3	13,780	14,121	-341	14,395	13,181	1,214
GF ST Borrowing costs see 4.3	53	0	53	1,999	0	1,999
GF Interest Income see 4.4	-9,156	-6,503	-2,653	-9,111	-6,503	-2,608
Borrowing Costs Recharge see 4.5	-3,522		-3,522	-4,074	0	-4,074
Capitalised Interest	-5,463	-5,000	-463	-9,707	-1,500	-8,207
Net Treasury Position	-4,308	2,618	-6,926	-6,497	5,178	-11,675
IAS Return						
GF IAS Income	-7,780	-6,782	-998	-8,895	-6,077	-2,818
Borrowing Costs	3,522		3,522	4,074	0	4,074
Costs				2,296	0	2,296
MRP				1,024	0	1,024
Net IAS Position	-4,258	-6,782	2,524	-1,501	-6,077	4,576
Leases and Reserves						
GF Lease Back				-1,102	-1,136	34
Travelodge Lease				-15,500	0	-15,500
To Travelodge Reserve				5,500	0	5,500
To General Reserves				10,000	0	10,000
To IAS Reserve	1,900	0	1,900	7,000	0	7,000
GF Net IAS & Interest Cost	-6,666	-4,164	-2,502	-2,100	-2,035	-65
Muller returns						
Muller Sale				90,499	90,499	0
Be First Income				-10,500	-10,500	0
Loan and Equity Repayment				-26,828	-50,177	23,349
LBBD DIVIDEND				-22,000	-22,000	0
Tax				-6,252	-6,252	0
Interest and Cash				1,141	1,141	0
Cash Held within Muller				26,060	2,211	23,349
Reserves						
IAS Reserve		-22,177			-20,353	
Dividend Reserve					-22,000	
Loan Provision		2,346			7,734	
General Reserve					-10,000	
Travelodge and CR27 reserve		-5,500			-11,000	

- 4.2 One off income from the Isle of Dogs Travelodge is included above and has been allocated to reserves to fund the 2022/23 provisions outlined later in this report. The sale of Muller generated a large surplus but none of the return is allocated to the IAS, with the equity holding (£23.3m) costing the IAS £500k in interest as all the surplus has been allocated as a soft credit Be First, which will be held to smooth out dividend returns against the £10.3m MTFs target .

5. Borrowing Outturn and Capitalised Interest

5.1 HRA Borrowing Costs

5.1.1 HRA long-term borrowing costs are fixed and so matched the budget but a short-term borrowing position between the Council and the HRA, along with higher borrowing costs, has increased the borrowing costs to approximately £10.9m.

5.2 General Fund Long and short-term borrowing costs

5.2.1 Overall borrowing costs were higher than budgeted as both long-term and short-term borrowing rates on new borrowing was much higher than the forecast, with £3.2m additional borrowing costs being incurred. Most of this cost was picked up in a higher capitalised interest figure which netted off this additional cost but also increased the total cost of the schemes the interest was capitalised against.

5.2.2 During the year the sale of Muller, front loading of grant payments and using cash helped to reduce the borrowing requirement as the Council spent £316m on the IAS but borrowing only increased by £112m. Short-term borrowing was used for most of the year to cover cashflow requirements, with an average short-term borrowing position of £105.7m in 2022/23. The average borrowing rate was 3.0% for the year but the last quarter had an average of 3.56%, with the average borrowing rate for May 2023 now over 4.5%.

5.2.3 Four loans of between two to three years were taken out in April 2022 totalling £30m, at rates of 0.3% and 1.0% respectively to cover the development period of the approved residential schemes. Appendix 1 of this report provides a list of the borrowing for the HRA and General Fund for both short- and long-term durations.

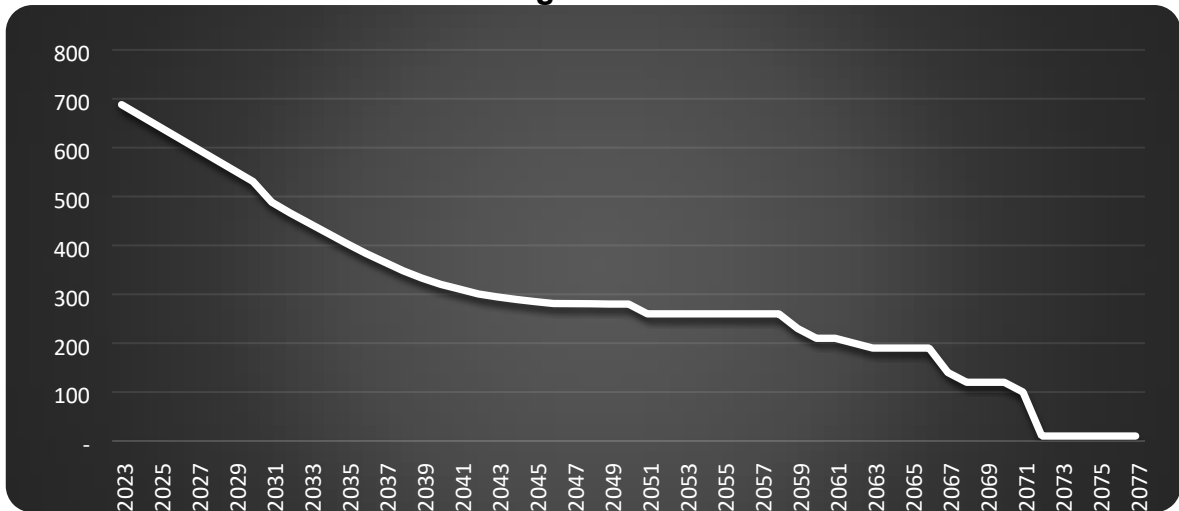
5.3 Officers have sought to ensure that the borrowing matches the relevant asset life and repayment profile of the Council's investment portfolio. The current large short-term borrowing position is likely to increase in 2023/24 but if medium to long-term borrowing opportunities arise then the short-term positions will be replaced with longer-term borrowing.

5.4 The current borrowing strategy has a target of reducing the long-term average borrowing rate to 2.0% (excluding short-term borrowing). The average rate increases when adding short-term borrowing, with the total average borrowing rate for the General Fund at 2.07%.

5.5 For pipeline schemes, the increased interest rate has protected the Council from agreeing schemes that are unviable based on the current borrowing costs but it has contributed to delays in schemes being progressed. It is essential that the Council does not increase its exposure to schemes that are only viable at very low interest rates as the low rates achieved over the past few years may not return in the near future.

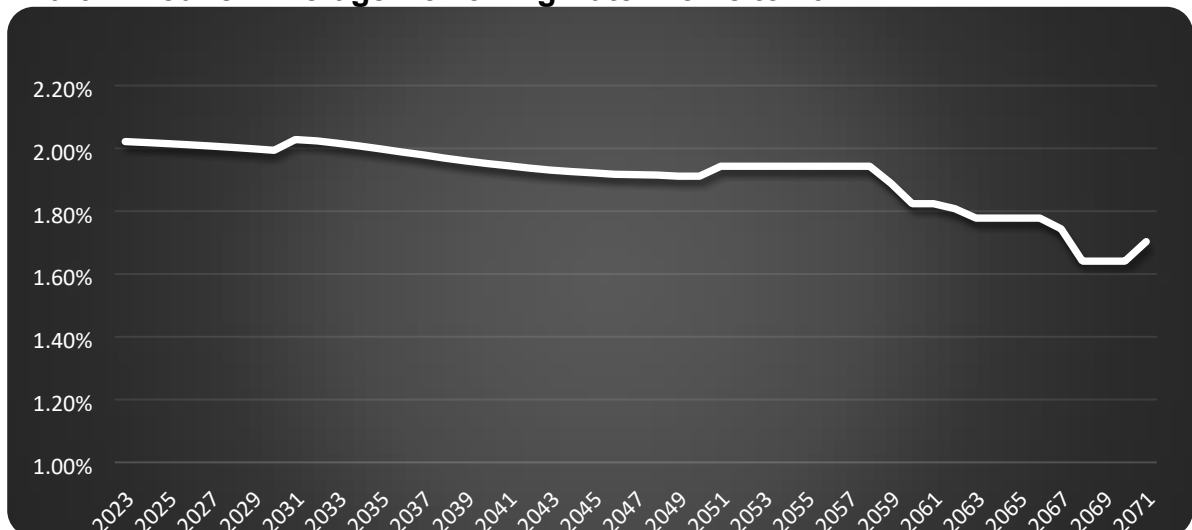
5.6 Chart 1 below summarises the GF long term debt position as at 31 March 2023, indicating the repayment profile average rate will increase. Officers will continue to monitor rates and will seek to lock in lower rates when they occur.

Chart 1: Council General Fund Long Term Debt Profile to 2077



5.7 Chart 2 outlines the average long-term borrowing costs over the duration of the Council’s borrowing. With elevated borrowing rates, if more expensive borrowing is added to the current long-term debt portfolio then the average rate long term rate will increase.

Chart 2: Council Average Borrowing Rate Profile to 2077



5.8 Capitalisation of Development Interest

5.8.1 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.

5.8.2 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

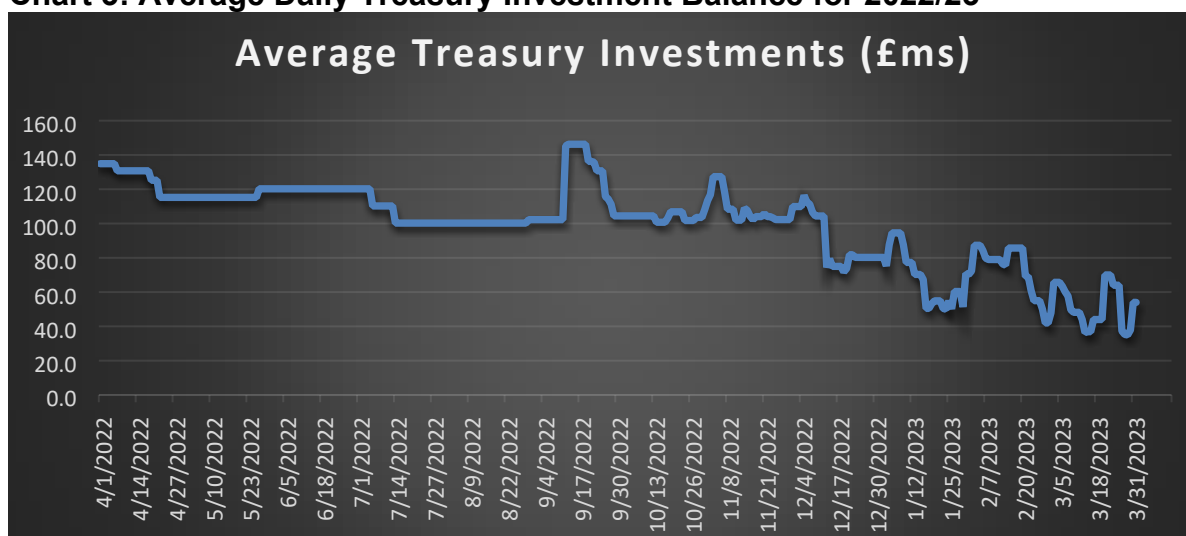
fund's Treasury advisors, Link. As a result, interest incurred during the construction phase is capitalised against developments that cost over £5m and that take in excess of two years to build. This approach has reduced the pressure on the Council's interest budget.

- 5.8.3 Capitalisation of interest starts when the development is 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 schemes, such as Temporary Accommodation have been combined as one overall scheme.
- 5.8.4 Interest is capitalised quarterly 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 and the property is handed over to Reside.
- 5.8.5 For 2022/23 the capitalised interest rate was around 2.07% and so still very low but as further borrowing is made the capitalised interest costs will increase. The Council has also agreed to capitalise borrowing costs for schemes that are over £5m in total value and take longer than two years to develop. A total of £9.7m was capitalised against developments in 2022/23 against a budget £1.5m. It is likely that this will be around the peak of capitalised interest, as schemes complete and the pipeline of schemes reduces in the short term.

6. Annual Investment Strategy (AIS) 2022/23

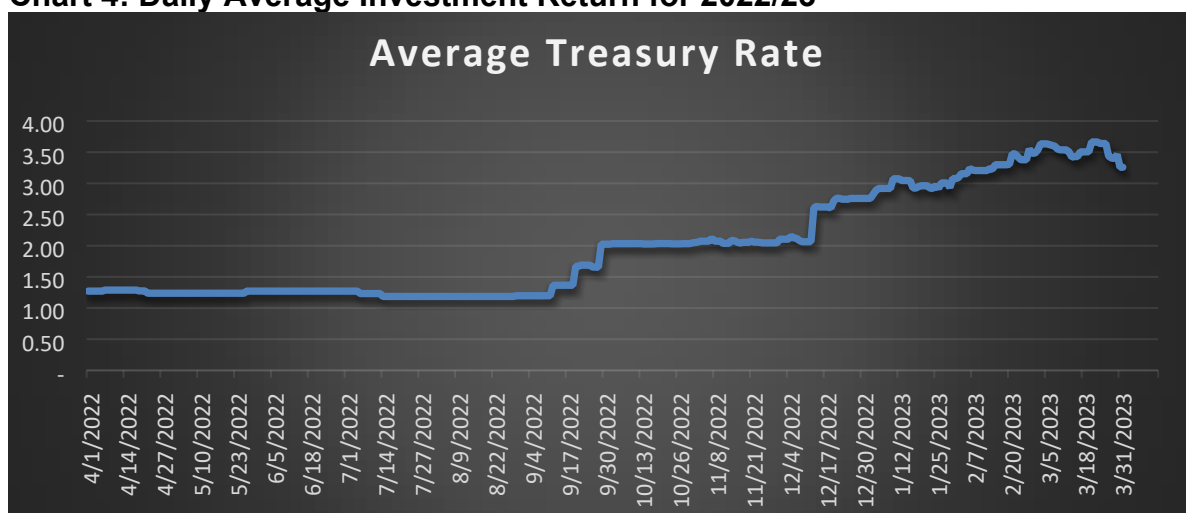
- 6.1 All investments were managed in-house and were invested with institutions of high credit standing listed in the Council's approved lending list and specified limits. The Council's investment policy is outlined in the 2022/23 Annual Investment Strategy. The policy sets out the Council's approach for choosing investment counterparties.
- 6.2 Council officers met quarterly with the 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.
- 6.3 **Investments decisions during 2022/23** - 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 2022/23, 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.
- 6.4 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 £154.9m at 31 March 2022 and ended the year with a balance of £54.0m. The average investment balance (excluding cash) held for 2022/23 was £98m and is shown in chart 3 below, with the chart showing the steady decline in cash balance throughout the year.

Chart 3: Average Daily Treasury Investment Balance for 2022/23



6.5 Treasury investments provided an average return of 1.99% for 2022/23 (1.39% for 2021/22). Although the average return was on a reducing balance, the increase in the average return for the year provided a net interest surplus. With rates increasing during the year there was little benefit from investing longer term and most investments were short-term in Money Market Funds. Chart 4 below graphically illustrates the average daily treasury return for the year:

Chart 4: Daily Average Investment Return for 2022/23



6.6 Performance Benchmark in 2022/23

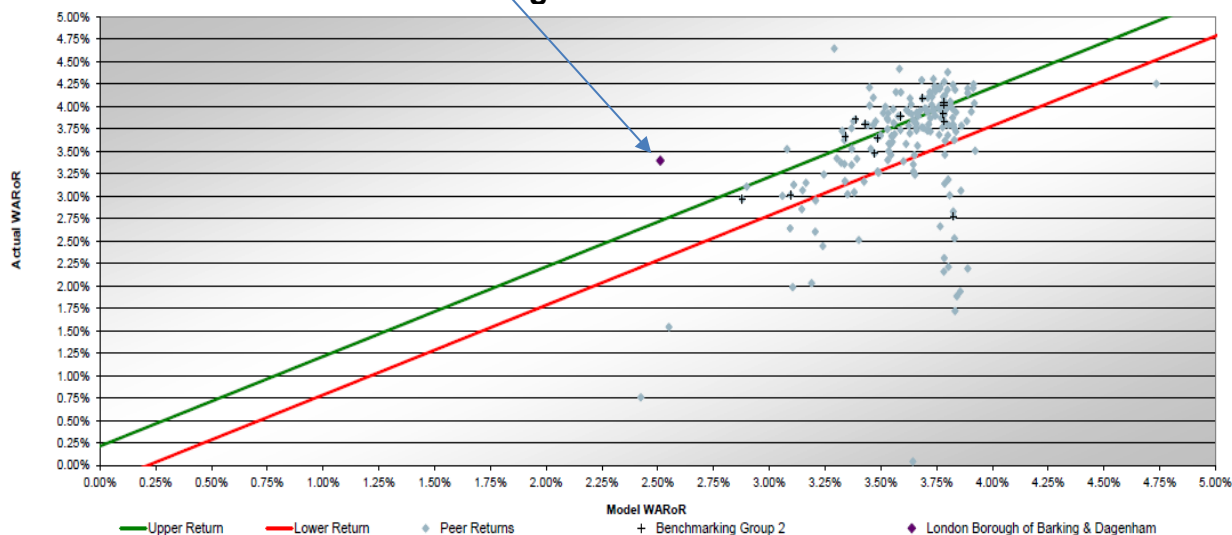
6.6.1 The Council's treasury performance is benchmarked by against a peer group of 22 London Authorities. Benchmarking data is provided by the Council's treasury advisors, Link Asset Services. Table 3 summarises the data as at 31 March 2023.

Table 3: Advisor's Benchmarking data as at 31 March 2023

Savings Proposal	LBB	London Peer Group (22)
Weighted Average Rate of Return	3.40%	3.62%
Weighted Average Maturity(days)	191	60
Credit Risk (lower is less risky)	3.29	2.46

6.6.2 Generally, the Council significantly outperforms its peer group but in 2022/23, and largely towards the end of the financial year, returns have fallen behind the average. The main driver behind this underperformance is the reduction in cash balance as the Council uses the cash from maturities to reduce its borrowing need and the impact of one longer term investment bringing the average rate down. Currently returns of 4.5% to 5.5% can be obtained for very short duration investments. The Council's treasury return is indicated in the chart below:

Chart 4: Advisor's benchmarking data as at 31 March 2023



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
London Borough Of Barking & Dagenham	3.40%	2.51%	0.89%	2.30%	2.73%	Above

6.7 Investments held by the Council at 31 March 2023

6.7.1 As at 31 March 2023, the Council had treasury investments with a small number of Local Authorities, with the Council's Pension Fund and with Goldman Sachs. The Pension Fund holding was cash held by the Pension Fund during the repayment of a prepayment made by the Council.

Counterparty	Rating	Rate %	£000s	Start	End
LBBD Pension Fund	Local Authority	3.00	19,000		
Slough Borough Council	Local Authority	2.05	5,000	27/05/2022	26/05/2023
Goldman Sachs Interna.	A+	4.22	10,000	20/09/2022	20/09/2023
Goldman Sachs Interna.	A+	5.65	10,000	29/09/2022	29/09/2023
Cambridgeshire CC	Local Authority	1.00	10,000	11/01/2021	11/01/2024
Total Investments			54,000		

6.8 Treasury Income from investments and loans

6.8.1 Treasury provided a surplus return of £2.6m from net interest, with an overall income of £9.1m for 2022/23. Historically most of this income has come from treasury outperformance but with cash being used to fund investments, the overall contribution from treasury investments was £3.2m, with the remaining £5.9m coming from loans to third parties.

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 agreed was at the October 2020 Cabinet.

7.1.4 The IAS was originally set a target of delivering a net income of £5.13m per annum by 2022/23. Subsequently nearly £1m was added as an additional target for the Abbey Road scheme and a further £1.136m was added as a return target for the CR27 income strip deal. As a result, for 2022/23 the total return target is £6.077m, increasing to £7.21m if the income strip deals are included.

7.2 IAS Capital Spend 2022/23

7.2.1 In 2022/23 a total of £316.1m was spent on IAS investments, although this was £59.4m less than the budgeted £375.5m. Of this £51.1m was spent on commercial, including £26.3m on Industria and £20.5m on purchasing Maritime House. The spend on residential is gross expenditure and is netted off by grant and right to buy receipts.

Table 4: IAS Capital Spend 2022/23

IAS	£000
Residential Developments	264,982
Commercial Investments	51,146
Investments Total	316,128

7.3 IAS Returns

7.3.1 The IAS has underperformed its target by £4.6m in 2022/23, returning a net surplus of £1.5m against a budget of £6.1m. The main reasons why the strategy did not achieve its target return was

- a reduction in surplus from residential schemes as a result of delays in completion and handover of properties;
- costs of £630k for security and energy costs at sites that remained unoccupied.
- management costs of the strategy where costs totalled £554k for 2022/23.

7.4 A detailed summary of returns is included below and it shows the rent, Bad Debt Provision (BDP) for 2022/23, costs, internally charged interest costs and then MRP charged to cover the cost of the purchases. Negative values in red are income and the positive values in black are costs. Most properties have provided a surplus but there are a few properties that made losses. The original intention of most of the commercial assets was to redevelop them as residential or a mix of commercial and residential but viability issues have meant that progress has been delayed. Each of the properties is currently being reviewed, with a focus on maximising return. All net returns are allocated to Be First as part of its return to the Council:

Table 5: IAS Outturn for 2022/23

IAS Income 2022/23	Rent	BDP	Costs	Interest	MRP	Total
	£000s	£000s	£000s	£000s	£000s	£000s
COMMERCIAL RENTS						
23 THAMES ROAD	-201	-29	0	186	51	6
26 THAMES ROAD	0	0	0	155	41	195
27 THAMES ROAD	-29	0	0	20	5	-4
3 GALLIONS CLOSE	-265	0	0	165	56	-44
47 THAMES ROAD	-61	0	0	5	1	-54
7 CROMWELL	-11	-44	0	40	0	-15
BARKING BC	-876	44	33	903	246	349
MARITIME HOUSE	-735	0	83	485	0	-167
RESTORE	-711	0	0	409	144	-158
THE HEATHWAY	-639	0	76	239	65	-259
TRAVELODGE (Dag/ East)	-460	19	0	236	68	-137
WELBECK WHARF	-1,700	0	90	840	246	-525
14-16 Thames Rd	-290	0	0	36	0	-253
Edwards Waste	0	0	0	7	0	7
Other Fees	0	0	32	0	0	32
PIANOWORKS	-551	0	0	308	90	-153
Dividend Income	-49	0	0	0	0	-49
1-4 riverside	0	0	50	39	11	100
Recharge	0	0	384	0	0	384
Security	0	0	597	0	0	597
Energy Costs	0	0	36	0	0	36
Brokerage	0	0	40	0	0	40
Be First Surplus	0	0	320	0	0	320
Net Total	-6,579	-10	1,742	4,074	1,024	251
Residential Rents						
Reside Surplus	-2,306	0	0	0	0	-2,306
Reside Costs		0	554	0	0	554
Net Return	-8,884	-10	2,296	4,074	1,024	-1,501

7.5 Commercial Property Holdings

7.5.1 Below is a list of the current IAS Commercial Holdings. In addition, several commercial properties within the residential developments will be added to the portfolio for 2023/24. Two large industrial schemes, Industria and 12 Thames Road will be added to the portfolio over the next two years. This will increase the overall size of the commercial portfolio to nearly £200m. MRP is being charged on the

properties, with a total of £2.0m charged as at 31 March 2023. Most commercial properties are now medium-term hold positions.

Table 6: IAS Commercial Property Holdings 2022/23

Name	Expenditure £000s	GLA Grant £000s	MRP To 31/3/2023 £000s	Net Cost at 31/3/2023 £000s
Barking Business Centre	27,758	0	-246	27,512
Dagenham Heathway Lease	7,338	0	-65	7,273
Travelodge Dagenham	7,261	0	-199	7,063
Barking Restore PLC	12,585	0	-420	12,165
Welbeck Wharf	25,878	0	-698	25,180
23 Thames Road	5,725	0	-51	5,674
27 Thames Road	602	0	-5	597
47 Thames Road	165	-3,500	-1	163
3 Gallions Close	5,092	0	-56	5,036
7 Cromwell	1,239	0	0	1,239
26 Thames Rd	4,864	0	-41	4,824
Purchase of 1-4 Riverside	1,207	0	-11	1,196
9 Thames Road	509	-4,350	0	509
Maritime House	20,712	0	0	20,712
Edwards Waste Site	823	0	0	823
14-16 Thames Road	1,994	0	0	1,994
Pianoworks Lease	9,477	0	-174	9,303
Totals	133,228	-7,850	-1,967	131,262

7.6 Residential Property Loan

- 7.6.1 The Council has several loans and leases to Reside for properties it has developed. In 2022/23 634 properties were completed, including 123 social housing units, 376 affordable rent units, with the remaining properties being shared ownership or private rental. Table 7 provides a list of the loans to Reside at 31 March 2023, with each loan against a specific property, having a 52-year debt repayment period and an interest rate charged based on the tenure within each scheme.

Table 7: IAS Commercial Property Holdings as at 2022/23

Reside Loan	Amount (£000s)
B&D RESIDE LIMITED	191
TPFL REGENERATION LTD	50
B&D RESIDE ABBEY RODING LLP	8
B&D RESIDE REGENERATION LLP	6,046
B&D RESIDE WEAVERS LLP	36,793
B&D RESIDE REGENERATION LTD	174
B&D HOMES	10,551
200 Becontree Avenue	4,348
A House for Artists	2,844
Convent Court	8,169
Sir Alf Ramsey Court	5,386
Martin Peters Court	2,992
Kerwin House	16,081
Arbour Court, Ketch, Tide Street	11,350
Cargo & Carrier	34,391
Challingsworth	42,837
Total	182,211

7.6.2 There were several delays between practical completion and letting the properties and this has caused an increase in costs around security and energy but also a loss of rent. Sales of shared ownership properties has also been slower than forecast but the handover of properties has improved during 2023 with much shorter void periods between completion and handover.

7.7 IAS Leases

7.7.1 The IAS has a number of leases, including legacy holdings such as Reside Limited, and two hotels through Aviva. The Council will also complete on a further lease and lease back arrangement with RailPen for Trocoll House in 2025.

7.7.2 The Council also leases properties to Reside to manage, such as the Bobby Moore building and Forge. Each lease has a long-term repayment period and represent an obligation by the Council and in some cases Reside to make regular lease payments back to the lessor.

7.7.3 Most leases are performing well or have only just started, however there is significant pressure on the Reside Limited lease between the Council and M&G / Long Harbour. The lease with M&G / Long Harbour has an RPI inflation linked lease which was structured to match the increase expected in rents and provide a surplus to the Council. However recent below inflation rent increases have resulted in the Reside Ltd lease incurring losses, with these losses expected to increase unless mitigating action is taken. To prevent the Council incurring losses on this lease, rents can be increased by above inflation, there can be a renegotiation of the lease or savings around management and maintenance costs can be implemented. Currently meetings are being arranged with M&G / Long Harbour to discuss the impact of the lease on these properties. A list of the IAS leases is provided below:

Table 8: IAS Leases as at 2022/23

IAS Leases	Lease Holder	Amount (£000s)
Travelodge - IoD	Aviva	81,198
CR27	Aviva	73,078
Reside Ltd	M&G / Long Harbour	81,470
Bobby Moore	Council	7,880
Forge	Council	33,349
Total		276,974

7.7.4 Additional reporting on all the Council's leases will be provided in future reports, which will include the returns, maintenance of the asset, the performance of the operator, which will include Reside in some instances, and a forecast.

7.7.5 Lease and lease back arrangements are a form of borrowing for the Council and have increased the Council's debt position and CFR by a significant amount, with this likely to reach half a billion pounds when Trocoll and other lease arrangement with Reside are completed. These leases have an effective variable rate and are reliant on the lease between the Council and the operator matching or exceeding the lease arrangement with the funder.

7.7.6 Lease and lease back arrangements have now been removed from the IAS for future schemes.

7.8 Other Commercial Loans Outturn

7.8.1 In addition to loans to Reside, the Council has several loans including working capital loans. These are outlined in table 9 below:

Table 9: Commercial and Reside Loans at 31 March 2023

Loan	Amount (£000s)	Loan Type
B&D TRADING PARTNERSHIP LTD	5,000.00	Working Capital Loan
LEUK	26,475.62	Loan to Purchase LEUK
DAGENHAM & REDBRIDGE FC	83.45	Loan for Football Stand
BARKING RIVERSIDE LIMITED	5,500.00	Loan for Infrastructure
CARE CITY LOAN	436.86	Site Improvement
BARKING ENTERPRISE CENTRE CIC	129.58	Site Improvement
MAKE IT BOW	234.50	Site Improvement
Studio 3 Arts Ltd	200.00	Site Improvement
BE FIRST	5,046.20	Working Capital Loan
B&D ENERGY LTD	6,253.74	Energy Centre
B&D ENERGY LTD	1,005.51	Working Capital Loan
MULLER SITE	23,348.97	Equity in Muller Purchase
	73,714.44	

7.8.1 Commercial loans durations vary with most of the loans having a maximum duration of 15 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 4.5%.

7.8.2 The 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 2023.

7.9 Loan Impairment

7.9.1 The Council loaned one of its subsidiary companies, BDTP, £26.48m 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.

7.9.2 In 2021/22 the valuation of the land held by LEUK has reduced to £21.7m, below the outstanding loan value of £24.9m. A provision of £2.4m was therefore made against the loan, funded from the Investment and Acquisitions Strategy Reserve.

7.10 Further Loan Provisions

7.10.1 In 2022/23 the value of the loan to BDTP for the purchase of LEUK increased to £26.5m due to capitalised interest being added to the loan, now significantly higher

than the asset value of £21.7m. A further provision of £2.4m has therefore been made against the loan, taking the total provision relating to LEUK to £4.8m.

7.10.2 In 2022/23 a working capital loan of £3.5m was made to BDTP, in addition to a working capital loan of £1.5m made in 2021/22. As at 31 March 2023, the loan plus interest accrued totalled £5.34m. BDTP is a subsidiary of the Council but has been significantly impacted by the impact of Covid and is currently going through a restructure. A provision of £5.34m for the full loan and interest charged in 2022/23 will be made as, although the loan is not being written off, there is still a significant amount of work required within the business to restructure and be able to generate sufficient income from its business operations to repay the loan. As a result, a prudent provision of the full loan amount has been made.

7.10.3 The £2.4m provision from 2021/22 was funded by the IAS, with both provisions in 2022/23 (£2.4m and £5.34m) being put against £8m from the Travelodge deal.

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 2022/23, the Council did not breach its authorised limit on borrowing of £1.7bn or its Operational limit of £1.6bn.

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.

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** – Borrowing as at 31 March 2023
- **Appendix 2** - The Prudential Code for Capital Investment in Local Authorities
- **Appendix 3** - Glossary of Terms

This page is intentionally left blank

Borrowing as at 31 March 2023

The Council's borrowing position as at 31 March 2023 is outlined below:

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
Phoenix Life Ltd	15/05/2019	27/02/2060	10,000	4.05
Phoenix Life Ltd	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	15,217.39	1.98
PWLB(Maturity)	19/12/2017	19/06/2058	30,000.00	2.36
PWLB(EIP)	21/02/2018	21/02/2036	14,444.44	2.38
PWLB(EIP)	07/03/2018	07/03/2035	7,058.82	2.20
PWLB(EIP)	19/03/2018	19/03/2038	15,000.00	2.31
PWLB(EIP)	31/05/2018	29/05/2043	16,400.00	2.27
PWLB(EIP)	01/10/2018	01/10/2039	32,380.95	2.38
PWLB(EIP)	30/10/2018	30/10/2036	15,555.56	2.14
PWLB(EIP)	10/12/2018	10/12/2043	16,800.00	2.28
PWLB(EIP)	04/02/2019	04/02/2042	16,521.74	2.17
PWLB(EIP)	26/03/2019	26/03/2042	33,043.48	1.99
PWLB(EIP)	04/06/2019	04/06/2046	17,407.41	1.97
PWLB(EIP)	08/08/2019	08/08/2039	16,500.00	1.39
PWLB(EIP)	05/09/2019	05/09/2042	16,956.52	1.23
PWLB(Annuity)	28/02/2020	01/03/2038	17,204.52	2.27
PWLB(Annuity)	03/03/2020	03/03/2038	17,184.34	2.18
PWLB(Annuity)	10/03/2020	10/03/2040	17,496.79	2.06
PWLB(Annuity)	11/03/2020	11/03/2045	18,086.76	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	18,333.33	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
SOUTH OXFORDSHIRE DC	14/04/2022	14/04/2025	5,000.00	0.30
Vale of White House DC	14/04/2022	14/04/2025	5,000.00	0.30
LEICESTER CITY COUNCIL	14/04/2022	15/04/2024	10,000.00	1.00
LEICESTER CITY COUNCIL	05/05/2022	03/05/2024	10,000.00	1.00
DEXIA (Maturity - LOBO)	30/06/2008	30/06/2077	10,000.00	3.98
L1 RENEW (Annuity)	15/12/2016	01/10/2046	6,732.75	3.44
EIB (Annuity)	30/01/2015	31/03/2044	71,563.23	2.22
Total GF Long Term Borrowing			729,888.05	
Lender	Start Date	End Date	Amount	Rate %
PUBLIC WORKS LOAN BOARD	20/03/2023	20/03/2024	10,000.00	4.48
PUBLIC WORKS LOAN BOARD	20/03/2023	20/03/2024	10,000.00	4.48
WEST of ENGLAND CA	28/02/2023	27/02/2024	10,000.00	1.20
BF Developments (Muller) Ltd	12/09/2022	30/06/2023	25,817.03	4.03
MIDDLESBROUGH BC	20/01/2023	20/04/2023	10,000.00	3.65
SCARBOROUGH BC	20/01/2023	20/04/2023	1,500.00	3.67
LIVERPOOL CITY REGION CA	23/01/2023	17/04/2023	5,000.00	3.70
FURNESS BUILDING SOCIETY	25/01/2023	25/04/2023	5,000.00	3.80
L B REDBRIDGE	21/02/2023	14/04/2023	2,500.00	4.05
MIDDLESBROUGH BC	22/02/2023	25/04/2023	2,500.00	4.00
GUILFORD BOROUGH COUNCIL	28/02/2023	28/04/2023	4,000.00	4.10
SOUTH LANARKSHIRE	02/03/2023	02/06/2023	5,000.00	4.30
LINCOLN CITY COUNCIL	20/03/2023	20/09/2023	3,000.00	4.65
SOLIHULL MBC	15/03/2023	18/04/2023	5,000.00	4.50
SOUTH LANARKSHIRE	15/03/2023	15/06/2023	5,000.00	4.15
COLCHESTER CITY COUNCIL	15/03/2023	17/04/2023	2,500.00	4.10
COLCHESTER CITY COUNCIL	16/03/2023	17/04/2023	2,500.00	4.10
TEIGNBRIDGE DC	15/03/2023	25/05/2023	1,000.00	4.45
MANSFIELD DISTRICT COUNCIL	16/03/2023	19/04/2023	2,000.00	4.45
STROUD DISTRICT COUNCIL	16/03/2023	16/05/2023	2,000.00	4.50
HUMBERSIDE FIRE AUTHORITY	21/03/2023	21/04/2023	2,000.00	4.50
HUMBER BRIDGE BOARD	21/03/2023	21/04/2023	3,000.00	4.50
CHELMSFORD CITY COUNCIL	22/03/2023	22/06/2023	3,000.00	4.60
Cambridge City Council	17/03/2023	17/05/2023	5,000.00	4.55
SOUTH GLOCESTERSHIRE	01/02/2023	01/02/2023	3,000.00	3.91
LINCOLNSHIRE COUNTY C	31/01/2023	31/01/2023	10,000.00	3.95
SPELTHORNE BC	29/03/2023	29/03/2023	5,000.00	4.50
South Yorkshire Pensions	17/03/2023	26/04/2023	5,000.00	4.48
CITY & COUNTY of SWANSEA	20/03/2023	22/06/2023	5,000.00	4.50
CITY & COUNTY of SWANSEA	22/03/2023	22/06/2023	5,000.00	4.30
CITY & COUNTY of SWANSEA	30/03/2023	31/07/2023	5,000.00	4.40
GF Total ST Borrowing			165,317.03	
Total General Fund and HRA Borrowing			1,191,117.09	

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 means that the Council is not borrowing to support revenue expenditure.
- 2.3 Net borrowing must not, except short term, exceeded the Capital Financing Requirement (“CFR”) for 2022/23 plus the expected changes to the CFR over 2022/23 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2022/23.
- 2.4 The Council uses 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 2023 was £1.55bn, which is lower than the Approved Authorised Limit of £1.70bn and Operational Boundary of £1.60bn. During 2022/23 there were no breaches of these limits.

3. Capital Outturn and Capital Finance Requirement for 2022/23

- 3.1 The capital programme as at 31 March 2023 was £457.1m, including the Travelodge finance lease and consists of £33.1m for the General Fund, £23.8m for HRA, £316.1m for the IAS, £2.1m for Transformation and £82.0m for the Travelodge lease and leaseback arrangement. The total revised budget was £546.7m, with the overall delivery at 83.6m%. A number of schemes completed in 2022/23 and grant was allocated to the schemes as they completed and were handed over to Reside, which reflects the high level of grant. A number of projects will be reprofiled in 2024/25 to take into account the carry forward amounts.
- 3.2 The HRA programme is self-financed 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. The HRA spend was a small underspend for stock investment, however this is against a much reduced, revised budget. Estate renewal, including buybacks underspent by £6.1m and this will be carried forward to 202/24.
- 3.3 **The 2022/23 outturn position is detailed below:**

Capital Expenditure by Service	2022/23 Outturn	2022/23 Revised Budget	Over / (Under) spend
	£M	£M	£M
CARE & SUPPORT	2,373	2,456	-83
INCLUSIVE GROWTH	3,655	9,925	-6,269
CIL	314	1,031	-718
TFL	1,515	1,771	-256
COMMUNITY SOLUTIONS	9	15	-6
IT	1,158	1,472	-315
CULTURE & HERITAGE	93	921	-828

PARKS COMMISSIONING	5,747	17,904	-12,158
ENFORCEMENT	103	2,254	-2,151
MY PLACE	5,682	8,867	-3,185
PUBLIC REALM	1,302	1,334	-32
EDUCATION, YOUTH & CHILD	11,177	10,538	639
General Fund	33,125	58,487	-25,361
HRA			
STOCK INVESTMENT	18,665	18,925	-260
ESTATE RENEWAL	4,101	10,247	-6,145
NEW BUILD SCHEMES	1,012	2,045	-1,033
HRA Total	23,779	31,217	-7,438
IAS			
RESIDENTIAL	264,992	323,936	-58,944
COMMERCIAL	51,097	51,578	-481
IAS Total	316,089	375,514	-59,425
TRANSFORMATION	2,106	2,651	-545
Removed Projects	-133	0	-133
Add: Finance Lease (Travelodge)	82,000	78,807	3,193
Approved Capital Programme	457,099	546,675	-89,576
Financed by:			
Grants	-83,525	-107,518	23,993
s106 / CIL	-1,297	-1,631	334
Capital Receipts	-2,304	-2,354	50
MRR	-19,210	-61,926	42,716
RCCO (GF)	-546	-3,206	2,660
RCCO (HRA)	-4,057	0	-4,057
Sub-Total	-110,940	-176,635	65,695
Net financing need for the year	346,159	370,040	-23,881

Prudential Indicator – Capital Financing Requirement			
Opening CFR at 31 March 2022	1,318,023	1,292,374	25,649
CFR – General Fund	327,749	290,953	36,796
CFR – Housing	0	0	0
Total CFR as at 31 March 2023	1,645,772	1,583,327	62,445
Net movement in CFR	327,749	290,953	36,796
Net financing need for the year	346,159	370,040	-23,881
Less: MRP*	-16,106	-15,215	-891
Less: Capital Receipts	-2,304	-65,000	62,696
Movement in CFR	327,749	289,825	37,924
Long & Short-Term Borrowing	1,191,117	1,120,000	71,117
PFI and finance lease liabilities	356,579	276,164	80,415
Total debt 31 March 2022	1,547,696	1,396,164	151,532
Operational Boundary	1,600,000	1,600,000	0
Authorised Limit	1,700,000	1,700,000	0

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 2022/23 this was 3.84%, with most of the cost being MRP. In future the interest payable will increase significantly as the Council continues to borrow and the treasury income is likely to reduce as cash balances are reduced but there will be a significant increase in interest income from loans. There is forecast to be a significant increase in investment income.

Table 2: Ratio of financing costs to net revenue stream 2022/23

General Fund Cost of Capital	2022/23 Outturn	2022/23 Revised Budget	Over / (Under) spend
	£000s	£000s	£000s
Net Cost of Services	211,618	180,944	30,674
Cost of Capital			
<i>MRP</i>	16,106	15,215	891
<i>GF Net Interest Budget</i>	-6,471	5,178	-11,649
<i>Investment Income</i>	-1,501	-6,077	4,576
Net Cost of Capital	8,134	14,316	-6,182
Financing Cost to Net Revenue	3.84%	7.91%	-4.07%

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 is set to ensure 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%. The high fixed interest rate is as a result of locking in low long-term rates for the HRA borrowing and for the IAS, which invests in property, which requires certainty over the cost of borrowing.

Table 3: Fixed and variable rate exposure 2022/23 to 2024/25

Interest rate exposures	2022/23	2023/24	2024/25
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates:			
• Debt only	100%	100%	100%
• Investments only	90%	90%	90%
Limits on variable interest rates			
• Debt only	70%	70%	70%
• Investments only	80%	80%	80%

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 GF 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 £895.2m GF and £295.9m HRA Borrowing long and short-term borrowing.

Table 4: HRA Borrowing as at 31 March 2023

Maturity structure of HRA fixed interest rate borrowing 2022/23				
	Actual Position £000s	Lower	Lower	Upper
Under 12 months	-	0%	0%	50%
12 months to 2 years	-	0%	0%	60%
2 years to 10 years	-	0%	0%	70%
10 years to 20 years	50,000.00	16.9%	0%	70%
20 years to 30 years	50,000.00	16.9%	0%	100%
30 years to 40 years	185,912.00	62.8%	0%	100%
40 years to 50 years	-	0.0%	0%	100%
50 years and above	10,000.00	3.4%	0%	100%
Total Borrowing	295,912.00	100.0%	0%	100%

Table 5: GF Borrowing as at 31 March 2023

Maturity structure of General Fund fixed interest rate borrowing 2022/23				
	Actual Position £000s	Lower	Lower	Upper
Under 12 months	165,317.03	18.5%	0%	50%
12 months to 2 years	20,000.00	2.2%	0%	60%
2 years to 10 years	10,000.00	1.1%	0%	70%
10 years to 20 years	272,897.89	30.5%	0%	70%
20 years to 30 years	146,990.16	16.4%	0%	100%
30 years to 40 years	90,000.00	10.1%	0%	100%
40 years to 50 years	180,000.00	20.1%	0%	100%
50 years and above	10,000.00	1.1%	0%	100%
Total Borrowing	895,205.09	100.0%	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	2022/23 £000s	2023/24 £000s	2024/25 £000s
Principal sums invested > 364 days	350,000	300,000	250,000

8. Summary Assessment

- 8.1 The outturn position is set out above in respect of the Prudential Indicators approved by Assembly in February 2022.
- 8.2 The outturn figures confirm that the limits and controls set for 2022/23 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 2022/23.

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).

This page is intentionally left blank

CABINET**20 June 2023**

Title: New Build Schemes: Approval of Disposals, Head Leases and Loan Facility Agreements	
Report of the Cabinet Member for Regeneration and Economic Development	
Open Report	For Decision
Wards Affected: Goresbrook, Becontree, Abbey, Eastbury, River, Northbury and Gascoigne	Key Decision: Yes
Report Author: Uju Eneh, Programme Manager – Place and Development, Inclusive Growth	Contact Details: Uju.Eneh@lbbd.gov.uk
Commissioning Lead: Rebecca Ellsmore, Strategic Head of Place and Development	
Accountable Executive Team Director: James Coulstock, Interim Strategic Director of Inclusive Growth	
<p>Summary</p> <p>This report relates to 377 new homes across seven new build schemes that have been built by Be First, the regeneration company owned by the Council. This underlines the Council's commitment to addressing housing needs in the borough and providing high quality, affordable housing for residents.</p> <p>The schemes are a part of the Council's Investment Programme. The Investment and Acquisitions Strategy (IAS) was most recently presented to Cabinet in November 2022. These schemes are also included within the Be First Business Plan which was approved by Cabinet on 22 March 2022.</p> <p>Following completion of the homes, this report seeks delegated approval to complete the documents required to dispose of the properties by way of leases to the appropriate Reside entities, and a series of loans to enable these disposals.</p> <p>The schemes for which approval is sought are as follows:</p> <ul style="list-style-type: none"> • Sacred Heart (Convent Court and Convent Mews), Dagenham, RM9 6FT • 200 Becontree Avenue, Dagenham, RM8 2TR. • A House for Artists, Barking, IG11 8SE. • Sebastian Court (Block A and Block B), Barking, IG11 9FE. • Chequers Lane (Block Kerwin House), Barking, RM9 6FR. • Challingsworth House (Block A), Barking, IG11 8TF. • Gascoigne East (Block C), Mizzen Street, Barking, IG11 7RQ 	

Recommendation(s)

The Cabinet is recommended to:

- (i) Approve, in principle, the disposal of the schemes listed below by the granting of long leases to the appropriate Reside entity (either Barking and Dagenham Homes Ltd (company no. 12090374), B&D Reside Weavers LLP (registered no. OC416198) or Barking and Dagenham Reside Regeneration Ltd (company no. 09512728));
 - Sacred Heart (Convent Court and Convent Mews), Dagenham, RM9 6FT
 - 200 Becontree Avenue, Dagenham, RM8 2TR.
 - A House for Artists, Barking, IG11 8SE.
 - Sebastian Court (Block A and Block B), Barking, IG11 9FE.
 - Chequers Lane (Block Kerwin House), Barking, RM9 6FR.
 - Challingsworth House (Block A), Barking, IG11 8TF.
 - Gascoigne East (Block C), Mizzen Street, Barking, IG11 7RQ
- (ii) Approve, in principle, the draft Heads of Terms and loans for each of the listed schemes to the appropriate Reside entity, as set out in section 2 and the appendices to the report;
- (iii) Delegate authority to the Strategic Director, Finance and Investment, in consultation with the Strategic Director, Inclusive Growth, to agree and finalise the terms of the loans, leases and any other associated documents, and to take any steps necessary to ensure compliance with s123 of the Local Government Act 1972 and the Subsidy Control Act 2022; and
- (iv) Delegate authority to the Chief Legal Officer, in consultation with the Strategic Director, Inclusive Growth, to execute all the legal agreements, contracts, and other documents on behalf of the Council in order to implement the arrangements.

Reason(s)

The decisions are required to enable the disposal of seven New Build schemes to the relevant B&D Reside companies, helping to meet the Council's aim to increase the supply of affordable housing options for residents.

1. Introduction and Background

- 1.1 This report highlights the ongoing, successful collaboration of the Council, Be First and Barking and Dagenham Reside Regeneration Ltd to deliver new and affordable homes to residents. This report lists 377 new homes that have been built by Be First - the regeneration arm of the Council. The schemes are all part of the Council's Investment Programme and are included within the Be First Business Plan approved by Cabinet on 22nd March 2022.
- 1.2 The Investment Programme is continuing to deliver more new homes and a further report will come forward in the Summer of 2023 detailing 583 new homes on the Gascoigne Estate.

- 1.3 Delivery of this volume of new homes underlines the Council's commitment to addressing housing needs in the borough and providing high quality, affordable housing for residents. These new homes will offer residents a varied supply of housing with 100% of the new homes in this report to be let on Affordable Housing tenures.
- 1.4 In order to ensure the efficient management of the new properties the Council set up a number of companies and limited liability partnerships (LLPs) under the 'Reside' banner, together with Barking and Dagenham Homes, which is a company limited by guarantee and owned by the Council. It is intended that properties delivered by the Investment and Acquisition Strategy will be transferred into Reside companies and LLPs by way of leases, with the specific Reside vehicle being identified for each site depending on the type of units and tenures included in the scheme. Details on the legal status and ownership of each of the Reside entities is contained in paragraph 3.4.
- 1.5 This report updates Members on the practical completions and handover to the Council of seven new build schemes that were approved by Cabinet between 2010 and 2020. It then seeks approval for the disposal of these properties by granting long leases to companies within the group of Reside entities. The length of the leases and loan amounts are set out in paragraph 2 below with further detail contained in the draft Heads of Terms at the stated appendices.

2. Proposal and Issues

- 2.1 The Investments and Acquisitions Strategy funds development and recovers borrowing costs from the income generated. The combination of grants, lease premiums and the repayment of the loans set out below will cover the Council's borrowing on the schemes. As the lease premium and loan amount is directly related to the cost of the scheme there may be some minor changes to the premium and loan amounts. The recommendation therefore seeks delegated authority to the Strategic Director Finance and Investment to finalise the loan terms, including the final lease premium and loan amount, to reflect this.

Best Consideration

- 2.2 In accordance with the Local Government Act 1972 Section 123 these schemes must be disposed of at best consideration reasonably obtained evidenced by professional valuation. To ensure that we comply with this legislation, we will obtain Red Book valuations and the recommendations will only be enacted should the S151 Officer be satisfied that Best Consideration has been achieved.

Subsidy Control

- 2.3 To meet the key requirements for public authorities under the Subsidy Control Act 2022, officers are seeking Counsel's opinion on whether the financial modelling of the loans set out below would constitute any form of a Subsidy. This work is underway therefore the report requests delegated authority to the S151 Officer to proceed with the recommendations above if they are satisfied that either there is no Subsidy or that approval has been obtained from the Subsidy Advice Unit.

Schemes and proposed leases

2.4 The disposal of each scheme will happen by the way of long lease and a linked loan. The following sections set out the proposals for the loans, headleases and loan facility agreements for each of the seven schemes mentioned in the summary:

2.5 Sacred Heart

Context	On 20 March 2018 (Minute 112); Cabinet approved the redevelopment of the former Sacred Heart Convent site to provide circa 9 apartments and the construction of circa 17 new build houses in the surrounding grounds with associated car parking and amenity areas. It was also agreed to use an existing entity within the Barking and Dagenham Reside structure to hold the properties at the former Sacred Heart site.
Unit and tenures	29 Affordable Rent units
PC date	31 March 2022
Reside entity	B&D Reside Weavers LLP (Registered No - OC416198)
Draft Heads of Terms	
Lease commencement date	16 May 2022
Lease Length	130 years
Lease Premium	£13,614,934.00
Grant	Funding: Right to Buy Grant
	Amount: £5,445,973.60
Loan	£8,168,960.40

2.6 200 Becontree Avenue

Context	On 17 January 2017 (Minute 90); Cabinet approved the purchase of land and existing buildings at the former Barking and Becontree Synagogue site, 200 Becontree Avenue, Dagenham. The initial redevelopment plans were approved by Cabinet as part of the Be First business plan on 19 February 2018 (Minute 100).
Unit and tenures	19 Affordable Rent units
PC date	31 March 2022
Reside entity	B&D Reside Weavers LLP (Registered No - OC416198)
Draft Heads of Terms	
Lease commencement date	3 August 2022
Lease Length	130 years
Lease Premium	£7,246,486.00
Grant	Funding: Right to Buy Grant
	Amount: £2,898,594.40
Loan	£ 4,347,891.60

2.7 A House for Artists

Context	The development of A House for Artists was approved by Cabinet as part of the Council's IAS on 15 November 2016 (Minute 72).
Unit and tenures	12 Affordable Rent units
PC date	16 December 2021
Reside entity	B&D Reside Weavers LLP (Company Registered No - OC416198)
Draft Heads of Terms	
Lease commencement date	1 April 2022
Lease Length	130 years
Lease Premium	£ 4,740,037.00
Grant	Funding: Right to Buy Grant Amount: £ 1,896,014.80
Loan	£ 2,844,022.20

2.8 Sebastian Court (Block A and B)

Context	Cabinet approved the redevelopment of the Sebastian Court site as part of the Estate Renewal programme, following a high-level review of Estates across the borough. On 18 October 2016 (Minute 53); Cabinet approved proposals relating to the demolition and redevelopment of the Sebastian Court site. Cabinet also approved the use of an existing entity within the Barking and Dagenham Reside structure to develop, sell, own and procure the construction, management and maintenance of common parts and structure of both the affordable rent units and the shared ownership units on the Sebastian Court site.	
Block Name	Block A (Martin Peter's Court)	Block B (Sir Alf Ramsey Court)
Unit and tenures	29 London Affordable Rent units	33 Affordable Rent units
PC date	27 February 2023	12 April 2022
Reside entity	B&D Reside Weavers LLP (Registered No - OC416198)	B&D Reside Weavers LLP (Registered No - OC416198)
Draft Heads of Terms		
Lease commencement date	27 February 2023	25 May 2022
Lease Length	130 years	130 years
Lease Premium	£ 7,741,168.00 (includes £1,653,000.00 of HRA costs)	£8,976,316.00
Grant	Funding: Right to Buy Grant Amount: £3,096,467.20	Funding: Right to Buy Grant Amount: £3,590,526.40
Loan	£2,991,700.80	£ 5,385,789.60

2.9 Chequers Lane (Block Kerwin House)

Context	On 19 May 2020 (Minute 3); Cabinet approved the development on the site of the former Job Centre in Chequers Lane, Dagenham.	
Unit and tenures	62 Affordable Rent units	28 London Affordable Rent units
PC date	28 April 2022	
Reside entity	B&D Reside Weavers LLP (Registered No - OC416198)	Barking and Dagenham Homes Ltd (Company No - 07706999)
Draft Heads of Terms		
Lease commencement date	14 November 2022	15 February 2023
Lease Length	130 years	150 years
Lease Premium	£ 17,859,771.00	£ 8,164,677.00
Grant	Funding: Right to Buy Grant	Funding: GLA Grant
	Amount: £7,143,908.40	Amount: £ 2,800,000.00
Loan	£ 10,715,862.60	£ 5,364,677.00

2.10 Challingsworth House (Block A)

Context	Cabinet approved proposals relating to the redevelopment of the former Crown House site, Linton Road, Barking on 21 July 2015 (Minute 26) and 19 July 2016 (Minute 25).	
Unit and tenures	57 Affordable Rent units and 56 London Living Rent units	
PC date	16 May 2022	
Reside entity	B&D Reside Weavers LLP (Registered No - OC416198)	
Draft Heads of Terms		
Lease commencement date	8 November 2022	
Lease Length	130 years	
Lease Premium	£ 43,393,182.00	
Grant	Funding: Right to Buy Grant	
	Amount: £ 17,357,272.80	
Loan	£ 26,035,909.20	

2.11 Gascoigne East (Block C)

Context	The Gascoigne Estate Renewal Programme was approved by Cabinet through a series of reports between July 2010 and July 2016. Block C, the first development completed in Phase 2, consists of family apartments and townhouses arranged around a central courtyard, which is shared by the wider community.	
Unit and tenures	28 Affordable Rent	24 London Affordable Rent
PC date	31 March 2022	
Reside entity	B&D Reside Weavers LLP (Company Registered No - OC416198)	Barking and Dagenham Homes Ltd (Company No. 07706999)
Draft Heads of Terms		

Lease commencement date	5 December 2022	19 December 2022
Lease Length	130 years	150 years
Lease Premium	£11,081,083.00	£8,906,163.00 (includes £1,647,462.00 HRA costs)
Grant	Funding: Right to Buy Grant	Funding: GLA Grant
	Amount: £ 4,590,000.00	Amount: £2,400,000.00
Loan	£ 6,491,083.00	£ 4,858,701.00

3. Company / LLP information

- 3.1 The Reside entities mentioned above are part of a larger scheme of Reside companies and LLPs. The relevant information regarding each entity is detailed below:
- 3.2 Barking and Dagenham Homes Ltd (Co No:12090374) is a company Limited by guarantee with one member, the Council, which wholly owns it.
- 3.3 Barking and Dagenham Homes Ltd is in the process of becoming a Registered Provider with the Regulator of Social Housing. It is anticipated that this process will be complete by the end of 2023.
- 3.4 B& D Reside Weavers LLP (OC416198) is a limited liability partnership owned by (1) Barking and Dagenham Giving, which is a company limited by guarantee and a registered charity (Co No: 09922379, charity:1166335) and (2) B&D Reside Regeneration LLP (OC400585).
- 3.5 B&D Reside Regeneration LLP is jointly owned by (1) Barking and Dagenham Reside Regeneration Ltd (Co No: 09512728) and (2) London Borough Of Barking And Dagenham.
- 3.6 B&D Reside Weavers is owned 90% by Barking and Dagenham Giving and 10% by B&D Reside Regeneration LLP. The Council does not wholly own or control B&D Reside Weavers LLP; it is controlled by the charity Barking and Dagenham Giving. The Council cannot therefore make any decisions as member or partner to give direction to it in the way that it can direct its wholly owned vehicles.

4. Options Appraisal

- 4.1 **Do nothing:** The Council's Investment and Acquisitions strategy highlights the importance of collaborating with Be First and Barking & Dagenham Reside to ensure the correct mix of tenure is agreed and built. If the Council does not now dispose of these completed homes to the stated entities the Council will need to manage and let the properties directly.
- 4.2 **Dispose to a third party:** If the Council decides to dispose of these new homes to a third party there is a risk the Council could lose control of new housing stock which has been built to benefit local residents and address the borough's housing needs.

4.3 **Dispose to the entities stated in the report as per the recommendations:** By disposing of these new homes by the way of a leases to the proposed entities, the Council will see the benefit of rental income as the turnover will come back to the Council from the homes held in B&D Weavers LLP. In addition to this, this option will enable transparency and the ability of the Council to influence how homes are let and managed in B&D Homes Ltd and B&D Weavers. Finally, B&D Homes Ltd have charitable objectives in place post registration which ensure that the surplus that they generate are used to benefit the residents of the London Borough of Barking and Dagenham.

5. Consultation

5.1 These proposals are in line with the Council's Investment and Acquisitions Strategy. The decision to approve the IAS was taken in public by Cabinet in November 2022. All relevant stakeholders are in agreement with the terms set out in this report.

6. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

6.1 This report seeks Cabinet approval for the disposals of a number of completed developments by granting long leases to a number of Reside companies, including Barking and Dagenham Homes Ltd, Company Number: 12090374 B&D Reside Weavers LLP, Registered number: OC416198 or Barking and Dagenham Reside Regeneration Ltd, Company number: 09512728 as set out in the body of the report.

6.2 For each scheme the total development cost has been used to produce the lease premium, with the loan amount then reduced by any grant to produce the loan amount. Each loan will be for 52 years, with the first two years being interest only followed by a 50-year debt repayment schedule. At the end of the 52 years the net costs to build each property will be fully paid off. The repayment schedule matches the Minimum Revenue Provision that the Council needs to be allocate from its revenue budget to cover the net development costs for each scheme.

6.3 A fixed interest rate for the 52-year loan period has been set for each loan based on tenure type. The loan rates were agreed by Cabinet in April 2022 as part of the Investment and Acquisition Strategy report. A lower rate has been agreed for social housing, which reflects the viability pressure of this much lower rent tenure. Interest rates are fixed at the time of construction and confirmed at handover to allow certainty over the schemes costs and ensure they remain viable when they are transferred to Reside. When rates are agreed then borrowing is allocated to the scheme and is linked to long term borrowing, predominantly from the Public Works Loan Board (PLWB).

6.4 Interest rates have increased significantly over the past year and the interest rate for pre-gateway 4 schemes and schemes agreed in 2022, are at a higher rate than these schemes and reflect the increased borrowing cost to the Council.

6.5 As part of finalising the loan agreements, advice on the valuation and Subsidy will be sought. In addition, the figures in this report are subject to minor amendments as final costs for some of the schemes are still being confirmed but it is expected that changes will be minimal.

7. Legal Implications

Implications completed by: Dr Paul Feild, Principal Standards and Governance Solicitor

- 7.1 The general power of competence in section 1 of the Localism Act 2011 provides sufficient power for the Council to participate in the transactions and enter into the various proposed agreements, further support is available under Section 111 of the Local Government Act 1972 which enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any of its functions, whether or not involving expenditure, borrowing or lending money, or the acquisition or disposal of any rights or property.
- 7.2 The Council participating in the proposals being as local government is an emanation of the state, and as such the Council must comply with the Subsidy Control Act 2022. This means that local authorities cannot subsidise commercial undertakings or confer upon them an unfair economic advantage. The report does not identify any specific aspect of the proposed disposals by lease to the Councils Companies detailed at other than as a commercial transaction and it is understood a valuation will take place. The situation regarding the loan agreements is that if the lending is to be on other than on a commercial basis it must be compliant with the UK Subsidy Control Regime. Being new legislation while guidance has been issued there is no case law yet established setting out the application in real circumstances. For this reason, professional advice in the form of legal opinion is being procured as obviously the council needs to get this transaction right first time. Nevertheless, as there is no intention in the structure of the Investment and Acquisition Scheme to operate other than on a commercial going concern, then the lease disposals should reflect that.
- 7.3 The companies proposed to take the leasehold interests are detailed in paragraph 3 above.
- 7.4 The leases will be on commercial terms for the periods set out in paragraph 2 above. The reason for the use of leases rather than outright disposal is that the head lease will give the Council greater control over the stewardship of the site than would be the case with freehold disposal because obligations on the leaseholder will contractually binding and any sub-leases in due course will also be bound.
- 7.5 The sites must be disposed in accordance with the Local Government Act 1972 Section 123 at best consideration evidenced by professional valuation. Furthermore, appropriate due diligence should be carried out regarding title and that the necessary appropriation steps be carried out with each site as may be required.

Public Background Papers Used in the Preparation of the Report:

- Treasury Management 2022/23 Mid-Year Review, November 2022 Cabinet report (<https://modgov.lbbd.gov.uk/Internet/ieListDocuments.aspx?CId=180&MId=12608&Ver=4>)

List of appendices:

- **Appendix 1:** Draft Heads of Terms (Sacred Heart)
- **Appendix 2:** Draft Heads of Terms (200 Becontree Avenue)
- **Appendix 3:** Draft Heads of Terms (A House for Artists)
- **Appendix 4:** Draft Heads of Terms (Sebastian Court – Block A and Block B)
- **Appendix 5:** Draft Heads of Terms (Chequers Lane – Kerwin House)
- **Appendix 6:** Draft Heads of Terms (Challingsworth House – Block A)
- **Appendix 7:** Draft Heads of Terms (Gascoigne East – Block C)

Draft Heads of Terms (Sacred Heart)

Headlease of 1-9 Convent Court and 1-20 Convent Mews, Goresbrook Road, Dagenham RM9 6FT to B&D Reside Weavers LLP

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

B&D Reside Weavers LLP

Company number: OC416198

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

3.1 Land and buildings known as 1-9 Convent Court and 1-20 Convent Mews, Goresbrook Road, Dagenham RM9 6FT

3.2 [NB Confirmation of the extent of the demise and use of parking awaited]

4. Term

4.1 The lease will be for a term of 130 years from [16 May 2022]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £13,614,934.00

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and

(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge + Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

[NB The First Year Agreed sum is x and thereafter the Agreed Sum is x]

7. [Services and service charge] details to be agreed.

- 7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.
- 7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

- 8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

- 9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

- 10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.
- 10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.
- 10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

- 11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

- 12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.

12.2 Other alterations would not require landlord's consent.

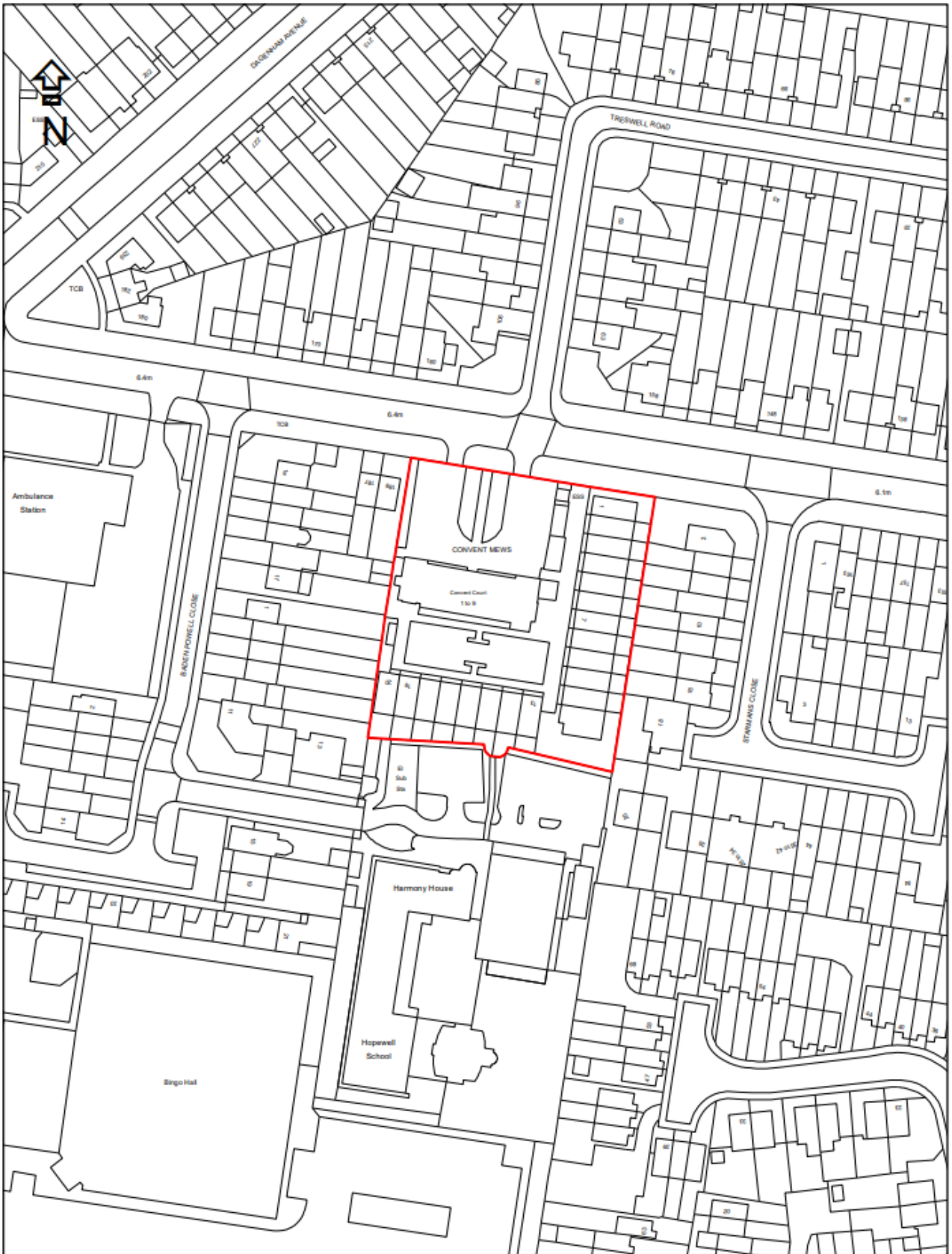
12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction.



© Crown copyright. All rights reserved
Licence number - 100019280 (2015)

Convent Mes and Convent Court
Goresbrook Road, Dagenham

**Barking &
Dagenham**

Town Hall, Barking Scale:- **1:1,250**
Barking, Essex produced By:- JRoach
Tel: - 020 8215 3000 Date - 13.04.2023

Draft Heads of Terms (200 Becontree Avenue)

Headlease of Atkin and Branton Houses, 200 Becontree Avenue, Dagenham to B&D Reside Weavers LLP

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

B&D Reside Weavers LLP

Company number: OC416198

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

Land and buildings known as Atkin and Branton Houses, 200 Becontree Avenue, Dagenham RM8 2TS, edged red on the demise plan (Plan 1) but excluding the Commercial Unit on the ground floor of Atkin House, coloured blue on plan 2. The property includes car parking spaces shown [coloured yellow] on Plan 1.

NB Confirmation of the extent of the demise awaited. It is understood the parking spaces (which appear to be the spaces on the south east side of the access road) are included, but query whether the other area on the south west side of the access road should be.

4. Term

4.1 The lease will be for a term of 130 years from [3 August 2022]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £7,246,486.00

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and
(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge + Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

NB The First Year Agreed sum is £3,577.93 and thereafter the Agreed Sum is £5,441.43

7. [Services and service charge] details to be agreed.

7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.

7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.

10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.

10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

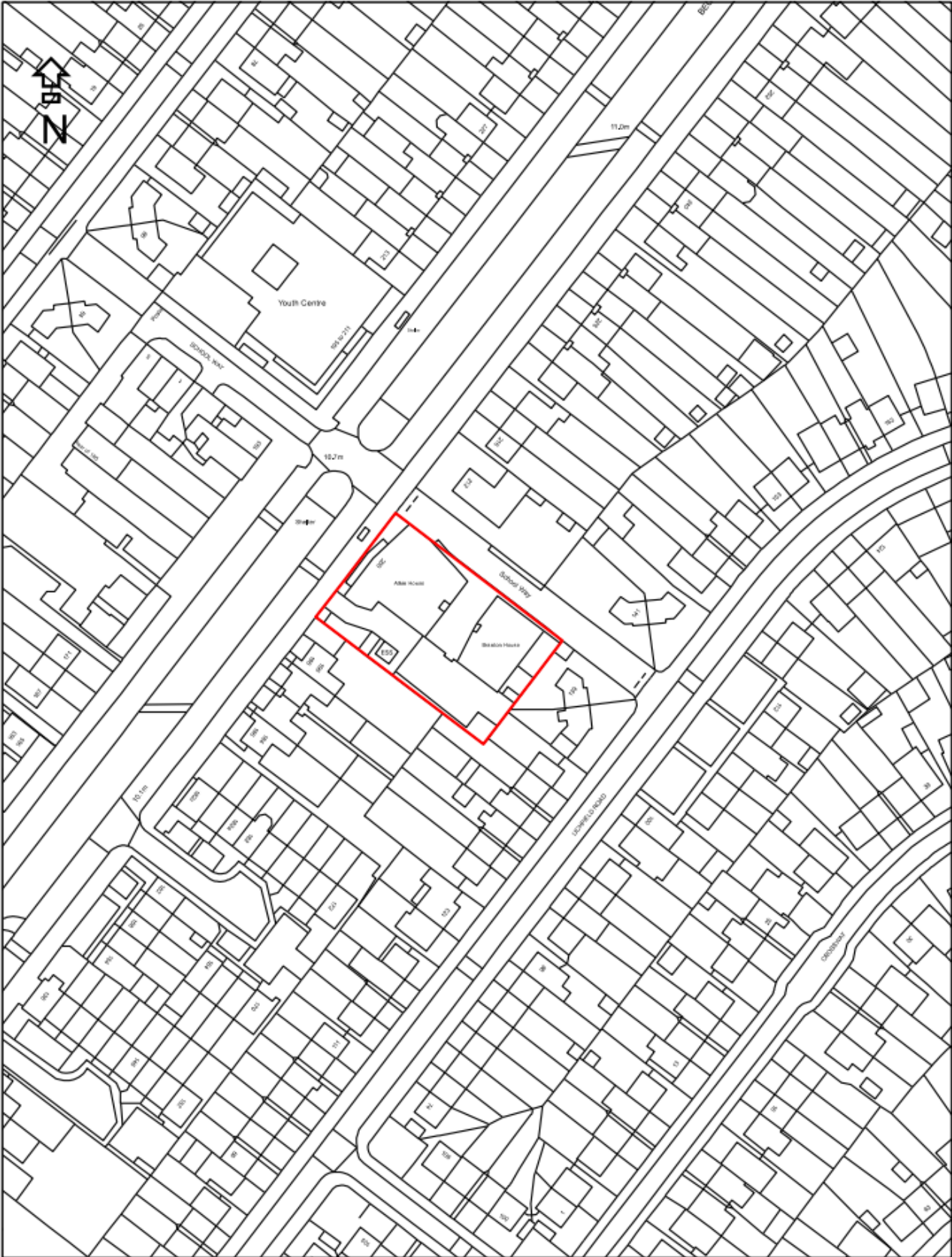
- 12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.
- 12.2 Other alterations would not require landlord's consent.
- 12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction.



© Crown copyright. All rights reserved
Licence number - 100019280 (2015)

ATKIN HOUSE AND BRANTON HOUSE
200 BECONTREE AVENUE, DAGENHAM

**Barking &
Dagenham**

Plan 1

Town Hall, Barking Scale:- **1:1,250**
Barking, Essex produced By:- JRoach
Tel: - 020 8215 3000 Date - 09.02.2023

Draft Heads of Terms (A House for Artists)

Headlease of 1-12 House for Artists, 36 Linton Road, Barking, IG11 8SE

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

B&D Reside Weavers LLP

Company number: OC416198

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

3.1 Land and buildings known as 1-12 House for Artists, 36 Linton Road, Barking, IG11 8SE, edged red on the demise plan. The building consists of 12 units arranged over 4 storeys.

3.2 [NB Confirmation of the extent of the demise and use of parking awaited]

4. Term

4.1 The lease will be for a term of 130 years from [1 April 2022]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £ 4,740,037.00

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and

(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge + Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

[NB The First Year Agreed sum is x and thereafter the Agreed Sum is x]

7. [Services and service charge] details to be agreed.

- 7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.
- 7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

- 8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

- 9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

- 10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.
- 10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.
- 10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

- 11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

- 12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.

12.2 Other alterations would not require landlord's consent.

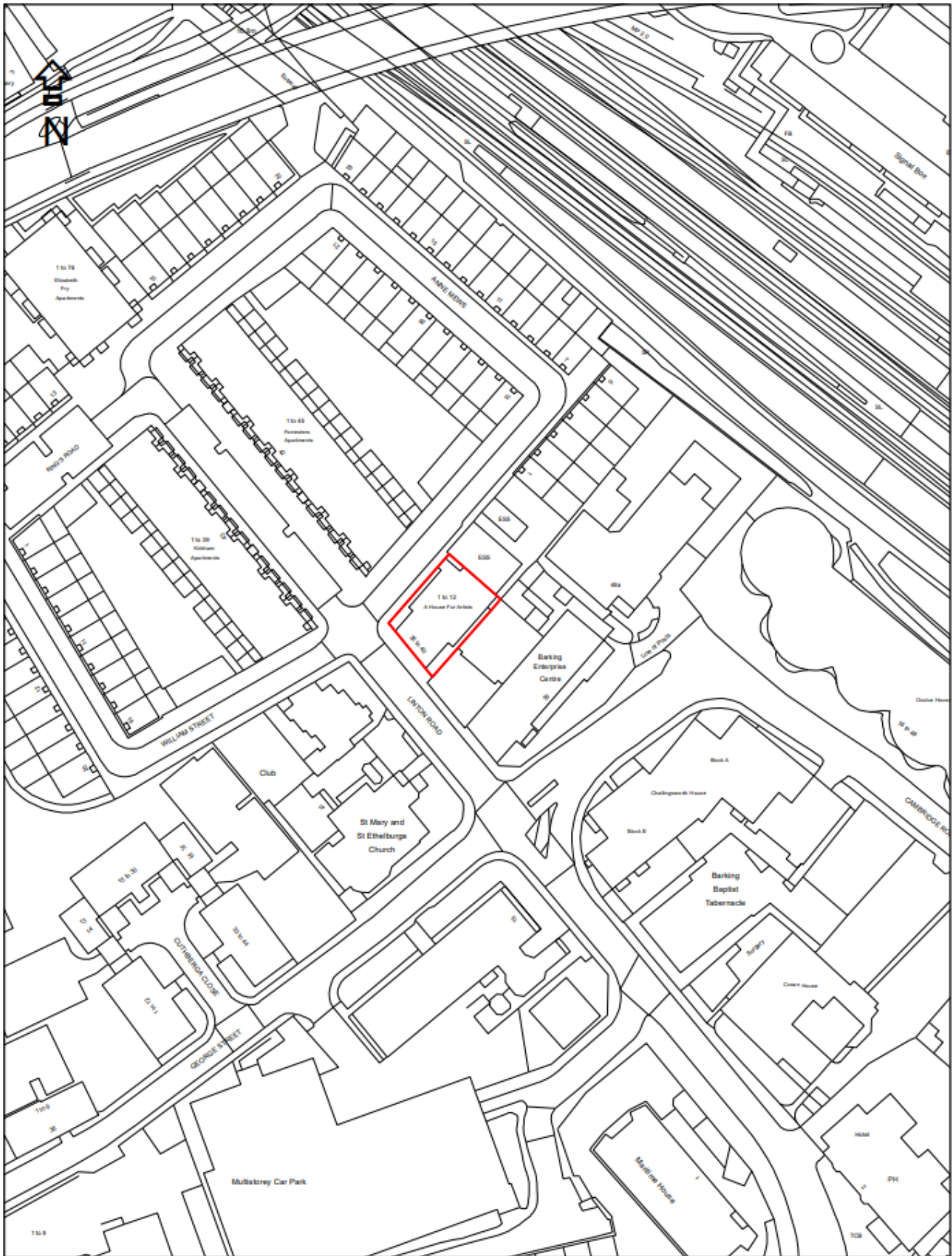
12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction.



HOUSE FOR ARTISTS, LINTON ROAD, BARKING

© Crown copyright. All rights reserved
Licence number - 100019280 (2015)



Town Hall, Barking Scale:- **1:1,250**
Barking, Essex produced By:- JRoach
Tel: - 020 8215 3000 Date - 05.10.2022

Draft Heads of Terms (Sebastian Court – Block A and Block B)

Draft Heads of Terms

Headlease of Sebastian Court, 1-29 Martin Peter's Court, Barking, 1GII 9FE

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

B&D Reside Weavers LLP

Company number: OC416198

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

3.2 Land and buildings known as Sebastian Court, 1-29 Martin Peter's Court, Barking, 1GII 9FE edged red on the demise plan but excluding Blocks B and C.

3.3 [NB Confirmation of the extent of the demise and use of parking awaited]

4. Term

4.1 The lease will be for a term of 130 years from [27 February 2023]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £ 7,741,168.00 (includes £1,653,000.00 of HRA costs)

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and
(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge + Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

[NB The First Year Agreed sum is x and thereafter the Agreed Sum is x]

7. [Services and service charge] details to be agreed.

- 7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.
- 7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

- 8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

- 9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

- 10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.
- 10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.
- 10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

- 11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

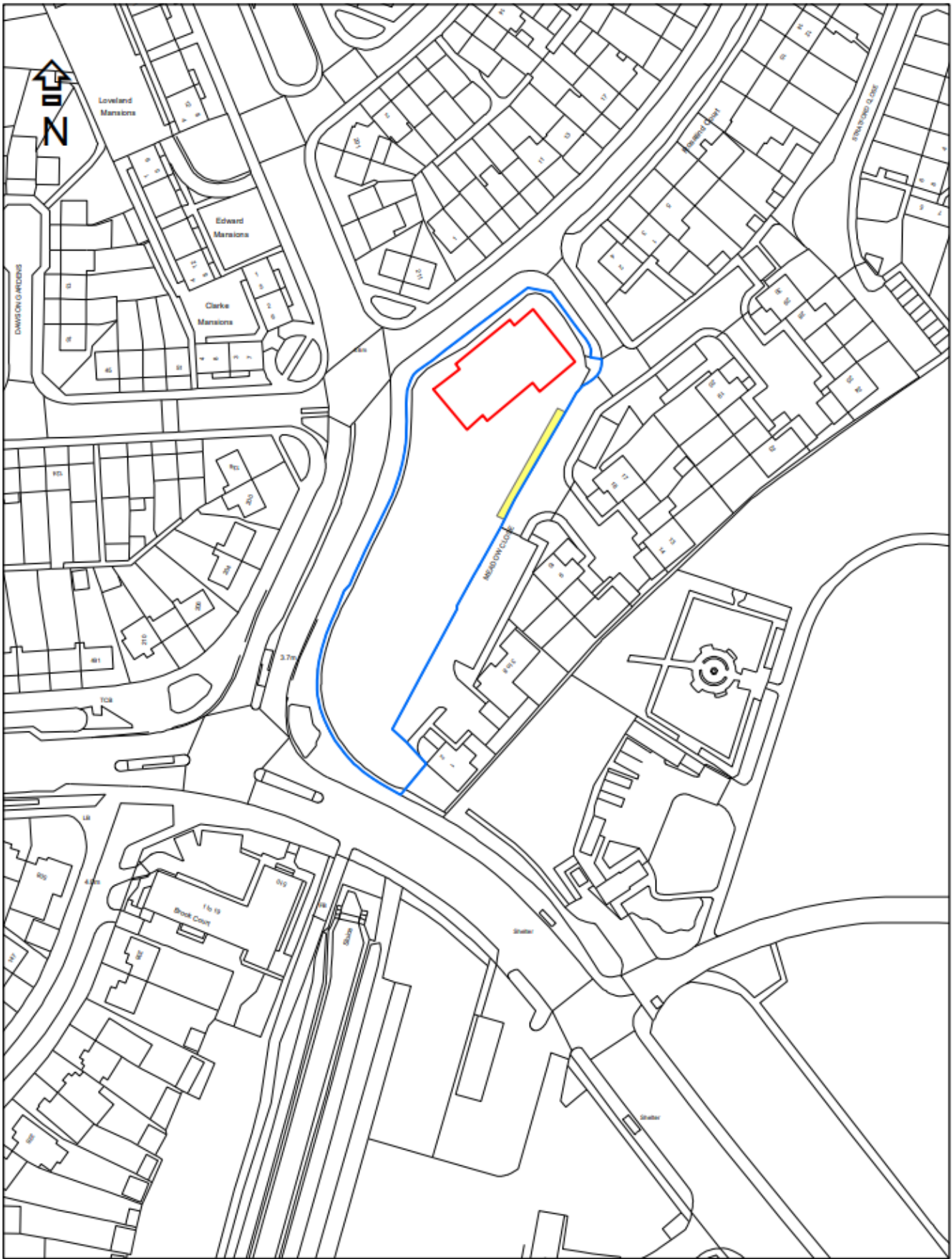
- 12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.
- 12.2 Other alterations would not require landlord's consent.
- 12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction



© Crown copyright. All rights reserved
Licence number - 100019280 (2015)

MARTIN PETERS COURT, MEADOW ROAD
BARKING

**Barking &
Dagenham**

Town Hall, Barking Scale:- **1:1,250**
Barking, Essex produced By:- JRoach
Tel: - 020 8215 3000 Date - 21.10.2021

Draft Heads of Terms

Headlease of Sebastian Court, 1-33 Sir Alf Ramsey Court, Barking, 1G11 9FG

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

B&D Reside Weavers LLP

Company number: OC416198

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

3.2 Land and buildings known as Sebastian Court, 1-33 Sir Alf Ramsey Court, Barking, 1G11 9FG edged red on the demise plan but excluding Blocks A and C.

3.3 [NB Confirmation of the extent of the demise and use of parking awaited]

4. Term

4.1 The lease will be for a term of 130 years from [25 May 2022]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £8,976,316.00

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and

(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge +Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

[NB The First Year Agreed sum is x and thereafter the Agreed Sum is x]

7. [Services and service charge] details to be agreed.

7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.

7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.

10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.

10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.

12.2 Other alterations would not require landlord's consent.

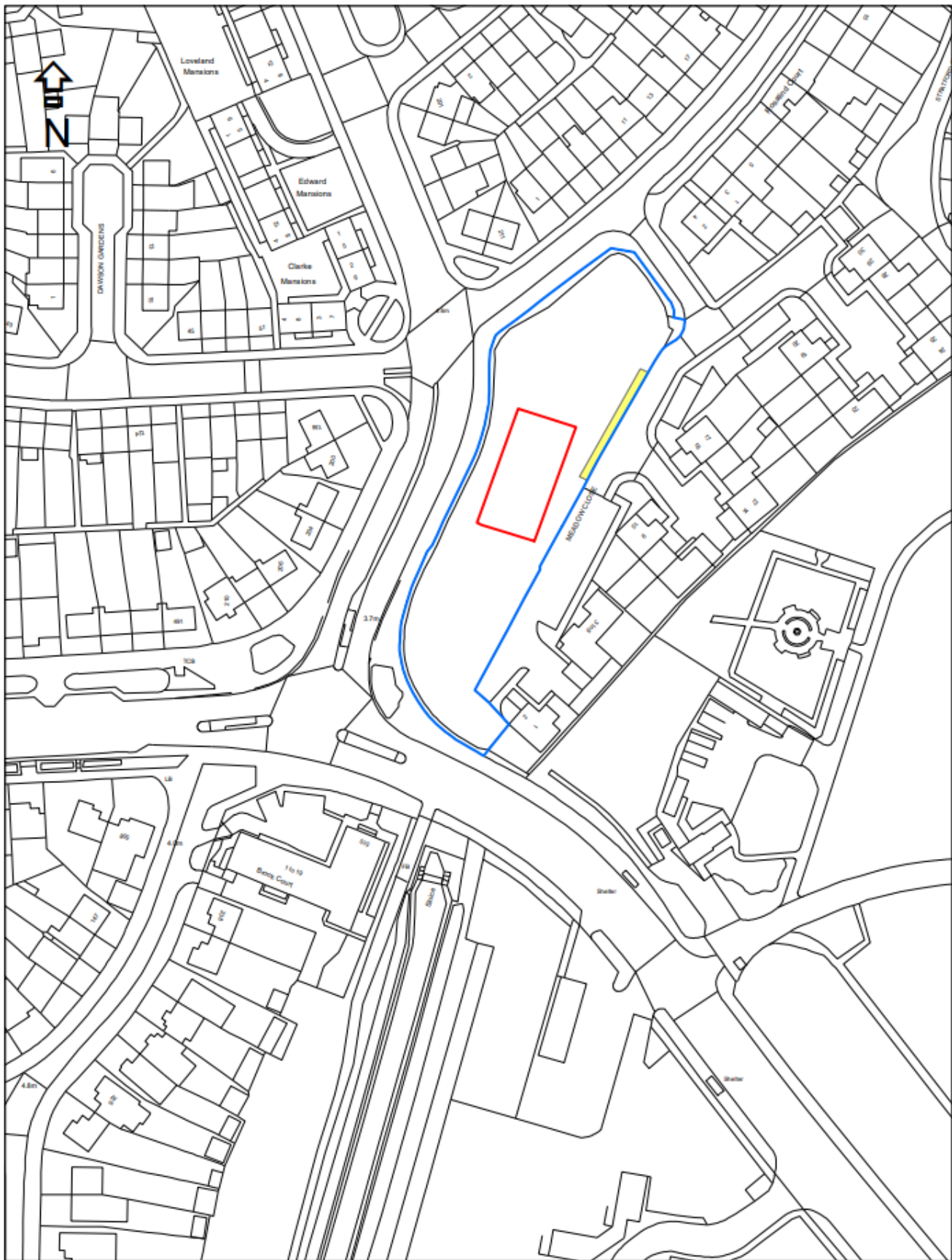
12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction.



© Crown copyright. All rights reserved
Licence number - 100019280 (2015)

SIR ALF RAMSEY COURT, MEADOW ROAD, BARKING

**Barking &
Dagenham**

Town Hall, Barking Scale:- **1:1,250**
Barking, Essex produced By:- JRoach
Tel: - 020 8215 3000 Date - 21.10.2021

Draft Heads of Terms (Chequers Lane – Kerwin House)

Headlease of Kerwin House, Chequers Lane, Dagenham, RM9 6FR

Affordable Rent Properties

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

B&D Reside Weavers LLP

Company number: OC416198

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

Land and buildings known as Kerwin House, Chequers Lane, Dagenham, RM9 6FR (Affordable Rent Units) edged red on the demise plan.

[NB Confirmation of the extent of the demise awaited.]

4. Term

4.1 The lease will be for a term of 130 years from [14 November 2022]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £ 17,859,771.00

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and

(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge + Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

NB The First Year Agreed sum is £x and thereafter the Agreed Sum is £x

7. [Services and service charge] details to be agreed.

7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.

7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.

10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.

10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.

12.2 Other alterations would not require landlord's consent.

12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction.

Draft Heads of Terms

Headlease of Kerwin House, Chequers Lane, Dagenham, RM9 6FR

London Affordable Rent Properties

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

Barking and Dagenham Homes Ltd

Company number: 07706999

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

Land and buildings known as Kerwin House, Chequers Lane, Dagenham, RM9 6FR (London Affordable Rent Units) edged red on the demise plan.

[NB Confirmation of the extent of the demise awaited.]

4. Term

4.1 The lease will be for a term of 150 years from [15 February 2023]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £ 8,164,677.00

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and

(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge +Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

NB The First Year Agreed sum is £x and thereafter the Agreed Sum is £x

7. [Services and service charge] details to be agreed.

7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.

7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.

10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.

10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.

12.2 Other alterations would not require landlord's consent.

12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

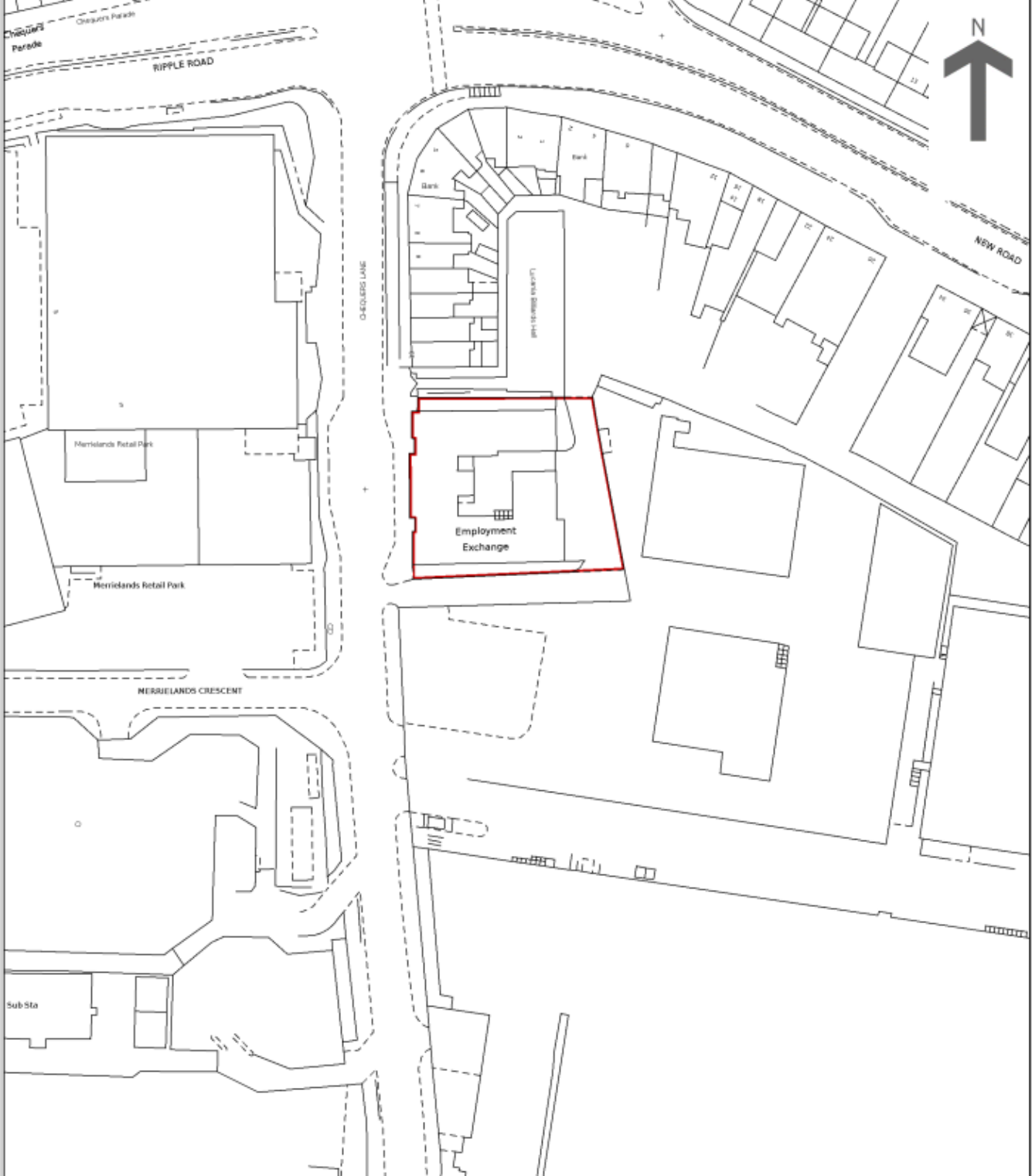
Each party is responsible for its own legal costs in connection with this transaction.

HM Land Registry
Official copy of
title plan

Title number **EGL469556**
Ordnance Survey map reference **TQ4983SW**
Scale **1:1250**
Administrative area **Barking and Dagenham**



© Crown Copyright. Produced by HM Land Registry. Reproduction in whole or in part is prohibited without the prior written permission of Ordnance Survey. Licence Number 100026316



Draft Heads of Terms (Challingsworth House – Block A)

Draft Heads of Terms

Headlease of Challingsworth, Cambridge Road, Barking, IG11 8TF

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

B&D Reside Weavers LLP

Company number: OC416198

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

Land and buildings known as Challingsworth, Cambridge Road, Barking, IG11 8TF edged red on the demise plan.

[NB Confirmation of the extent of the demise awaited.]

4. Term

4.1 The lease will be for a term of 130 years from [8 November 2022]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £ 43,393,182.00

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and
(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge + Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

NB The First Year Agreed sum is £x and thereafter the Agreed Sum is £x

7. [Services and service charge] details to be agreed.

7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.

7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.

10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.

10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

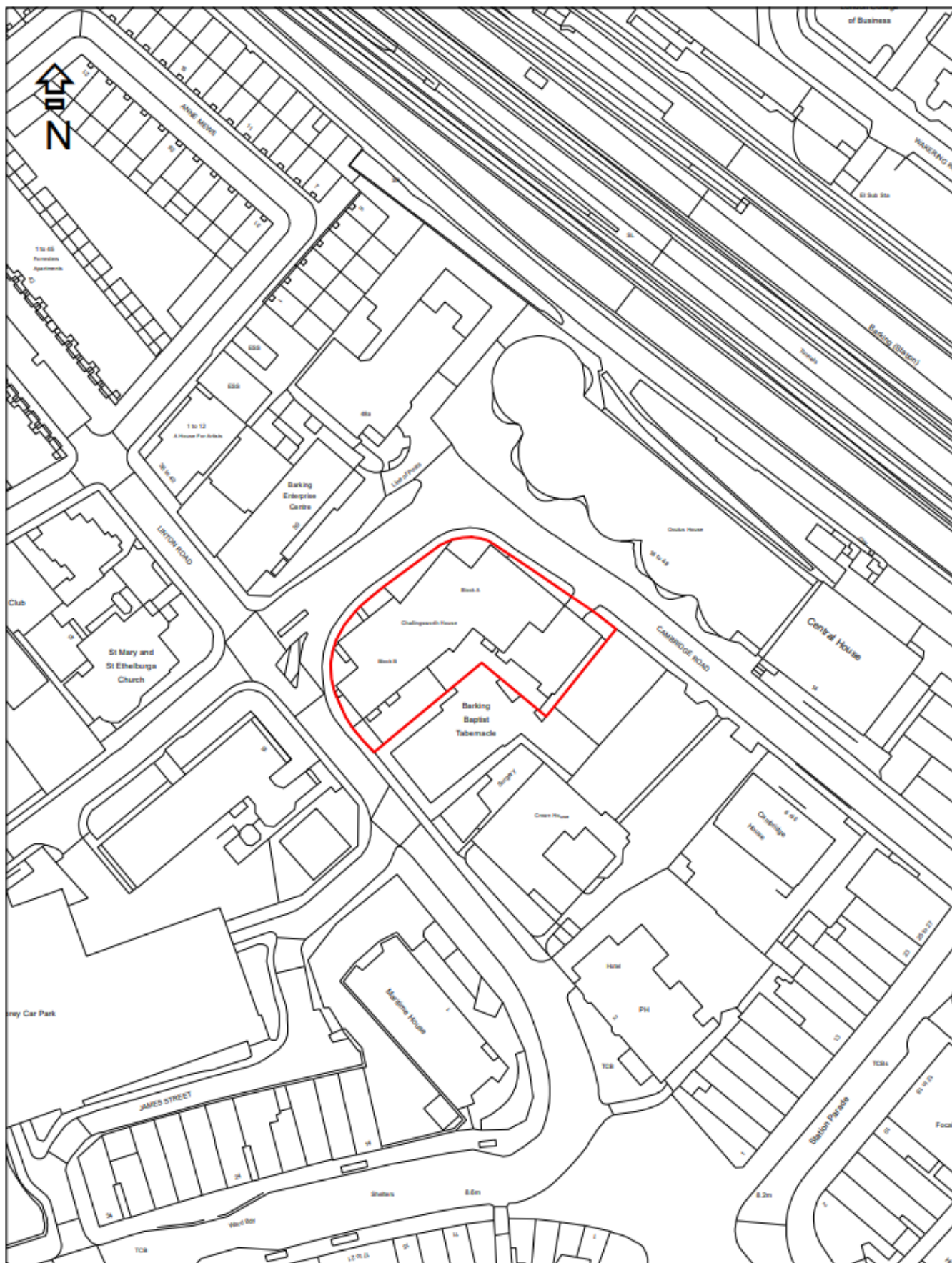
- 12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.
- 12.2 Other alterations would not require landlord's consent.
- 12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction.



© Crown copyright. All rights reserved
 Licence number - 100019280 (2015)

Challingsworth House, Cambridge Road
 Barking

**Barking &
 Dagenham**

Town Hall, Barking Scale:- **1:1,250**
 Barking, Essex produced By:- JRoach
 Page 192 - 020 8215 3000 Date - 12.08.2022

Draft Heads of Terms (Gascoigne East Block C)

Headlease of Gascoigne Estate (East, Block C), Mizzen Street, Barking, IG11 7RQ

Affordable Rent Properties

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

B&D Reside Weavers LLP

Company number: OC416198

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

Land and buildings known as Gascoigne Estate, Arbor Court, Mizzen Street, Barking, IG11 7RQ (Affordable Rent units) edged red on the demise plan.

[NB Confirmation of the extent of the demise awaited.]

4. Term

4.1 The lease will be for a term of 130 years from [5 December 2022]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £11,081,083.00

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and
(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge + Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) -Prior Year Deficit Rent

NB The First Year Agreed sum is £x and thereafter the Agreed Sum is £x

7. [Services and service charge] details to be agreed.

- 7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.
- 7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

- 8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

- 9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

- 10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.
- 10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.
- 10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

- 11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

- 12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.

12.2 Other alterations would not require landlord's consent.

12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction

Draft Heads of Terms

Headlease of Gascoigne Estate (East, Block C), Mizzen Street, Barking, IG11 7RQ

London Affordable Rent Properties

1. Landlord

The Mayor and Burgesses of the London Borough of Barking and Dagenham of Town Hall, 1 Town Square Barking IG11 7LU

2. Tenant

Barking and Dagenham Homes Ltd

Company number: 07706999

Registered office address: Barking Town Hall, Town Square, Barking IG11 7LU

3. Property

Land and buildings known as Gascoigne Estate, Mizzen Street, Barking, IG11 7RQ (London Affordable Rent units) edged red on the demise plan.

[NB Confirmation of the extent of the demise awaited.]

4. Term

4.1 The lease will be for a term of 150 years from [19 December 2022]

4.2 The security of tenure provisions of the Landlord and Tenant Act 1954 are not excluded.

4.3 There are no break rights.

5. Premium

5.1 £8,906,163.00 (includes £1,647,462.00 HRA costs)

6. [Rent and rent review] details to be agreed

The annual rent is calculated as follows:

From the Term Commencement Date until 31 March 2023;

The higher of: (i) £0; and
(ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartments Service Charge + Parking Service Charge + Management Fee + First Year Agreed Sum + Insurance Premium)

From 1 April 2023 until the end of the Term

The higher of: (i) £0; and (ii) Income - (Loan Obligations + Block Service Charge + Estate Service Charge + Apartment Service Charge + Parking Service Charge + Management Fee + Agreed Sum + Insurance Premium) - Prior Year Deficit Rent

NB The First Year Agreed sum is £x and thereafter the Agreed Sum is £x

7. [Services and service charge] details to be agreed.

7.1 The Council as the freeholder provides services. These cover Block Services, Estate Services, Apartment Services and Parking Services and costs for each element are calculated separately.

7.2 The services for each element are set out in the lease and include maintenance and repair of the structure, exterior and common parts.

8. Insurance

8.1 The landlord will insure the property and the tenant will refund the premiums on demand.

9. Use

9.1 No restrictions permitted use other than obtaining planning permission.

10. [Assignments and underleases] details to be agreed.

10.1 The tenant can assign the lease with the landlord's prior written consent, which cannot be unreasonably withheld.

10.2 No underletting is permitted except for subleases of the individual apartments on terms consistent with the headlease.

10.3 The tenant cannot share occupation of the property with any company in the same group of companies as the tenant.

11. [Repair] details to be agreed.

11.1 [The Council as freeholder is responsible for all repairs to the property, the costs of which is recovered from the tenant through the service charge.]

12. [Alterations] details to be agreed.

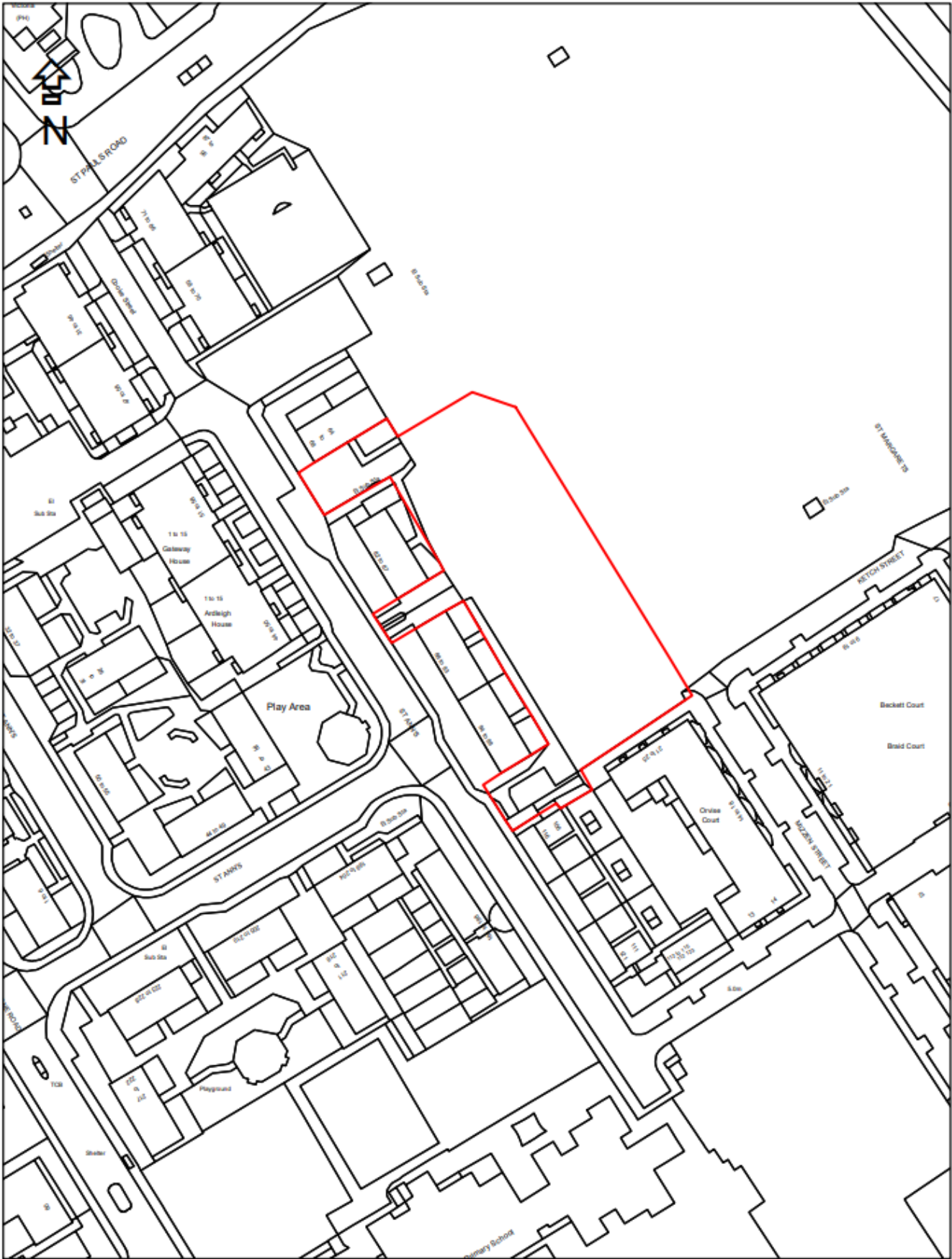
- 12.1 The tenant can make structural or external alterations to the property with the landlord's prior written consent, which cannot be unreasonably withheld.
- 12.2 Other alterations would not require landlord's consent.
- 12.3 There are no restrictions relating to signs on the outside of the property or that would be visible from the outside of the property (except any consents as may be required by statute must be obtained).

13. Conditions of Superior Landlord Consent

N/A

14. Costs

Each party is responsible for its own legal costs in connection with this transaction.



GASCOIGNE EAST PHASE 2 (BLOCK C1 ARBOR COURT)

© Crown copyright. All rights reserved
Licence number - 100019280 (2015)

**Barking &
Dagenham**

Town Hall, Barking Scale:-
Barking, Essex produced By:- JRoach
Tel: - 020 8215 3000 Date - 26.05.2023

1:1,250

This page is intentionally left blank

CABINET**20 June 2023**

Title: Improvements at Chadwell Heath Cemetery including Provision of Multi-Faith Facility	
Report of the Cabinet Member for Public Realm and Climate Change	
Open Report	For Decision
Wards Affected: Chadwell Heath	Key Decision: Yes
Report Authors: Anthony Wiggins – Head of Property Management & Capital Delivery, My Place Paul Clark - Head of Service, Parks & Environment, My Place	Contact Details: Email: anthony.wiggins@lbbd.gov.uk Email: paul.clark@lbbd.gov.uk
Accountable Director: Alan Caddick, Interim Director of Homes & Assets, My Place	
Accountable Executive Team Director: Leona Menville, Strategic Director of My Place	
<p>Summary</p> <p>The Council is committed to providing facilities that encourage use of all its public spaces including our cemeteries.</p> <p>A review of current cemetery provision has demonstrated the visitor facilities at Chadwell Heath Cemetery are outdated and not fit for purpose. The buildings are in extremely poor condition, bordering on being dilapidated which risks future costs to the council. Improving the facilities is therefore an invest to save opportunity as well as offering a more welcoming, inclusive, and contemplative space for visitors.</p> <p>This report sets out the proposals to future proof the use of the cemetery whilst enhancing the facilities through the provision of a new combined multi-faith prayer and reflection space alongside new toilet facilities. The overall capital cost of the project is £350,000 and it is recommended that approval be given to fund the project through the allocation of SCIL. Associated annual revenue costs of circa £15,000 shall be met from the service budget.</p>	
<p>Recommendation(s)</p> <p>Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Approve the provision of a combined multi-faith prayer and reflection space and new toilet facilities at Chadwell Heath Cemetery. (ii) Approve the allocation of £350,000, to be funded through allocation from the Strategic Community Infrastructure Levy, and note that the associated revenue costs would be met from the Cemeteries' Service income budget; and 	

- (iii) Delegate authority to the Strategic Director, My Place, on the advice of the Procurement Board and in consultation with the Strategic Director, Finance and Investment and the Chief Legal Officer, to progress the procurement and construction arrangements for the project and award and enter into the contract(s) and all other necessary or ancillary agreements with the successful bidder(s).

Reason(s):

To assist the Council to meet its commitment of achieving its Inclusive Growth goals.

1. Introduction and Background

- 1.1 The Chadwell Heath cemetery is in Whalebone Lane North, Marks Gate, Chadwell Heath.
- 1.2 The existing public toilet facility for the cemetery is in a very poor condition and considerably below what one would expect in a cemetery which is actively used. An exercise was carried out to look at the cost of refurbishment of the existing toilet block, but concluded it was beyond economic repair, and could not provide the scope and standard of facilities required.
- 1.3 As part of the cemetery improvement project, the Strategic Director requested the project be expanded to include a multi-faith prayer room to enhance the facilities for all communities to encourage additional burials and establish best practice.
- 1.4 Early on, it was clear that minor repairs were not going to be adequate, so officers commissioned a full feasibility/masterplan for the entire dilapidated area.
- 1.5 The Masterplan considered medium- and long-term issues which would enable its future expansion and development.
- 1.6 After consideration of the Masterplan, it was agreed the most viable solution was a single modular building incorporating:
- New toilet facilities
 - Ablution facilities
 - A multi-faith prayer and reflection room
- 1.7 Once the scope of the project was established, soft market testing was undertaken which confirmed that modular construction was the most economical and satisfactory solution.
- 1.8 Officers have been speaking with three modular building suppliers who are on Development Frameworks which are accessible to the Council. The soft market intelligence has provided an indication of the appetite in the market and has been very useful in establishing the best solution.
- 1.9 By working within the parameters of standard module units, officers have designed a proposal which uses space in the most advantageous way to provide an efficient solution. Our soft market testing has shown prices ranging from £342k to £550k.

- 1.10 The costing proposals have been extensively scrutinised and challenged and we have developed the design to limit costs as much as possible within the scope of what is required. Following this exercise, we are now at the point of having a final estimated cost of £350,000. It should be noted that currently construction inflation has been significant for some time due to the rising cost of building materials and a skills shortage pushing up labour costs.
- 1.11 To establish if the project was acceptable in planning terms, a Planning Application was submitted in December 2022 and approved in March 2023. The preparation work is now complete in terms of the design and cost of the new facility and subject to funding and council approval the project is ready to be implemented. If approved the building could be completed by late Summer.

2. Proposal and Issues

- 2.1 The proposal is to provide a combined multi-faith prayer and reflection space with separate toilet and ablution facilities in a single new building of approximately 100 square metres.
- 2.2 The facilities include the provision of two unisex toilet pods and a unisex accessible toilet with a baby-changing facility. These are accessed from a new external path. A cleaners' storage facility is also included. The proposed location, layout plan and elevations are set out at Appendix 1.
- 2.3 The project will update and enhance existing facilities. An increase in operating costs, such as opening and closing, increased electricity usage and cleaning, will be funded from the cemetery's revenue budget including income gained from the uptake of burial spaces.
- 2.4 The financial modelling unpinning our approach takes into consideration an increase in cremations in recent years. Completing the installation of the new Columbarium as part of our ongoing investment (see 5.5 below) underpins our commitment to securing a steady income stream across all our cemeteries ensuring we provide final places of rest for residents of the borough for the foreseeable future.
- 2.5 Continued growth in the borough is increasing diversity and our cemetery facilities do not reflect the anticipated changes in the population. The Borough Manifesto sets out that diversity needs to be understood, embraced, and harnessed for the benefit of everyone, and to reap the benefits of diversity, our community must be united, not segregated. It is anticipated that further growth will increase diversity therefore the service needs to adapt older facilities to benefit both the community, and the council.
- 2.6 The service needs to forecast the future and address future growth. Cemeteries are important social infrastructure that play an important role in many residents' lives. They tend to hold deep significance for families with loved ones buried in local cemeteries and can help offer a space that brings comfort to families as they struggle with their grief while remembering loved ones. Chadwell Heath provides a serene environment to spend time on a spiritual level with many psychological benefits for those who have suffered a recent bereavement in their family.

- 2.7 The use of SCIL will be used to fund infrastructure that supports development in providing the multi-faith prayer and reflection space with separate toilet and ablution facilities and is intended to create wider inclusion for our ever more diverse community and attract a large proportion of the community that would otherwise seek burial options from outside of the borough. It is intended that the impact of the project will unlock further growth as community groups acknowledge the investment.
- 2.8 The current buildings are in extremely poor and bordering dilapidated condition. The proposed multi-faith prayer and reflection space with separate toilet and ablution investment will create a positive impact around cohesion and equalities and will be more reflective of the anticipated changing population.

3 Options Analysis

- 3.1 The option to refurbish the existing toilet block and provide a separate multi-faith prayer and reflection room was considered. The existing toilet block is beyond satisfactory economic repair and has a limited serviceable life. It is more economical to provide a single building for all the required facilities.
- 3.2 The option to do nothing was considered. The current condition of the toilet block reflects badly on the Borough and the existing building is beyond satisfactory economic repair and has a limited serviceable life. A multi-faith prayer and reflection room would not be provided with this option.

4. Consultation

- 4.1 Consultation has taken place with relevant Cabinet Members, the three Chadwell Heath ward councillors and local faith groups including Al Madina Mosque.
- 4.2 The Gardens of Peace are willing to help and be involved with this project once we have the building on site. The positive engagement with Gardens of Peace has resulted in an offer of collaboration through additional training and support for staff undertaking any traditional Muslim burials as well as the offer of a referral service to us when they are unable to accommodate burials within their site. These commitments are offered freely in the spirit of building cohesive communities within the borough.
- 4.3 A report was submitted to Asset and Capital Board on 12 April 2023 where the Board approved in principle for the proposals to proceed to Cabinet on the basis that the report fully addressed and resolved the concerns outlined by the Board in relation to finance, the Chadwell Heath Cemetery Extension report (Cabinet, 20 September 2016) and the wider rationale of the project.

5. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

- 5.1 This report is seeking £350k of funding for a combined new multi-faith facility, including ablution facilities, and new toilet facility at Chadwell Heath Cemetery. There is currently no Capital budget available allocated for these works.

- 5.2 Funding sources have been considered, including grants, S106 and CIL. There is no s106 from nearby developments to provide community facilities and currently there is no grant available to fund this proposal. SCIL is considered to be an option for this site.
- 5.3 As there is no current budget, one option for this proposal would be to fund from borrowing with repayment based on the asset life, which is 50 years. An annual budget of £15k would be required to cover interest costs of 3.5% and debt repayment over 50 years. If funded from borrowing, the £350k required would be added to the Council's Capital Financing Requirement, which is forecast to reach £1.822 billion. The £15k per year for financing costs would be charged to the service, which would need to cover this cost from increased net income from burials.
- 5.4 Overall, given the length of the asset life (50 years) the repayment would be relatively small but would require budget to be set aside within the MTFS to fund this from 2024/25, with the spend likely to be incurred in 2023/24.
- 5.5 SCIL is to be used to provide infrastructure to support the growth in the borough. At present, the procedure for allocation of SCIL is that which was agreed in 2017, based on annual bids and allocations. A new procedure to be more responsive to growth and priorities for spend is being prepared and will be submitted to cabinet for approval this year. In the meantime, until a new procedure can be approved and implemented for the consideration of strategic allocation and priorities of SCIL to support growth across the borough, this is being brought to members as a request for a one-off payment of SCIL to be made to support this project.
- 5.6 At September 2016 Cabinet, an investment of £400k in enhanced facilities at Chadwell Heath cemetery was approved. £317k of this has been spent on the elements identified within the original Cabinet Report which has included installation of hard infrastructure, fencing, significant planting, a new access point and steps, raising the land, development of a bespoke Muslim burial area, a pet cemetery and columbarium ground works. The remaining budget of £83k allocated for the residual Columbaria installation, consisting of cemetery cremated remain vaults and assisted landscaping, is set to complete in 2023.
- 5.7 The works as part of the £400k investment was to ensure that Barking and Dagenham could continue to offer burials for residents for the next 40-50 years to avoid them having to pay higher fees within neighbouring Boroughs. Eastbrookend and Rippleside cemeteries are full to new burials (except for a few new graves created in recent years). The investment in Chadwell Heath has meant that the cemetery is now a more attractive proposition for residents and has helped contribute to an increase in burials within the cemetery.
- 5.8 The decision to install Columbarium into Chadwell Heath is a direct result of data from the Cremation Society of Great Britain. At the inception of the cabinet report in 2014 data for England and Wales identified 390,494 cremations accounting for 77% of all funerals. As of 2021 (latest data available) cremations have increased to 476,210 accounting for 80.4% of all funerals. The improvement will enable a range of options within our cemeteries to inter cremated remains and to capture a percentage of this market. The current cost of living crisis is resulting in the service

and funeral directors seeing families opting for a cheaper, value for money funeral. Direct cremation is becoming more popular which will increase cremations further. Leases are offered over shorter 25-year periods which enables the authority to actualise a perpetual income to fund the service and maintain the cemeteries.

- 5.9 The anticipation of the investment back in 2016 was to not only provide and encourage further burials, whilst maintaining the offering for Barking and Dagenham residents, but to also realise an increase in income. The Cabinet report detailed an anticipated additional income of £165k by 2019/20, increasing to £250k once fully established. An analysis of cemeteries income since 2016 shows that annual income has increased by £176k or 39% over the period from 2016, and in 2022/23 the income target was exceeded by £86k.

£'000s	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Income budget	-513	-520	-608	-642	-546	-546	-546
Annual income	-456	-497	-462	-449	-541	-762	-632
Shortfall/(Surplus)	57	23	146	193	5	-216	-86

- 5.10 It remains to be seen whether the £250k forecast will be realised, although the £165k target has been exceeded. Undoubtedly some of the additional income is attributable to COVID deaths, and not solely the £400k investment.
- 5.11 The impact on the service revenue budget of the proposed facilities is £30k pa - £15k for financing and £15k for an enhanced revenue budget to service the new facility. This can be met from the current income surplus.

6. Legal Implications

Implications completed by: Lauren van Arendonk, Locum Contracts & Procurement Lawyer

- 6.1 This report seeks to approve the provision of a combined new multi-faith facility and new toilet facility at Chadwell Heath Cemetery, using a Framework Agreement as the selected route to market.
- 6.2 Under rule 4.2 of the Contract Rules, Framework Agreements and Contracts are partially exempt from the full application of the Rules provided the framework has been properly procured under the Regulations and the procurement is made in accordance with the Framework's terms and conditions. The use of a mini competition as a means of procuring a supplier under a Framework would be in accordance with its procurement rules and requirements.
- 6.3 Therefore, it is recommended that the construction of a combined new multi-faith facility and new toilet facility at Chadwell Heath Cemetery be approved, with a procurement of the works being undertaken using a framework.

7. Procurement Implications

Implications completed by: Euan Beales, Head of Procurement

- 7.1 The report has outlined the need and justification for the works/project to be approved and the impact it will have on the Borough.

7.2 From a procurement viewpoint a separate report will be required to be submitted to procurement board for ratification of the route to market, the evaluation methodology and any impacts that can be generated through elements such as Social Value and LLW.

7.3 Based on the impact on the Borough and that the procurement route will be scrutinised under separate cover, I cannot see any reason not to approve the recommendations as made.

8. Other Implications

8.1 **Risk Management** – A risk-based approach has been considered throughout this report and reflected in the route taken and the proposals for the facility.

The use of a formal signed contract will help protect the council from failures or default of the contractor. Any contractor will include an amount to cover market conditions and risk within their final proposed price. We have developed the project in such a way as to try to eliminate certain areas of building risk via such actions as soil investigation surveys and testing, drainage survey, topographical survey etc. This will help limit any risk cost element in the contractor's tender price.

There is a risk that construction inflation could increase contractor's tender prices. This is outside the Council's control, but officers will attempt to limit and mitigate as much as possible. My Place will provide construction supervision and cost control for the project.

8.2 **Contractual Issues** – The provision of the multi-faith facility, if approved, will be delivered through an appropriate procurement / contractual process which will comply with the Councils procurement processes. An appropriate form of contract, in this case the JCT Minor Works Contract, will be used.

8.3 **Corporate Policy and Equality Impact** – An Equality Impact Assessment Screening Tool has been completed and is attached to this report as Appendix 2.

Public Background Papers used in the preparation of the Report: None

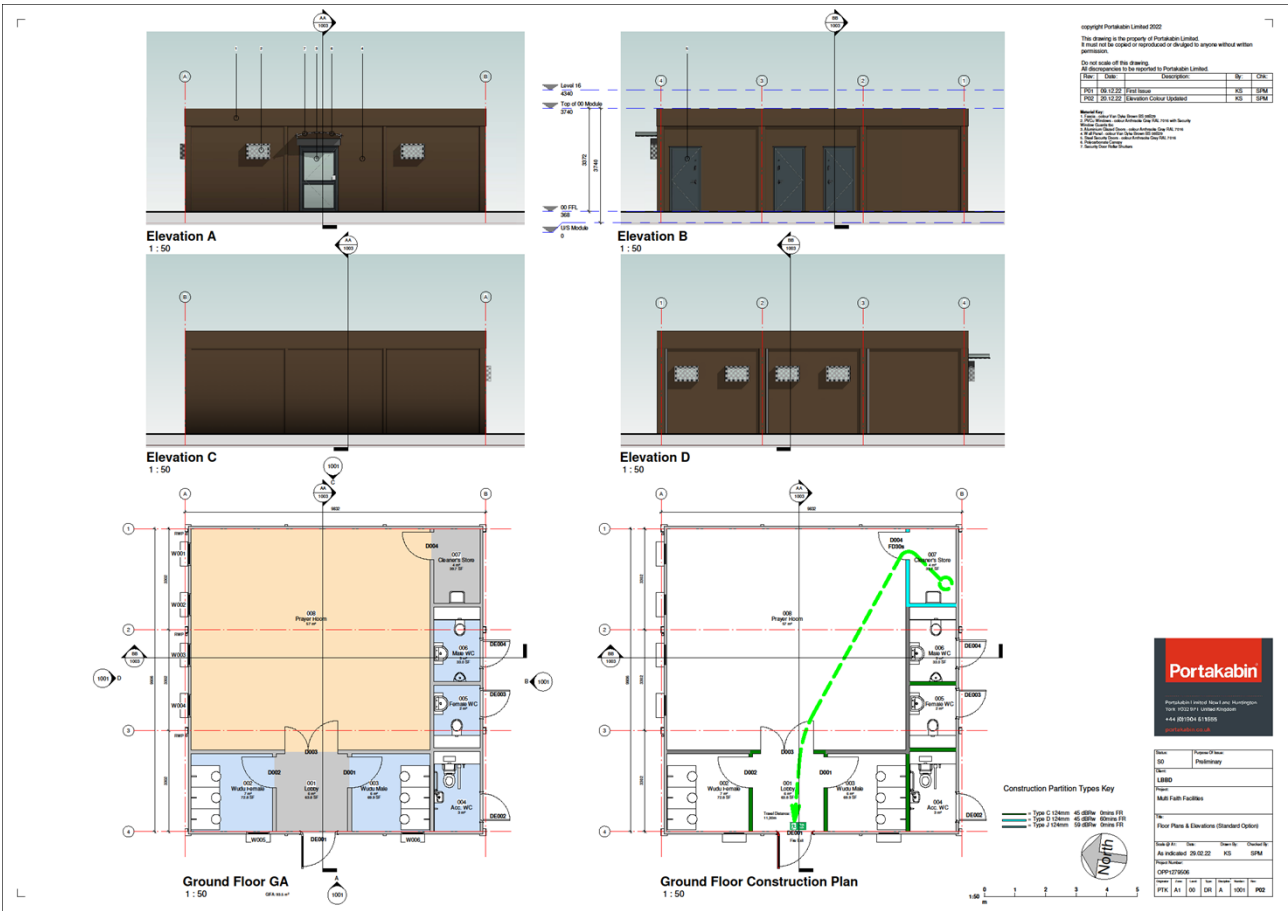
- Cabinet report 20 September 2016 entitled "Chadwell heath Cemetery Extension" (Minute 42)
<https://modgov.lbbd.gov.uk/Internet/ieListDocuments.aspx?CId=180&MId=8805&Ver=4>

List of appendices:

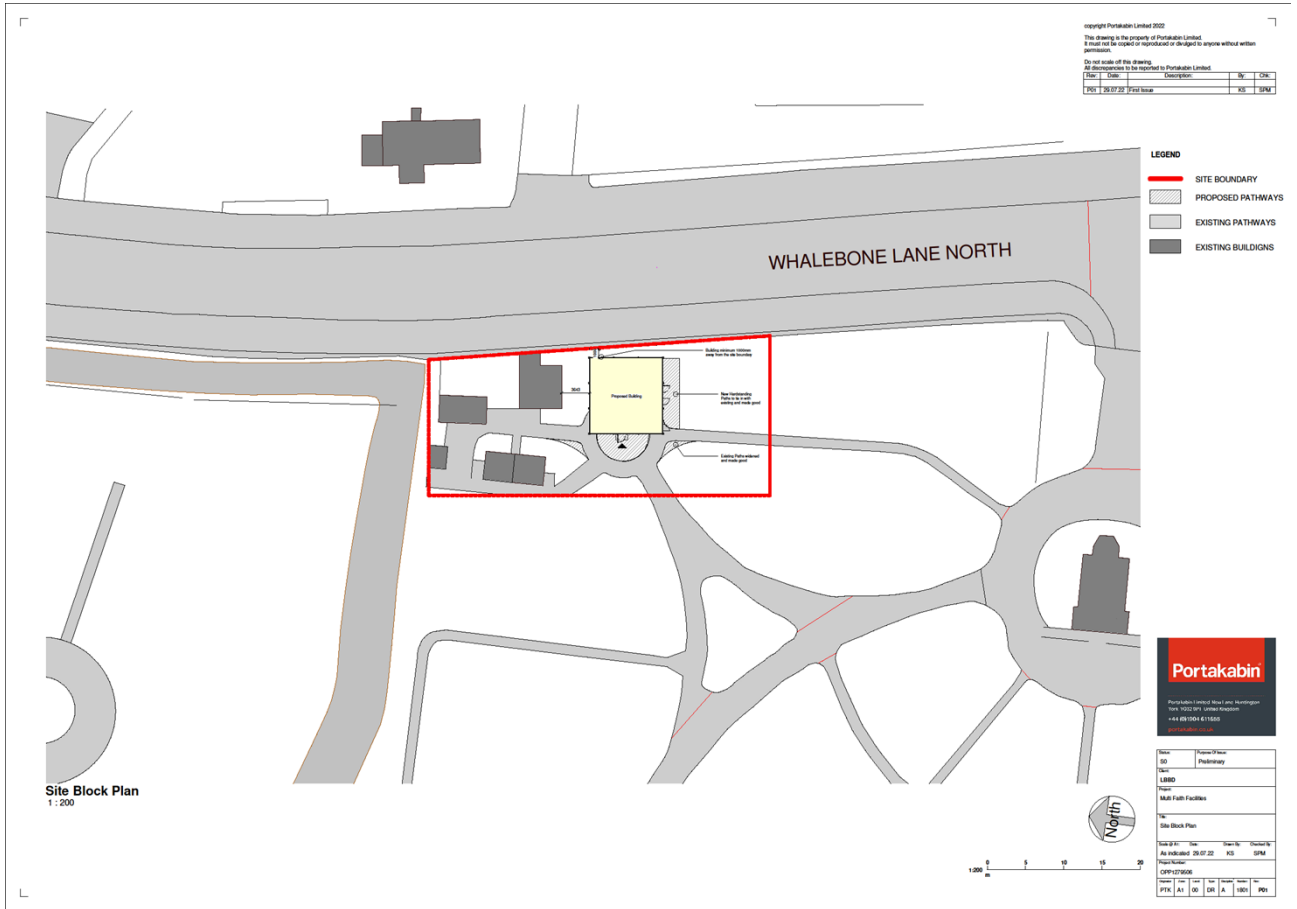
- **Appendix 1:** New Building – Proposed Plans, Elevations Location Block Plan
- **Appendix 2:** Equality Impact Assessment Screening Tool

This page is intentionally left blank

New Building – Proposed Plans and Elevations



New Building – Location Block Plan



Equality Impact Assessment

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

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

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

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

Proposal/Project/Policy Title	Provision of a Multi-Faith Facility at Chadwell Heath Cemetery
Service Area	My Place
Officer completing the EIA Screening Tool	Anthony Wiggins Head of Property Management & Capital Delivery My Place
Head of Service	Anthony Wiggins Head of Property Management & Capital Delivery My Place
Date	25/04/2023
Consultation Brief Summary of the Proposal/Project/Policy Include main aims, proposed outcomes, recommendations/decisions sought.	<p>The current welfare facilities at Chadwell Heath Cemetery are outdated and not fit for purpose. As an authority we are committed to providing facilities that encourage full use of our spaces to all sections of our communities.</p> <p>In September 2016, Cabinet approval was given to invest £400,000 to undertake improvement works to Chadwell Heath Cemetery, including enhancing the landscaping to the whole site, installation of above ground vaults, development of a new scattering area, new bespoke area for Muslim burials and development of a pet cemetery.</p> <p>The current proposal is to future proof the use of the cemetery whilst enhancing the welfare facilities through the provision of a new combined Multi- faith, Prayer & Reflection space alongside new toilet facilities.</p>

Protected characteristic	Impact	Description
Age	Positive impact (L)	No negative impact on age, as the new facility will be open to all visitors.
Disability	Positive impact (L)	No negative impact on disability, the building has level access, is single storey and includes an accessible toilet.
Gender re-assignment	Positive impact (L)	No negative impact as all toilets are designed as individual self contained facilities.
Marriage and civil partnership	Positive impact (L)	No perceived negative impact on this protective characteristic.
Pregnancy and maternity	Positive impact (L)	No negative impact as a baby change facility is included in the building.
Race	Positive impact (L)	No negative impact on age, as the new facility will be open to all visitors.
Religion	Positive impact (L)	No negative impact on religion, as the new facility will be open to all visitors. A Wudu facility is provided.
Sex	Positive impact (L)	No perceived negative impact on this protective characteristic.
Sexual orientation	Positive impact (L)	No negative impact on sexual orientation. All toilets are designed as individual self contained facilities.
Socio-Economic Disadvantage¹	Positive impact (L)	No perceived negative impact on this protective characteristic.
How visible is this service/policy/project/proposal to the general public?		High visibility to the general public (H)
What is the potential risk to the Council's reputation? Consider the following impacts – legal, financial, political, media, public perception etc		High risk to reputation (H)

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

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

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

Completion of the EIA screening process has determined a full EIA is not required as this programme will only have a positive impact on all residents. If there are any significant changes to the programme in the future, then the EIA screening tool will be reviewed.

As this has been identified as high visibility to the general public, to protect the council's reputation, the Council will ensure that the facility is constructed as designed.

Consultation has taken place with the Al Madina mosque, Barking.

The facility will be managed through the Parks and Cemetery Department in terms of their day-to-day activities including being available to assist those who are visiting the cemetery.

This page is intentionally left blank

CABINET**20 June 2023**

Title: B&D Energy Ltd Business Plan 2023/24	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report with Exempt Appendix 1 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972)	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Hilary Morris, Commercial Director	Contact Details: Tel: 020 8227 3017 E-mail: hilary.morris@lbbd.gov.uk
Accountable Executive Team Director: James Coulstock, Strategic Director of Inclusive Growth	
<p>Summary</p> <p>This report seeks Cabinet approval of the B&D Energy Limited (company no. 10088491) 2023/24 Business Plan, in line with the requirements of their Shareholder Agreement.</p> <p>This Business Plan has been scrutinised by the Shareholder Panel, the advisory body created to monitor and to report to Cabinet on the performance of Companies that the Council has a shareholding interest in. Performance against this plan will be monitored through the Shareholder Panel.</p> <p>The role of B & D Energy is to act as the Council's strategic energy vehicle. It identifies and invests in low carbon energy generation projects to help support a sustainable low carbon energy future for the borough. This report highlights the key objectives to be delivered by B&D Energy with the detailed financial commitments to be delivered set out in the exempt Appendices. Since the last iteration of the Business Plan, the company has chartered a really challenging global market and accrued 700 customers, delivered £25M of infrastructure and leveraged in more than £15m of grant. While it has endured many growing pains, and is still tackling legacy issues, the prospects for the business to grow and reach profit remain credible missions.</p> <p>The Council commissioned a review of B&D Energy in 2022 which provided independent assurance that the financial model and business case were built on a reasonable set of assumptions and re-confirmed that the economic and environmental case for heat networks is still strong, despite rising energy costs and inflation. The coming five years are ones of expected significant growth in the homes connected to B&D Energy following the completion of the new Barking Town Centre District Heating Scheme expected in June 2024.</p> <p>The Business Plan is contained at Appendix 1 which is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public</p>	

<p>interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Approve the B&D Energy Limited Business Plan 2023/24 as set out at Appendix 1 to the report. (ii) Delegate authority to the Strategic Director, Inclusive Growth, in consultation with the Shareholder Panel, to take all necessary action to enable B&D Energy to implement its proposals within the Business Plan and to agree any variations to the business plan, legal agreements or shareholder agreement as necessary, subject to the provisions of the Subsidy Control Act 2022.
<p>Reason(s)</p> <p>To assist the Council with delivering the Inclusive Growth Strategy and delivering a well-run organisation. This proposal is in line with Recommendation 8 of the independent Growth Commission's report published in February 2016 and is therefore aligned to the Council's 'Inclusive Growth' priorities.</p>

1. Introduction and Background

- 1.1 The approval of the B&D Energy business plan is reserved to the Council as shareholder under a shareholder agreement entered into with B&D Energy in 2020. This is an executive function exercised by the Cabinet on behalf of the Council as shareholder. In line with that agreement this Business Plan has been produced for Cabinet approval as outlined in the recommendations. The Business Plan was approved by the B&D Energy Board in May 2023 and has been scrutinised and endorsed by the Shareholder Panel on the 22 May 2023.
- 1.2 The UK government plans to introduce regulations for the heat network market in the coming years. The Energy Security Bill (ESB), currently passing through the House of Lords, is expected to receive royal assent by Summer 2023 and contains primary powers to enable regulation by Ofgem. Further details of the secondary legislation, covering price protections, cost recovery, decarbonisation, and complaint processes to which B&D Energy will be required to meet will be outlined in consultations by BEIS and Ofgem in Spring 2023.
- 1.3 B&D Energy have outlined it will prepare for this by working on its quality management system and subscribing to the Barbour index for legislation updates. The company is also a member of the UK District Energy Association and regularly engages with Ofgem's head of heat networks implementation and policy to stay informed. The company are assuming that Ofgem will adopt the heat trust standards already signed up to, but that remains an assumption rather than a fact at this stage.
- 1.4 In addition to the changing regulatory environment the UK has set an ambitious target of net-zero emissions by 2050, and the Council has also declared a climate

emergency. The heat sector is considered to have a significant role to play in helping to achieve this goal. B&D Energy therefore has an obligation to decarbonize its networks, and they have reflected that their approach is to prioritize the development of low carbon heat sources, such as water source heat pumps and waste heat recovery, to achieve our decarbonization goals. The business plan notes the securing of £6m additional grant funding as well as a requests an in principle further loan of £4m to enable them to continue to invest in de-carbonisation.

2. B&D Energy Group performance highlights in 2022/23

2.1 Since the last iteration of the Business Plan, the company has chartered a really challenging global market and accrued 700 customers, delivered £25M of infrastructure and leveraged in more than £15M of grant. While it has endured many growing pains and is still tackling legacy issues the prospects for the business to grow and reach profit remain credible missions.

2.2 In spite of the unsettled market conditions B&D Energy has reached some notable and encouraging milestones in its development since the last Business Plan, which include:

- The investment of £25M into heat network infrastructure to deliver the core business of the company;
- 772 dwellings now having live connections to the heat network and this continues to grow;
- Connection and Supply contracts in place covering 2,087 dwellings as construction progresses;
- 2.5 km of primary pipework serving the symbolic Barking Town Centre Strategic Heat Network has now been installed across the west of Barking;
- A contemporary-styled new energy centre being constructed alongside the River Roding which could home a strategic water-source heat pump – a key piece of low carbon infrastructure helping to decarbonise the network;
- Secured a further £6m in funding from Low to Zero Carbon (LZC) infrastructure at the new Barking Town Centre energy centre by the Department for Energy Security & Net Zero (DESNZ, previously known as BEIS);
- Leveraging in £15.4m of external grant into the Barking Town Centre scheme through the Heat Network Improvement Programme and Public Sector Decarbonisation Scheme funding;
- Added to the network's strategic value through its selection by the Department of Energy Security & Net Zero for its Advanced Zoning Pilot. The program aims to support low carbon heat networks in zones where they provide the lowest cost to consumers through regulation, mandating powers, and market support.

2.3 However the last few years have also seen a number of significant challenges. While the forecasts in the last Business Plan assumed that the company's cumulative earnings before interest, tax, depreciation and amortization (EBITDA) would be in the region of £2.9m by now, significant delays in the construction of some developments due for connection, the impact of Covid-19 and inflation which has impacted the cost of the energy centre development, has meant this objective has not been met. The company is operating with a cumulative loss of £897,000 and are now forecasting to commence issuing a dividend to the Council in 2025/26. It must be noted this is totally reliant on the pace of construction and the associated

speed by which homes connect to the network albeit the aim is for the company to be more ambitious and meet the connections earlier.

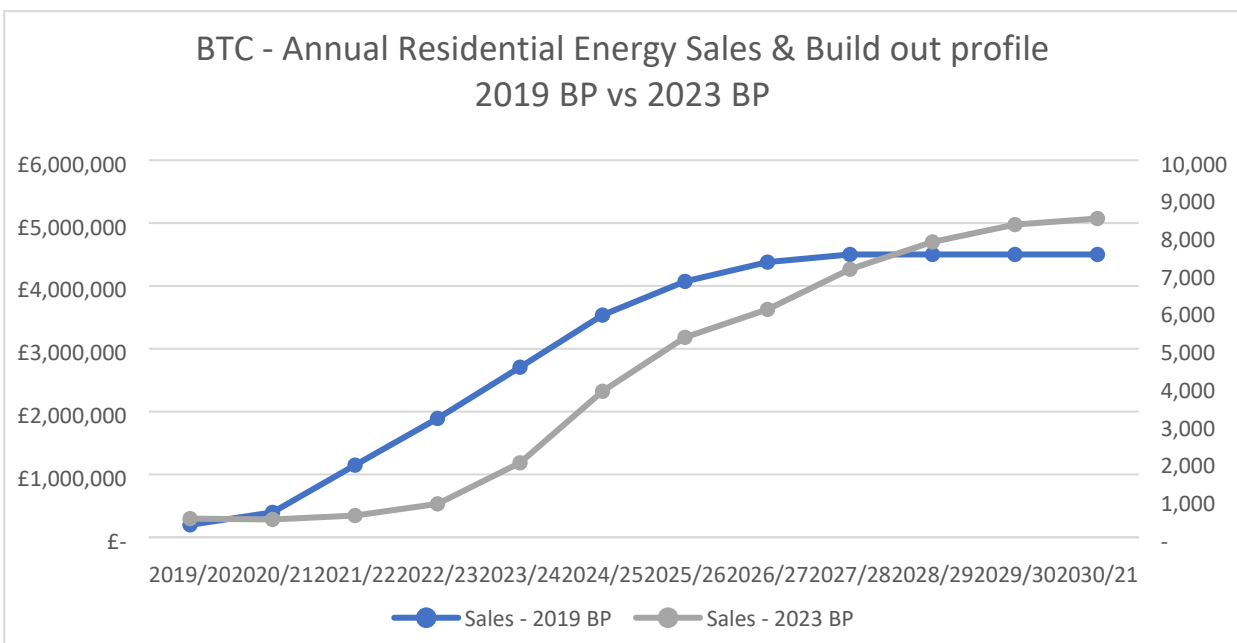
- 2.4 The main drivers for the lower than anticipated revenue are as noted above the slower pace of connections due to construction delays but the prices the company have been able to charge its customers has also been heavily impacted by government price caps during the 2022/23 winter. The plan notes however that the current planning and regulatory environment are still favourable for district heat networks and serves as an incentive for developers to connect.
- 2.5 The development of the Barking Town Centre Energy Centre had an unexpected discovery of significant amounts of asbestos leading to prolonged contractual negotiation over liabilities and an additional cost of £400k for remediation. Increasing levels of aged debt caused by the impact of cost of living and energy bill crises and the Government's poor administration of the Energy Bill Support Scheme Alternative Funding, is still affecting the company's customers.
- 2.6 Despite the challenges, B&D Energy have reported significant progress against its key 2019 business plan commitment which was the development of the district energy network in the Barking Town Centre. The Barking Town Centre (BTC) scheme remains by far the largest of the potential networks in the original business plan and the company note that phase 1 (laying of the pipes) has been concluded and phase 2, the development of the energy centre, initially equipped with gas-fired boilers and CHPs, is set to be completed in Feb 2024.
- 2.7 Energy Performance Contracting (EPC) was the second biggest commitment in 2019 but in the interim the Council has outsourced the energy performance contracting of its non-residential buildings to an external company as part of a separate corporate retrofit programme. This therefore means that B&D Energy will not be undertaking EPC work as it would result in duplication of effort and therefore this objective had been removed from the 2023/24 business plan.

3. B&D Energy Business Plan Commitments 2023/24

- 3.1 The Council commissioned a strategic review of the energy company in 2022 which was tasked with delivering an overall health check as well as a number of other objectives including providing the Council with assurance about the challenges the company faced given the turmoil in energy markets; assessing whether all of the company's original strategic objectives remain relevant and whether the business can diversify its role in the energy sector.
- 3.2 The independent review confirmed there remained a compelling case for investing in district heat networks, with the government targeting 20% of homes to be heated by such networks by 2050. It also notes that the Advanced Zoning Pilot provides opportunities for Barking & Dagenham to lead future development and investment and the new building regulations being introduced in 2025 and the Future Homes Standard may incentivise developers to connect to existing networks such as B&D Energy, creating a ready market for the company to grow its customer base by accelerating its search for sustainable and decarbonised heat and power supplies.
- 3.3 The 2023/24 business therefore sets out its aspiration in the short term will be to continue building and consolidating the Barking Town Centre Strategic Heat

Network, with a goal of reaching 8,900 customers by 2030 and thus in term achieving an operating profit. The company have outlined an approach to work with third-party developers and Be First to pursue connections and sales in the district and seek further funding through the Green Heat Network Fund to decarbonize the network.

3.4 The business plan sets out its future income assumptions based on potential connection of 8,900 units between now and 2030 and notes that 5,008 pf those already covered by connection and supply agreements. This means that there is an in-principle commitment to B&D Energy amounting to 56% of the total connections assumed in the plan. As such, although there is some concern the timeline for some connections may slip and therefor the speed at which the company will reach an operating profit may be optimistic, there is a reasonable level of robustness regarding the company’s future pipeline. The table below illustrates the current timeline to reach the 8,900 connections.



3.5 The plan also addresses the ever-growing urgency to decarbonise its sources of heat and power which will be needed to meet wider Council objectives on delivering a net zero carbon borough and to incentivise developers to connect to its network. It recommends support for the installation of a water source heat pump installed in the River Roding, adjacent to the energy centre to which additional grant of £6m has been secured. The Business Plan asks for a further £4M investment from the Council thus enabling a highly strategic water source heat pump to be installed which will serve a large swathe of the Barking Town Centre Network.

3.6 In the medium term, B&D Energy has also set out an aspiration to diversify its commercial offerings, potentially by providing technical expertise for Operation & Maintenance services to managing agents and housing providers.

4. Consultation

4.1 The B&D Energy Business Plan has undergone the following consultation:

- Endorsed by the Strategic Director of Inclusive Growth
- Endorsed by the Shareholder Panel on 22 May 2023

5. Financial implications

Implications completed by: David Dickinson, Investment Fund Manager

5.1 The B&D Energy Business Plan (BDEBP) follows on from the 2019 Business Plan and covers a number of significant changes that have occurred around regulation changes, energy cost increases and build cost increases, as well as the cost-of-living crisis. Currently the BDE business plan is insufficient in detail to fully analyse the financial implications and it is essential that work is carried out to improve reporting, risk assessment and incorporate a loan drawdown and repayment schedule that can be fully analysed and agreed.

5.2 It is important to note that the Council is both the parent and shareholder for BDE and therefore it has a greater requirement to have reporting on performance after tax and interest repayment (rather than earnings before interest, tax and dividends) and BDE need to report the impact of debt to the Council.

5.3 The Business Plan, when compared to the 2019 Business Plan requires £18.863m more gross expenditure, although some of this requirement has been reduced by the additional grant to a net requirement of £8.371m. A comparison is provided below. There is currently very little detail around why the costs have increased so much, although a large driver behind the costs is the capex cost for the additional customers.

Projected Capital costs	2019 forecast	Forecast to 2028/2029	Difference to 2019 Business Plan	
BTC LOT1	9,237,784.80	14,825,123.38	5,587,338.58	
BTC LOT2	14,573,520.00	19,809,176.84	5,235,656.84	
Remdiation works		500,000.00	500,000.00	<i>Asbestos</i>
D&PM (WSP)	1,210,235.00	1,210,235.00	-	
Dev Costs	800,000.00	800,000.00	-	
Gascoigne East	3,000,000.00	3,000,000.00	-	<i>Expansion</i>
Total Capex	28,821,539.80	40,144,535.23	11,322,995.43	
Other CAPEX costs				
Additional customers		7,500,000.00	7,500,000.00	<i>Estimate</i>
BTC - Water source heat pump		40,000.00	40,000.00	<i>Estimate</i>
		7,540,000.00	7,540,000.00	
Total Gross Capital expenditure	28,821,539.80	47,684,535.23	18,862,995.43	
Grants				
HNIP	-5,000,000.00	-7,500,000.00	-2,500,000.00	
PSDS	-	-1,991,766.00	-1,991,766.00	
HNIP 2023	-	-6,000,000.00	-6,000,000.00	
Total grants	-5,000,000.00	-15,491,766.00	-10,491,766.00	
Total Net Borrowing Requirement	23,821,539.80	32,192,769.23	8,371,229.43	

Loans

- 5.4 Currently there are three loans to BDE. The loans and the drawdowns are below. The £1.7m loan has expired and only £897.5k was drawn down. This loan is scheduled to be repaid by 31/3/2027 and currently interest is being capitalised. In addition, a loan of £3m was issued and only £1.835.8k was drawdown and no further drawdowns are possible on this loan. Interest is being capitalised but a repayment schedule will start in 2023, with the final repayment by 31/3/2042. The main loan of £25.5m is at a fixed rate of 4.5% with a capitalised interest period during the drawdown phase and then a repayment schedule to 31/3/2047.

Working capital Loans	Loan Amount	Drawn Down (incl. Capitalised interest)	Loan Rate	Loan Use
Loan £1.7M	1,700,000.00	1,005,512.09	Base Rate plus 3%, repayment date 31/3/2027	Becontree
Loan £3M	3,000,000.00	2,056,713.03	Base Rate plus 3%, repayment date 31/3/2042	BLC + ABLC
Loan £25.5M	25,500,000.00	4,197,026.42	Fixed at 4.5%, repayment date 31/3/2047	BTC

- 5.5 The net borrowing requirement is £32.193m for the Barking Town Centre. Therefore, against a current loan of £25.5m a further £6.693m of borrowing is required. In addition, this requirement will need to be increased to accommodate the capitalisation of interest and therefore a further £8m to £9m is required depending on the development period. The total borrowing expected would also be around £38m across the three loans when fully drawn.
- 5.6 Repayment of the loan is dependent on the various schemes connecting on the scale and periods in the business plan. There is a breakeven point that BDE need to focus and report on that will allow the net income before interest and debt repayment to be sufficient to cover the loans. This point needs to be RAG rated as several of the schemes within the pipeline are currently red, with significant delays expected before they can connect, with Vicarage Field one of the key risks.
- 5.7 The increase in borrowing requirement is concerning and needs to be explained in more detail as the 2019 assumptions were insufficient. There are issues around some of the pipeline assumptions that need to be addressed as, given the current market environment, several schemes that are scheduled to connect are struggling to progress or may be significantly delayed.
- 5.8 The Becontree Heath losses need to be reviewed and lessons learned as potentially these issues (schemes potentially adding a pipeline but this not progressing) could impact the BTC.

Dividend and Debt Repayments

- 5.9 There are current discussion with BDE around the repayment of loans against the payment of a dividend to the Council. As there is still a significant amount of work required to complete the work on BTC and this decision has been delayed until more robust and detailed forecast data can be provided but there is an intention that the loan repayment schedule will remain as per the agreement, with a dividend potentially paid to the Council.

- 5.10 Although the long-term dividend potential of the ESCo remains positive once the network is completely built out and the pipeline of units are connected, this business plan demonstrates a significant shift in the timelines by which the Council should expect to see financial returns and confirms that none of the 2019 forecasts have been achieved other than in 2019 when it made a £60k surplus.
- 5.11 In the 2019 Business plan the ESCo forecasted to commence dividend returns in 2022, but in this plan cumulative losses do not turn positive to enable a dividend return until to 2025/26. In addition, the assumption of a positive cumulative cash flow being produced by that point (leading to a dividend being payable) is based on the profile of 5,000 connections in 2025/26 which given the current pace of development is unlikely. The MTFS does not have any assumption of dividend from the ESCo which is positive, so there is no direct impact on the Council's revenue position although assumptions have been made regarding loan repayments and those will need to be made.

Pipeline Connections and costs

- 5.12 For future income assumptions this business plan assumes potential connection to 8,900 units between now and 2030 with 5,008 already covered by connection and supply agreements. This means that there is an in-principle commitment to connect to the energy centre amounting to 56% of the total connections assumed in the plan. As such, although the timeline for connections may be optimistic, there is a reasonable level of robustness regarding the pipeline and once the cumulative cash flows are positive and a dividend can be issued it would presumably continue to be capable of being profit making on an ongoing and perpetual basis from that point.
- 5.13 The Business Plan does not fully cover in great deal the potential costs from decarbonisation, the increased gas costs (although these have come off significantly since mid-2022) or the impact of the cost-of-living crisis on bad debts. There is potential for these to adversely impact the potential surpluses both in the short-term but also over the longer term for decarbonisation costs.

6. Legal Implications

Implications completed by: Ian Chisnell, Major Projects Solicitor

- 6.1 The power to create B&D) and its regulation is set out in various previous cabinet reports.
- 6.2 The report does not deal with the issue of how close (in terms of electricity generation) the company's activities are to triggering the requirement for regulation under The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001.
- 6.3 The company has a large amount loaned to it by the Council and it would appear that it requires more. As the company is working in a competitive industry and is an economic operator supplying customers other than the Council there is a probability that further loans could amount to Subsidy under the Subsidy Control Act 2022 and an analysis needs to be undertaken to determine whether or not the Council would be in breach of the Subsidy Control Act if it were to advance a further £4m without the agreement of the Subsidy Advice Unit.

6.4 Currently the company is regarded as a 'Teckal' company, i.e. it benefits from Regulation 12 of the Public Contracts Regulations 2015, which means it does not have to compete for energy contracts from the Council. That will change if more than 20% of its turnover is derived from the private sector as indicated in the business plan.

7. Other Implications

7.1 **Contractual Issues** - Development of Business Plans is a contractual commitment for all of the Companies and is designed to set the framework by which the strategic direction of each Company is considered and approved or endorsed by the Council as either a major or minor Shareholder.

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

List of appendices:

- **Appendix 1:** B&D Energy Business Plan 2023/24 (exempt document)

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

CABINET**20 June 2023**

Title: Barking and Dagenham Trading Partnership (BDTP) Business Plan 2023/24 - 2026/27	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report with Exempt Appendix 1 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972)	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Hilary Morris, Commercial Director	Contact Details: Tel: 020 8227 3017 E-mail: hilary.morris@lbbd.gov.uk
Accountable Executive Team Director: Leona Menville, Strategic Director, My Place	
<p>Summary</p> <p>This report seeks Cabinet approval of the Barking and Dagenham Trading Partnership (BDTP) 2023-26 Business Plan (company number 10892844), in line with the requirements of their Shareholder Agreement. This Business Plan is a consolidation of financial and other commitments across a portfolio of multiple legal entities within the BDTP Group structure.</p> <p>This Business Plan has been scrutinised by the Shareholder Panel, the advisory body created to monitor and to report to Cabinet on the performance of Companies that the Council has a shareholding interest in. Performance against the plan is formally reported to the Shareholder Panel quarterly but, since April 2022, BDTP has also been required to provide a monthly update to the Shareholder Panel on performance results in repairs and maintenance which have also been supported by the Strategic Director of My Place.</p> <p>This three-year business plan outlines the company's initial priorities and challenges, and strategic objectives and details improvement initiatives for financial years 2023/24 to 2026/27. The plan acknowledges that improving service delivery is the key focus and the plan's primary objective is to provide a platform for the business to demonstrate the capability and capacity to deliver services in accordance with expectations while realising the Group's potential through a collective and collaborative approach. This Business Plan therefore provides a practical framework that builds on BDTPs past learnings and acknowledges the realities of their current position.</p> <p>The substantive Business Plan is contained within Appendix 1 which is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	

Recommendation(s)

The Cabinet is recommended to:

- (i) Approve the BDTP Business Plan for 2023/24 - 2026/27, as set out at Appendix 1 to the report: and
- (ii) Delegate authority to the Chief Executive, in consultation with the Shareholder Panel, to take all necessary action to enable BDTP to implement its proposals within the Business Plan and to agree any variations to the business plan, legal agreements or shareholder agreement as necessary, subject to the provisions of the Subsidy Control Act 2022.

Reason(s)

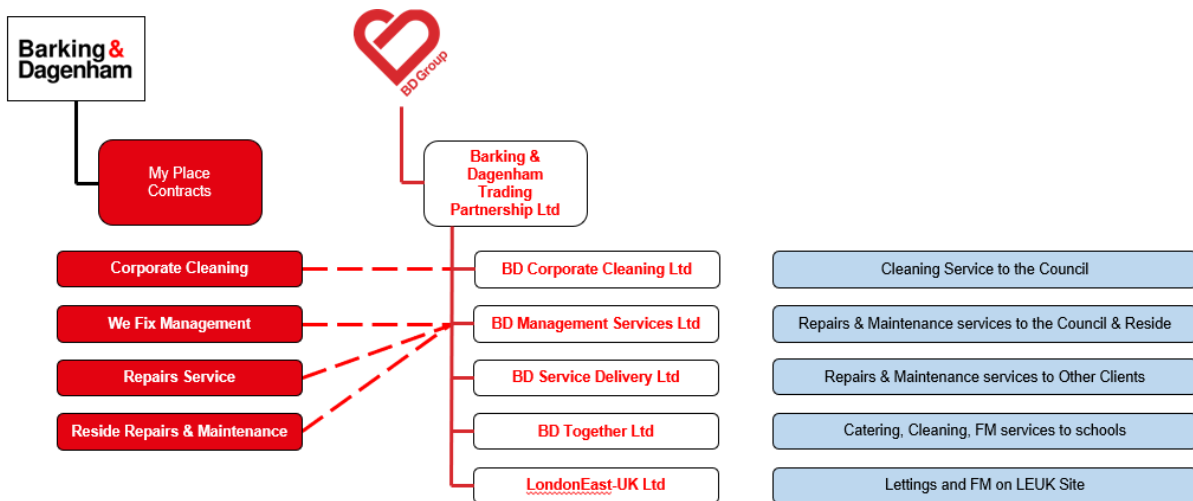
To assist the Council with delivering the Inclusive Growth Strategy and delivering a well-run organisation. This proposal is in line with Recommendation 8 of the independent Growth Commission's report published in February 2016 and is therefore aligned to the Council's corporate priorities.

1. Introduction and Background

- 1.1 The approval of the BDTP business plan is reserved to the Council as shareholder under a shareholder agreement entered with BDTP in 2018. This is an executive function exercised by the Cabinet on behalf of the Council as shareholder. In line with that agreement this Business Plan has been produced for Cabinet approval as outlined in the recommendations.
- 1.2 The Business Plan was approved by the BDTP Board in May 2023 and has been scrutinised by the Shareholder Panel who have recommended it for approval to Cabinet, although not without noting continued concerns regarding the operational performance and the financial resilience of the Company.
- 1.3 This report highlights the key objectives to be delivered and the period by which the returns are expected in the exempt Appendices.

2. BDTP Performance Summary 2022/23

- 2.1 BD Group is a diverse and community-focused organisation providing a wide range of services within the borough and beyond. These services include residential property repairs and maintenance, commercial cleaning, school catering and cleaning, and facilities management. The diagram below reflects the company structure and its relationship with Council services:



- 2.2 BDTPs performance in property repairs and maintenance has consistently performed below expectations. Poor levels of business as usual (BAU) performance and high levels of work in progress (WIP) were common outturns throughout 2022/23 despite the 2022-25 business plan describing 2022/23 as being a year to ‘fix the basics’.
- 2.3 Performance concerns and the collaborative programme of improvement activity being undertaken between My Place and BDMS has been the subject of two detailed reports to Overview and Scrutiny Committee, one in October 2022 and the latest one on 10 May 2023. In summary however the baseline year end position for 2022/23 as of 1 April 2023 shows outstanding repairs totalling 6,474 jobs. This total reduced by 1,568 jobs by 18 April 2023.
- 2.4 This poor performance has been noted within the plan as the company acknowledge that it has not fully delivered on its original purpose to improve service quality nor delivered on its financial expectation. During 2023 several changes were made within BDTP including the appointment of a new Chair of the Board and leadership changes amongst key senior staff within the company and the plan notes that 2023/24 is now **the** opportunity to reset, rebuild and redefine BD Group.
- 2.5 The company’s performance in its commercial cleaning, school catering and cleaning, and facilities management arm has however continued to perform well during 2022/23. In this area of the business the company has acquired contracts from a further three schools, each for an initial three-year term with a two-year extension option. The plan notes the opportunity for growth in this area and has set out an aspiration to re-model this part of the business to enable it to deliver a total facilities management offer for its existing and new customers.
- 2.6 The business plan acknowledges the significant financial challenges that have been present in the business over the last few years. Like many registered providers, the Council and BDTP have been impacted by the legacy of COVID, resource constraints, inflation, energy costs (fuel poverty) and increased repairs demand over the winter period. As a result of this, there have been challenges in meeting repairs demand and subsequently an increase in costs. The Council is working collaboratively with BDTP/BDMS to clear the outstanding repairs, whilst at the same time making improvements in the way repairs are delivered.

- 2.7 The 2020/21 business plan first noted the financial challenges arising in the business following Covid, but this has followed through into successive years with losses of £13.5m in 2021/22 arising from £9.5m operating losses, a £3.2 loss related to the revaluation for the LEUK site and interest payments of £1m.
- 2.8 In the 2021/22 Business Plan, the 2022/23 financial year was forecast to be a break-even year, but BDTP are currently forecasting an unaudited loss of £7m. The company has received working capital of £5m since 2021 which has accrued interest charges of £0.4m and currently hold an inter-company balance (a debt of unpaid invoices to LBBD) of £5.9m.
- 2.9 In addition to the working capital balances, the company also still holds a loan of £25.5m to the Council related to the purchase of LEUK (total debt and interest) which has been impaired due to a recent valuation of the site meaning the Council has had to make an adjustment for the loss of asset value within the General Fund where the loan is held. Overall, £8m will have been used from the sale of LEUK land during 2020/21 and 2021/22 to fund the shortfalls in operational profits in BDTP/BDMS. While this has helped to reduce the impact on the BDTP group, investment in and revenue at LEUK has suffered and the lack of any repayment of the loan following the sales has directly contributed to the current impairment.

3. BDTP Business Plan Objectives 2023/24

- 3.1 The business plan is very clearly focused on the immediate priorities in property repairs and maintenance services and sets out 14 imperatives to be delivered in the year ahead. The most significant of these priorities is delivering the incremental improvements in repairs and maintenance performance ('project green shoots'), but other priorities such as reducing overheads and maintaining a positive cash flow are equally important in the context of the financial difficulties the company has faced over the last several years. The plan states that 2023/24 is an opportunity to address priorities and (re)build.
- 3.2 The company is forecasting that following agreement of the one-year repairs and maintenance contract extension, the company will make no operational losses this year, although there will still be £1.9m of interest charges that will be added to their balance sheet. The financial model post 2023/24 is predicated on the company securing a further extension of the repairs and maintenance contract with the Council at the current level of cost to the Council. On that basis, it is forecasting a return to a positive operational surplus of £400k in 2024/25 at which point it will commence repayment of the inter-company debt at a rate of 25% of the operational surplus each year. As such, project green shoots and therefore performance in repairs and maintenance is the single biggest risk to the business plan and to the future sustainability of the group in its current form.
- 3.3 The plan notes conversations about restructuring elements of the group, particularly in relation to the future of LEUK being maintained within the group structure. Although further detailed legal and financial due diligence is required before any proposal for changes is put before Cabinet, the company has included a financial modelling scenario where LEUK is removed from the group, which is a likely scenario during 2023/24 acknowledging that a change in ownership is going to be required to fully realise the aspirations and opportunities for the site.

4. Consultation

4.1 The BDTP Business Plan has undergone the following consultations:

- Approved by the Board of BDTP in May 2023
- Endorsed for Cabinet by the Shareholder Panel on 25 May 2023, although it noted with concern the significant performance challenges that remain in the repairs and maintenance service, and the financial challenges.

5. Financial Implications

Implications completed by: Phillip Gregory, Strategic Director, Finance & Investment

- 5.1 In with the BDTP Group cannot be avoided and accumulated losses have been included in their published accounts. The loss for FY 2021/22 increased from £13m to £15m following adjustment as a result of audit identifying that BDTP Group had overstated their income from the Council (parent company and main client). Currently they are reporting a £7m loss for FY2022/23 but this may increase, subject to agreement of balances with the Council and external audit.
- 5.2 Going forward, the BDTP Group has outstanding intercompany debt along with the interest on their loans with the Council. The BDTP Group plan to stabilise their cash flow position from April 2023 onwards following the renegotiation of their contract for repairs and maintenance with the council. In a private entity the parent company may consider writing off intercompany debt and/or loans to help support the financial position of the subsidiary. However, following legal advice, the Council cannot write off any of the intercompany debt and/or loans should it wish to as this would constitute a breach of Subsidiary Act rules. Hence, a rescue plan or a significant proposal from the BDTP Group will need to materialise to repay these amounts.
- 5.3 The latest financial projections included in the business plan for the next couple of years indicate that the retained earnings will reach a negative balance of c£20m. This means BDTP Group needs to make at least £20m worth of profit before they can start to consider paying a dividend to the Council (subject to their cash position). Based on current forecasts in this business plan an overall surplus retained earnings balance will take at least 5 years to achieve which will result in the council not receiving the planned £2m dividend income each year that is included in the Council Medium Term Financial Strategy.

6. Legal Implications

Implications completed by: Ian Chisnell, Major Projects Solicitor

- 6.1 Cabinet is requested to approve a Business Plans for BDTP, a company wholly owned by the Council and is therefore a Regulated Company under the Local Government and Housing Act 1989.
- 6.2 This decision is taken by the Council as shareholder in the company.

- 6.3 The powers available to the Council for incorporating the company and its involvement in it have been set out in previous reports.
- 6.4 In terms of procurement, If BDTP falls within Regulation 12 of the Public Contracts Regulations 2015 the company can contract with the Council and vice versa without the need to tender contracts over the threshold in those Regulations. BDTP can also use any frameworks to which the Council and its companies have access. For it to remain within Regulation 12 no more than 20% of its turnover can be derived from external sources and the Council must control it in a similar manner to that which it controls its departments.
- 6.5 The Company's financial position has been commented upon above and the Council has given a letter of support to it for it to continue trading. Under S15 of the Subsidy Control Act 2022 a guarantee of the debts and liabilities of an enterprise is prohibited if there is no limit to the extent of the guarantee or time limit to it.
- 6.6 Under the same legislation, which also comprises statutory guidance, loans or the cancelling of loans given to an enterprise can be regarded as a subsidy if they pass a four-limb test:
- Limb A: The financial assistance is given, directly or indirectly, from public resources by a public authority.
 - Limb B: The financial assistance confers an economic advantage on one or more enterprises. This limb has two components. Firstly, the recipient of the assistance must be an enterprise, secondly, it must confer economic advantage, meaning that the financial assistance is provided on favourable terms.
 - Limb C: The financial assistance is specific, such that it benefits one or more enterprises over one or more enterprises with respect to the production of goods or provision of services.
 - Limb D: The financial assistance has, or is capable of having, an effect on competition or investment within the UK, or on trade or investment between the UK and another country or territory, or both.
- 6.7 Subsidy itself is not unlawful provided it conforms to the seven principles set out in the Act or is approved by the Subsidy Control Unit.

7. Other Implications

- 7.1 **Contractual Issues** - Development of Business Plans is a contractual commitment for all of the Companies and is designed to set the framework by which the strategic direction of each Company is considered and approved or endorsed by the Council as either a major or minor Shareholder.

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

List of appendices:

- **Appendix 1: BDTP Business Plan 2023/24 – 2026/27 (exempt document)**

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

CABINET**20 June 2023**

Title: Barking and Dagenham Reside Regeneration Ltd (Reside) Business Plan 2023-28	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report with Exempt Appendix A (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972)	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Hilary Morris, Commercial Director	Contact Details: Tel: 020 8227 3017 E-mail: hilary.morris@lbbd.gov.uk
Accountable Executive Team Director: James Coulstock, Strategic Director of Inclusive Growth	
<p>Summary</p> <p>This report seeks Cabinet approval of the Barking and Dagenham Reside Regeneration Ltd (Reside) 2023-28 Business Plan, in line with the requirements of their Shareholder Agreement.</p> <p>This Business Plan has been scrutinised by the Shareholder Panel, the advisory body created to monitor and to report to Cabinet on the performance of Companies that the Council has a shareholding interest in. Reside is the company which manages the Reside group of companies. Performance against this plan will be monitored through the Shareholder Panel.</p> <p>The coming five years are ones of expected significant growth in the number of homes which will be managed by Reside. It is essential that the strategy to scale up operations and provide a competitive, fit for purpose management model is successful to enable Reside to be able to meet the requirements set by the Shareholder as well as to enable successful delivery of affordable and high-quality homes to working households.</p> <p>The Business Plan is contained at Appendix A which is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <p>(i) Approve the Barking and Dagenham Reside Regeneration Ltd (Reside) Business Plan 2023-28 as set out at Appendix A to the report; and</p>	

- (ii) Delegate authority to the Chief Executive, in consultation with the Shareholder Panel, to:
- (a) approve the final timeline for withdrawal of services from the Council and delivery of the detailed Neighbourhood Management model as set out within the Business Plan;
 - (b) take all necessary action to enable Reside to carry out its proposals under the Business Plan and to agree any variations to the business plan, legal agreements or shareholder agreement as necessary, subject to the provisions of the Subsidy Control Act 2022;
 - (c) approve, subject to compliance with the Public Contracts Regulations 2015 and the company's contract rules, the exercise of all decisions relating to reserved matters to enable Reside to enter into any procurement or other commitment required to enable the delivery of the Business Plan, including:
 - (i) The procurement of a substantive repairs and maintenance provider (subject to a successful delivery of a pilot scheme)
 - (ii) The procurement of an income collection provider.

Reason(s)

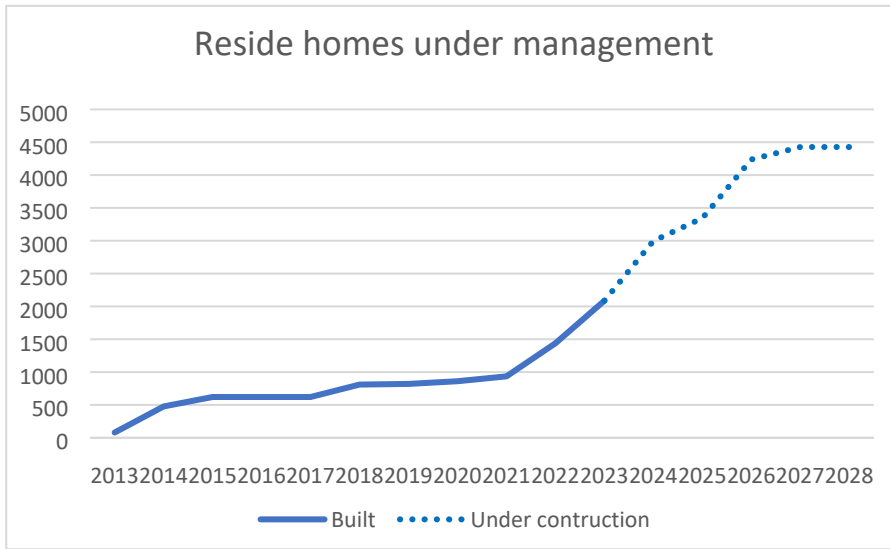
To assist the Council with delivering the Inclusive Growth Strategy and delivering a well-run organisation. This proposal is in line with Recommendation 8 of the independent Growth Commission's report published in February 2016 and is therefore aligned to the Council's corporate priorities.

1. Introduction and Background

- 1.1 The approval of the Reside Business Plan is reserved to the Council as shareholder under a shareholder agreement entered into with Reside in 2020. This is an executive function exercised by the Cabinet on behalf of the Council as shareholder. In line with that agreement this Business Plan has been produced for Cabinet approval as outlined in the recommendations. This Business Plan is a consolidation of financial and other commitments across a portfolio of multiple legal entities within the Reside Group structure.
- 1.2 The Business Plans were approved by the Reside Board in May 2023 and have been scrutinised by the Shareholder Panel on the 22 May 2023.
- 1.3 This report highlights the key objectives to be delivered by Reside with the detailed financial commitments to be delivered set out in the exempt Appendices.

2. Reside Group performance highlights in 2022/23

- 2.1 The portfolio of properties held by Reside have more than doubled from c.1000 units in 2021 to 1,952 units as of May 2023 and they are projected to include an additional c 2,300 homes bringing the total number of homes under Reside management to c4,500 by 2028. The increase in development and completion of new homes is directly related to delivery of the Council's investment and acquisition strategy as all returns from Reside form a key part of the Council's Investment portfolio. The projected timeline for new homes to come under Reside management is shown below.



- 2.2 Reside currently contracts all of its housing management services to the Council and the Councils Investment and Acquisition Strategy (IAS) assumes a set level of cost for these which are set out within all our viability assessments. Those costs then form the backbone of our investment decisions meaning any reduction in Resides operational performance and corresponding reduction in financial return could potentially affect our ability to sustainably invest in building new homes. Conversely, any increased efficiency or improved operational performance could potentially mean more new homes could become viable in the longer term.
- 2.3 In recognising the need to ensure fit for purpose and financially efficient housing management services, Reside made a number of commitments in its 2021 Business Plan to review how its services are delivered and gradually move those functions into Reside direct delivery including lettings, income collection, tenancy management, finance and so on. Since then, the only element that has been achieved has been the transfer of finance functions from the Council into Reside. This business plan indicates, however, that there have been improvements in some elements of operational performance since 2021 such as in compliance reporting but overall, the services being provided to Reside by the Council are performing below the lowest quartile in almost all benchmark indicators.
- 2.4 Customer satisfaction for instance has shown no improvement since 2018 and income collection is sitting at 96.3% - significantly below the average benchmark for Housing Associations which is 99.6%. Current lettings performance is significantly below target with some of the new units handed to Reside in 2022 still not fully let. Reside have included within the plan a forecast for letting performance on some schemes which suggests they are anticipating void levels will remain high throughout 2023.
- 2.5 The Business Plan indicates that Reside achieved a positive outturn in 2022/23 with its surplus rent to the Council achieving above expectations but with several caveats that this is reported to be related to lower-than-expected charges for operation and maintenance costs from the Council to date. This suggests the positive financial performance is temporary, rather than the result of any genuine

improvements in performance. This outturn may change when detailed breakdowns of costs are undertaken and the full cost of services is absorbed.

3. Reside Business Plan Commitments 2023-28

- 3.1 The 2023 Business Plan proposes to address the performance issues noted above by setting out an ambitious new strategy focused on directly delivering its own management services as was originally envisaged when Reside was created in 2012. Reside have outlined that its new model will need to be focused delivering services that better meet the needs of residents with the high-level foundation for the new model seeking to make improvements by focusing on four key areas;
- Direct delivery of housing management services with a neighbourhood model of delivery;
 - Re-procuring of a repairs and maintenance provider;
 - Reviewing all other areas of services provided by the Council;
 - Recruiting a permanent finance team.
- 3.2 The business plan sets out more detail on the first key area, housing management services. It proposes a new Reside neighbourhood management service consisting primarily of a team of neighbourhood leads, directly employed by Reside who will be empowered to resolve resident and housing management issues at source. It is anticipated that this significant change to its operational model will enable Reside to achieve the autonomy it requires to become Barking & Dagenham's landlord of choice, as well as in time seek to drive down the cost of these services.
- 3.3 The core of the new model is to directly employ neighbourhood leads who will each own a 'patch' of 500-600 units, with support from more junior staff. The neighbourhood leads are expected to be on their patch most days to be a visible and accessible face of Reside. Reside are also proposing to incorporate the management of frontline services such as cleaning and caretaking into this locality mode once those services can be safely and compliantly de-coupled from the Council. All of these services are anticipated to be directly employed and managed by Reside by the end of 2023/24 and all are forecast to be achievable within the assumptions made in the Investment and Acquisition Strategy.
- 3.4 As suggested by it being one of the four priority areas, Reside have indicated that repairs and the quality and availability of these services is crucial to improving resident experiences in Reside properties. Resident dissatisfaction with the current repairs services is a main ingredient to resident satisfaction overall and the business plan notes that any new repairs service needs to reflect Reside's resident base who are predominantly working people. Arranging appointments around their availability such as evening and weekend appointments is important and is likely to become more so with the increasing number of market rent products being offered by Reside.
- 3.5 In seeking to improve the repairs performance Reside have launched a pilot with a new repairs provider at one of its housing schemes. Data from this (cost and performance) will be a key factor in any decision to remove or retain commissioning Resides repairs and maintenance function via the Council. It has been confirmed that subject to the pilot being successful, Reside fully anticipates procuring a

substantive new repairs and maintenance contract for all of its homes in the first year of this business plan.

- 3.6 The plan therefore sets out an ambitious strategy to undertake fundamental changes to the way in which services are contracted and delivered for reside properties. These changes are forecast to improve satisfaction with Reside properties and improve all performance metrics over the short to medium term.

4. Consultation

- 4.1 The Reside Business Plan has undergone the following consultation:

- Endorsed by the Strategic Director of Inclusive Growth
- Endorsed by the Shareholder Panel on 22 May 2023

5. Financial implications

Implications completed by: David Dickinson, Investment Fund Manager

- 5.1 The Reside BP 2023-28 focuses on a transfer of several services currently performed by the Council and its subsidiary company BD Management Services to being directly managed by Reside, allowing Reside to manage its services and fulfil its role as landlord. The business plan focuses predominantly on setting out the high-level foundation for a new operating model that seeks to deliver that objective by improving Reside performance in 4 areas:
1. Direct delivery of housing management services with a neighbourhood model of delivery;
 2. Re-procuring of a repairs and maintenance provider;
 3. Reviewing all other areas of services provided by the Council; and
 4. Recruiting a permanent finance team.
- 5.2 This transition will be challenging and it will be important for Reside to upscale its resources to ensure a smooth transition. A more detailed Reside Business Plan for 2024-29 should be produced detailing the new structure, a plan for service improvement and a management and maintenance schedule and reporting plan to provide better responses to the Reside residents but also greater information to shareholders and the Council on performance.
- 5.3 In 2022/23 the number of units within Reside double to 1,952 units by May 2023. This increase in units and specifically the transfer from build to operational has been challenging, as outlined in the Reside Business Plan. During the year there were several handover issues, with delays in letting properties and delays in connecting the schemes to utilities. The delays resulted in additional costs for security (£597k), energy (£36k) and capitalised interest of approximately £2m (interest costs added to the cost of the scheme during the build phase). The security and energy costs were covered by the Investment and Acquisitions strategy (IAS), with the additional interest costs added to the scheme costs. Adding further costs to schemes that are already struggling with viability has reduced the returns expected for each scheme. During handovers there are usually some additional costs and delays but the handover delays from 2022/23 are not sustainable and have put pressures on the investment strategy that need to be

reduced. Improvements have been made to the handover process, but further improvements are essential.

- 5.4 An additional cost to the IAS is from delays in selling Shared Ownership (SO) units, with the hold costs being charged to the IAS. The sales of SO units has stalled due to the current difficult property market conditions and improvements in both the marketing but also being able to adapt to market conditions is
- 5.5 Historically, detailed reporting from Reside has not been provided although this has been mitigated by there only being a relatively small number of established schemes. The reporting in the Reside Business Plan has improved, but this still falls short of what it required to make informed decisions but also to accurately forecast future cashflows. Reside has recently purchased HousingBrixx to improve reporting, especially around forecasting cashflows but more work is required in reporting actual performance to allow reporting to be timely and enable improvements to be discussed and agreed as they are required.
- 5.6 The Reside Business Plan shows that surpluses forecast to the Council are much reduced, especially based on the number of units that Reside will hold (4,500 by 2028). The surplus has been impacted significantly by the losses from Reside Ltd, due to the increased cost of the lease payments are linked to RPI inflation. Improvement in the management of the properties will help to improve these numbers but issues around the transfer of services to Reside or continued handover issues will negatively impact these figures. Due to the gross surpluses produced by Abbey Road, Gascoigne West and Reside LLP, even with further deterioration in performance by Reside, it is likely to remain viable and provide gross surpluses to Council, but the negative impact will be incurred by the Council as surpluses will be below the financing costs.

	2024	2025	2026	2027	2028
2023 B&D Weavers LLP	1,622	691	972	1,033	1,090
2023 B&D Abbey Roding LLP	1,000	1,093	1,124	657	672
2023 Reside Ltd	-967	-926	-691	-577	-512
2023 B&D Regeneration LLP	560	615	628	634	654
2023 B&D Regeneration Ltd	12	954	949	935	937
Management charge es: Reside Ltd ONLY	-171	-182	-184	-184	-187
Reside Surplus /(deficit) including Reside Ltd losses and management fee	2,056	2,244	2,798	2,498	2,655
Assume growth and handover of additional homes			322	375	398
Reside Surplus /(deficit)	2,056	2,244	3,120	2,873	3,052
Council Costs for undocumented loans (interest and principal)					
Abbey Road Interest	-650	-650	-650	-650	-650
Gascoigne West Annuity loan repayment on PRS	-1,001	-1,001	-1,290	-1,290	-1,290
Regen LLP (Fletchers, Bobby Moore and Kingsbridge)	-217	-272	-290	-290	-290
Reside Surplus after IAS deductions	188	322	890	643	823

- 5.7 The assumptions within the Reside model are prudent but there are current pressures within the social rent market, including bad debts, cost of living but also pressures from management, maintenance and lifecycle costs that may put additional pressure on management costs of the properties that will not be fully

covered by increases in rent. Future Reside Business Plans should include a lot more detail around the assumptions used in the models but also around sensitivity analysis around the impact of key risks.

- 5.8 Overall, while it is difficult to generate significant profits from social housing and it is not the intention of Reside or the Council to make significant profits, it is essential that, given the multibillion property portfolio that Reside will be managing in a few years, there is sufficient margin generated to allow some protection to the portfolio to allow the properties to be well managed and maintained for future generations. The 2023-28 Reside Business Plan does not fully address how improvements to the handover and management of the properties and it is important that the next Reside Business Plan includes this, including Key Performance Indicators and detailed reporting on scheme performance.

6. Legal Implications

Implications completed by: Ian Chisnell, Major Projects Solicitor

- 6.1 The legal basis for the structure has been set out in previous reports. Generally speaking, as most of the Reside vehicles are ultimately owned and controlled by the Council any procurement of services has to comply with the Public Contracts Regulations 2015. So any procurement of services could be undertaken from a framework, provided the provider had included local authority companies/LLPs in its tender notification.
- 6.2 Loans to the companies must be at a commercial rate and available to the companies on the open market, or the consent of the Subsidy Advice Unit must be obtained under the Subsidy Control Act 2022.

7. Other Implications

- 7.1 Contractual Issues - Development of Business Plans is a contractual commitment for all of the Companies and is designed to set the framework by which the strategic direction of each Company is considered and approved or endorsed by the Council as either a major or minor Shareholder.

This Business Plan proposes changes to the current commissioning of services to Reside which are, at present, contracted to be performed by the Council under a Housing Management Service Level Agreement. In separating services Reside are intending to terminate that agreement albeit the timeline for doing so for each element of the services provided is yet to be detailed.

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

List of appendices:

- **Appendix A:** Reside Business Plan 2023-2028 (exempt document)

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

CABINET**20 June 2023**

Title: Barking and Dagenham School Improvement Partnership Business Plan 2023-2026	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Hilary Morris, Commercial Director	Contact Details: Tel: 020 8227 3017 E-mail: hilary.morris@lbbd.gov.uk
Accountable Executive Team Director: Fiona Taylor, Chief Executive	
<p>Summary</p> <p>This report seeks Cabinet endorsement of the Barking and Dagenham School Improvement Partnership (BDSIP) Business Plan 2023 - 2026. BDSIP is incorporated as a company limited by guarantee under the name of BDSIP LTD (co. no: 11126768) in line with the requirements of the Membership Agreement.</p> <p>The Business Plan (Appendix 1) has been scrutinised by the Shareholder Panel, an advisory body created to monitor and report to Cabinet on the performance of Companies that the Council has a shareholding interest in.</p> <p>Section 2 of the report provides an update against BDSIP's 2022/23 plan and Appendix 1 sets out BDSIPs intended strategy moving forward.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to endorse the BDSIP Business Plan 2023 - 2026 as set out at Appendix 1 to the report.</p>	
<p>Reason(s)</p> <p>To assist the Council in achieving value for money for the taxpayer and is aligned to both the 'Growing the Borough' and 'Well run organisation' objectives.</p>	

1. Introduction and Background

- 1.1 In line with the Membership Agreement for BDSIP, this Business Plan has been produced for Cabinet endorsement.
- 1.2 The Company's Board consists of majority voting members made up of representatives from Barking and Dagenham Schools and two Council representatives. BDSIP's strategy and operation is therefore predominantly determined by those Barking and Dagenham Schools who are members of the

Company who comprise a majority of the members in line with its motto “We are by schools, for schools”.

- 1.3 BDSIP is a not-for profit Company and has no financial return targets to meet for the Council and any surplus achieved is used to reinvest in school improvement and new service offers. However, as a member and as Supervising Authority under the Schools Companies Regulations 2002 (The Regulations) the Council has an interest in the company’s strategy and financial sustainability. As such, the Business Plan has been scrutinised by the Shareholder Panel and subsequently recommended for endorsement by Cabinet.

2. Achievements against the 2020-23 plan

- 2.1 In 2020 BDSIP set out an ambition to be a trusted partner for schools, igniting talent and helping students shine. BDSIP is majority schools-owned and schools-led and 56 local schools are members of BDSIP.
- 2.2 The data indicates that out of the schools purchasing BDSIP services, LBBB has a higher proportion of schools rated good or outstanding overall and for SEND than the average in London or in England showing a clear trajectory of upward improvement since 2020.
- 2.3 LBBB schools that purchase SEND and School Improvement services from BDSIP are more likely to be rated Good or Outstanding with those schools achieving higher proportionate Ofsted ratings than the LBBB average, the London Average and the England average. The business plan shows that out of 57 schools purchasing SEND services 77% were either extremely or very satisfied with BDSIP SEND services.
- 2.4 Some of the specific indicators for school outcomes are more variable with LBBB below London and England levels in terms of attainment but with better performance showing against England and London levels of fixed term exclusions. 85% of schools advised that they were either extremely or very satisfied with BDSIP services.
- 2.5 In the 2020 BP strategy BDSIP had a number of aspirations, including that by 2023 it would have achieved a 15% increase in the value of sold services by 2023. This objective has not been achieved however income levels have risen since 2020 and which in the context of the significant difficulties arising from the Covid restrictions through 2020 and 2021 this is not unexpected.
- 2.6 BDSIP also aspired to generate a 5% surplus to be reinvested into services and the company have over-achieved against the levels of income forecast in the 2018 business case, despite reduced levels of funding from LBBB.

3. Barking and Dagenham School Improvement Partnership (BDSIP) Business Plan 2023-2026

- 3.1 The BDSIP strategy (Appendix 1) outlines an ambition to increase growth to a target of 20% additional income outside of the borough by 2026. This ambition is focused on mitigating the reliance on LBBB given the upcoming reductions in DSG funding. LBBB commissions funded from the DSG have dropped from £953k in

21/22 to £750 in 22/23 and are expected to drop by 20% each year until it reaches £0 in 2025/26.

4. Consultation

4.1 The Business Plans have undergone the following consultation:

- Approved by the BDSIP Board in May 2023
- Endorsed by the Shareholder Panel on 25 June 2023

5. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

5.1 BDSIP has no financial targets to meet other than maintaining a 5% surplus (all of which are reinvested into their services). Given the pandemic, their internal income targets have been challenging. The Council will maintain a watching brief to ensure there is no deterioration to BDSIP's overall position going forward.

6. Legal Implications

Implications completed by: Ian Chisnell, Major Projects Solicitor

6.1 Cabinet is requested to endorse a Business Plans for BDSIP LTD a company in which the Council has a minority interest.

6.2 BDSIP is a not-for-profit company limited by guarantee in which the Council along with the group of Barking schools has a membership. The Council is a minority member with one membership out of 57. It is also the Supervising Authority under the School Companies Regulations 2002.

6.3 Under Reg 26 the Council has an obligation to monitor the company finances and report if it considers that the company is poorly managed or in danger of becoming insolvent. Cabinet, although it does not have final approval over the BDSIP Business Plan, is asked to indicate its endorsement of the plan and recommend, as Member, the approval at the BDSIP Annual General Meeting.

6.4 The Council has a number of relevant powers regarding its involvement in such companies. Section 1 of the Localism Act 2011, the general power of competence ("GPC") empowers local authorities to do anything that an individual can lawfully do provided that the activity is not expressly prohibited by other legislation. It also has power to act as Supervisory Authority under the above regulations.

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

List of appendices:

- **Appendix 1:** Barking and Dagenham School Improvement Partnership Business Plan 2023/26

This page is intentionally left blank



BDSIP strategy 2023 – 2026

Draft as at 20 April 2023

Vision

Our vision is to be our schools' most Trusted Partner, igniting talent and helping students shine.

What makes us unique?

- We are majority **school-owned and school-led**: we are owned by 56 local schools, who drive our organisation – from how we are run to the services we provide.
- Because we're school led and not-for-profit, we are guided by **what's best for the school**, either delivering directly, brokering support from others, facilitating school-school support, or signposting as appropriate to meet each school's needs.
- We commit to **supporting our schools for the long-term**.
- We are a professional services firm - our strength lies in the expertise and credibility of our people.

Our starting point: our values

Schools-led

We are majority owned by schools and exist for schools and their pupils

One Professional Team

We are one team, built on trust that values everyone

Social Enterprise

We think socially then commercially

Solution-focused

We act positively with individual and collective responsibility

BDSIP | HELPING STUDENTS SHINE

Innovation

We seek innovation, insight and ideas

Locally grounded

We are part of, grounded in, and partner with, our local community

BDSIP | HELPING STUDENTS SHINE

Strategic direction and priorities

Our priorities over the coming three years are to:

1. Grow our client base beyond Barking and Dagenham so that, by 2026, we generate an additional **20%** of our income from schools outside the borough (2022-23 baseline).
2. Maintain service excellence, delivering a demonstrable, positive impact for all schools we work in partnership with.
3. Develop our talent and remain an employer of choice for the best, most aspirational education professionals.

Priority one: growth. Why grow?

We want to grow in order to:

1. Ensure that BDSIP retains the critical mass necessary to provide high quality support to schools in Barking and Dagenham, and to act as an effective broker of the best practitioners and organisations nationally.
2. Defray the core costs of running the organisation across a larger client base.
3. Reduce dependence on one key client i.e. LBBB.
4. Generate a surplus which can be reinvested in education programmes which benefit schools and young people.
5. Help make BDSIP an attractive organisation to prospective employees and associates.
6. Uncover, develop and share good practice, to stretch and inspire our schools and ourselves.
7. Moral purpose: to ensure that schools have access to high quality support in key areas, such as inclusion, where we have built real strength and where we know other schools and boroughs struggle.

We must grow soundly - we have strong foundations in place but need to ensure we scale sustainably

Priority one: growth. Routes to market - how will we deliver the 20%?

Proactively

In the first instance we will grow via word-of-mouth and developing a reputation for excellence / thought leadership, focused in areas where we know that:

- There is likely to be strong, stable demand from schools beyond the borough.
- BDSIP's service and approach is robust.
- The delivery model is profitable and lends itself to being scaled beyond the borough.

On this basis, priority services where we will target growth are:

- Inclusion
- School improvement / curriculum advisory
- Wellbeing services, specifically counselling and attendance
- Race and Social Justice advisory

We will also explore the potential to develop an offer to private sector clients.

We will engage proactively with our audience, making greater use of social media and the web

Opportunity driven - exploring opportunities for transformational partnerships

We will actively seek-out partnership opportunities, with the intention of identifying strategic partnerships which have the potential to benefit BDSIP and schools.

Factors which would inform decision making about the potential suitability of any partnership are:

- The culture and focus of the organisation and its 'fit' with BDSIP's approach and strengths.
- The nature of the relationship being proposed and any potential impact (positive or negative) on BDSIP's ability to provide its complete service offer, or to work with other clients/partners.
- The likely additional reach / new customers which the partnership would deliver.
- The financial and legal arrangements of any formal partnership.

Priority two: maintain service excellence, delivering a demonstrable, positive impact.

How we work

- As an organisation we are open to, and proactively seek, feedback.
- We adopt a clear client management approach with our schools.
- We make best use of data and insight to develop evidence-based approaches and to assess our impact.
- We deliver fully integrated services, which draw on our understanding of the whole school, maximising the impact of our work.

Impact

- Evidenced through KPIs – see page 8

Priority three: develop our talent and remain an employer of choice for the best, most aspirational practitioners

- In 2023 we will develop our talent management strategy, incorporating our approach to reward and recognition.
- We will consistently invest in our people to:
 - Ensure our practice remains on the leading edge
 - Build an organisation which works as one coherent team
 - Help us attract and retain the best talent
- Our practitioners spend the majority of their time in school, not in the office.
- We will continually develop our practice, stretching and learning from each other, from our clients and our partners.
- Our practitioners will actively help BDSIP to build a regional and national reputation as a thought leader, focusing on those services prioritised for growth.
- We will continue to build the culture of our organisation, characterised by solution- focused, empowered staff where decisions are taken on the basis of their professional competence and organisational clarity of intent so that everyone is a leader.

Management Information and KPIs 2023-2026

Social ambition

- GCSE
 - % achieving 5 grades 9-5 including English and Maths
 - Progress 8 score
- KS2 reading, writing, maths and combined
- Ofsted - % schools judged good/outstanding
- % of YP who are classed as NEET
- % of YP receiving offers at university and for higher/degree apprenticeships
- Exclusions
- Attendance improvement in client schools
- **WEX and positive experiences of world of work – numbers and quality of experience**

Commercial ambition & organisational health

- Financial: income and growth targets, surplus.
- Service level P&Ls
- Delivery of LBBD contract and quarterly payment
- CPD evaluation overview
- Staff turnover and/or staff retention after initial year of employment
- Marketing and social media presence:
 - Number of impressions
 - Thought leadership pieces
 - Followers
- Number of potential clients reached:
 - Conferences
 - Service 'pitches'
 - Trade press articles

We will also develop service specific feedback mechanisms, as appropriate to each service.

2023-24 growth – specific actions and target clients / products

- Continue to develop our market research and intelligence to better understand opportunities, threats, and BDSIP's areas of competitive advantage.
- Target key education festivals and conferences, specifically:
 - Optimus Conferences
 - Havering/East London Festival of Education
 - Wellington Festival of Education
- Invest in the capacity to grow by building sufficient service expertise to meet growing demand and to develop BDSIP's market positioning.
- Engage a consultant to quantify and then exploit the potential to attract grant funding and corporate sponsorship opportunities.
- Engage schools in neighbouring boroughs and Essex where we have potential connections, beginning with leads in Havering and Redbridge.
- Explore the potential for a strategic partnership with Groundwork London to offer environmental / resource efficiency services to schools.
- Explore the potential to bring on-board an existing body of private-sector education advisory work.

Stuff we don't write down, but we understand

- We recruit people with good connections to potential markets/clients
- We want clients who stretch us as well as the other way around
- ACTION from away day: develop a concise set of principles for board consideration and agreement which establish the criteria against which BDSIP would/would not consider entering a strategic partnership which would impact significantly on the size, shape or focus of the business. (See note of away day)

This page is intentionally left blank

CABINET**20 June 2023**

Title: Contract for the Provision of Translation and Interpretation Services	
Report of the Cabinet Member for Community Leadership and Engagement	
Open Report	For Decision
Wards Affected: All	Key Decision: No
Report Author: Carly Bucknell – Commercial Support Officer	Contact Details: Tel: 0204 524 7585 E-mail: carly.bucknell@lbbd.gov.uk
Accountable Director: Chris Bush, Commissioning Director, Care and Support	
Accountable Executive Team Director: Elaine Allegretti, Strategic Director, Children and Adults	
<p>Summary:</p> <p>This report seeks Cabinet approval for the direct award of a contract for Translation and Interpretation Services to The Language Shop Limited via the Healthtrust Europe LLP Framework for Total Language Solutions: Interpretation, Translation and Transcription Services from Lot 1 (On-Site and/or Remote Interpretation, Translation and Transcription Services) and Lot 2 (Non-Spoken Interpretation and Translation Services)</p> <p>The contract will be for a term of two years from 1 January 2024 to 31 December 2025, with an extension option of two years to 31 December 2027.</p> <p>The Council has a Public Sector Equality Duty under the Equality Act 2010 to provide its residents with equal access to the support and services we provide, which may bring about additional translation and interpretation requirements via the following methods:</p> <ul style="list-style-type: none"> • In Person Face to Face Translation with an Interpreter • Virtual Face to Face Translation via Video Call • Verbal Translation via a Telephone Call • Face to Face British Sign Language Interpretation • Written Translation <p>The key benefits of the contract will be:</p> <ul style="list-style-type: none"> • Enable accurate and timely interaction with varied end user groups including our most vulnerable Adults and Children • Ensure that key information where a translation need is identified is communicated effectively through spoken, written or non-spoken word processes. • A full understanding of the need as the preferred supplier has evolved from a Local Authority background and comprehends in minute detail the requirements, constraints and challenges that Local Authorities are currently operating under. 	

- Honouring our duty to residents under the Equality Act 2010 to provide equal access to services and support.
- Translation and Interpretation services have the potential to improve the use and focus of officer time and quickly deliver the desired outcomes to all parties, when compared to the quality of interaction and time taken if the service was not employed.

Recommendation(s)

The Cabinet is recommended to:

- (i) Agree the direct award of a maximum four-year contract for Translation and Interpretation Services to The Language Shop Limited via the Healthtrust Europe LLP Framework for Total Language Solutions: Interpretation, Translation and Transcription Services from Lot 1 (On-Site and/or Remote Interpretation, Translation and Transcription Services) and Lot 2 (Non-Spoken Interpretation and Translation Services) , in accordance with the strategy set out in the report; and
- (ii) Delegate authority to the Strategic Director, Children and Adults, in consultation with the Cabinet Member for Community Leadership and Engagement and the Chief Legal Officer, to award and enter into the contract and all other necessary or ancillary agreements with The Language Shop Limited to fully implement and effect the proposals.

Reason(s)

The procurement will ensure:

- The Council fulfils its legal and statutory obligation to comply with the Equality Act 2010;
- That non-English speaking residents can access essential services and support.
- That all residents can fully participate in the democratic process.
- Residents, regardless of their English comprehension, can be enabled to function effectively as citizens of society by ensuring they understand their obligations towards local rules and customs.
- The Council is compliant with its Contract Rules.

1. Introduction and Background

- 1.1 Prior to 2019, translation and interpretation services were provided consecutively by two well-known suppliers in this market. One contractual arrangement was unfortunately terminated due to failure and the other, despite contractually invoked improvement plans, was again unable to meet the basic demands and expectations required. Due to the failures, the decision was taken to transition to procuring a secondary supplier to support the quality, diversity of languages required and volume of requests to hopefully improve overall outputs and spread the risk.
- 1.2 The secondary supplier was The Language Shop Limited who were appointed with effect from January 2020 for an initial term of two years (with the option to extend for two years). Due to the quality of service provided, The Language Shop Limited naturally evolved to become the sole supplier of translation and interpretation

services for LBBD. It was very clear with close monitoring and a corporate contract management regime they had the knowledge, capacity and attributes to deliver a good quality service to the officers and residents of the borough.

- 1.3 The total contract spend from January 2020 to March 2023 is £526k with a further predicted spend of £132k until contract end in December 2023. This equates to an average spend of £165k per contract year and a total of £658k over the contract term. The historical volumes and spend can be broken down as follows:

Full Contract Year	No of Requests	Spend (£)
January 2020 – December 2020	3435	£131,103.23
January 2021 – December 2021	5852	£176,063.17
January 2022 – December 2022	5762	£174,708.31
January 2023 – December 2023	5800 (predicted)	£175,000.00 (predicted)

- 1.4 The top three highest service users of Translation and Interpretation provisions are Childrens Services at 75% of spend, followed by the Disability Service at 11% and Community Solutions at 7.6%.

- 1.5 The top five languages that require translation via this service in volumetric order are:

1. Romanian
2. Bengali/Sylheti
3. Bengali Dhaka
4. Lithuanian
5. Albanian

- 1.6 COVID lockdowns throughout 2020-2021 impacted the provision of this service with the ability to deliver face to face in person translation an impossible task, The Language Shop stood up very quickly to this challenge and exhibited almost immediate flexibility in their delivery. They switched the provision of face-to-face translation to online platforms such as Zoom and Microsoft Teams allowing the Council to continue to support some of its most vulnerable residents in unprecedented times.

- 1.7 Not only did The Language Shop Limited offer a stable and reliable service throughout COVID, it invested in telephony technology which allowed it to make cost reductions which were passed onwards to clients via reductions in their Rate Card charges.

2. Proposed Procurement Strategy

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

- 2.1.1 The service requirements can be split into four (4) main types:

Face to Face Interpreting

The provision of Face-to-Face Interpreting Services for spoken languages which entail direct oral communication between the principal parties through the use of an Interpreter. This shall include the following and any other areas which can be properly described as Face-to Face Interpreting:

- Consecutive Interpreting
- On-site Interpreting
- 24 Hour Service, 365 days a year
- Emergency bookings and out-of- hours bookings

Telephone and Video Interpreting

This includes the provision of Telephone Interpreting Services for spoken languages and enables the immediate connection to an interpreter on the telephone. This shall include the following and any other areas which can be properly described as Telephone Interpreting Services:

- On-demand and Scheduled Availability
- 24 Hour Service, 365 days a year
- Provision of Telephone Equipment (where required)
- Emergency bookings and out-of- hours bookings

There is also scope for alternative mediums of service delivery in the form of Video Remote Interpreting and Video Conferencing.

Non-Spoken Languages (BSL)

This includes the provision of Communication Professionals who work with deaf and deafblind people in the UK in the area of non-spoken language. This shall include the provision of British Sign Language Interpreters as well as some or all of the following and any other communication professionals who can communicate with deaf and deafblind people:

- Interpreters for deafblind people
- Lip speakers
- Notetakers
- Sign Supported English (SSE)
- Sign Language Translators
- Speech to Text Reporters
- Deaf Relay Interpreters
- Online BSL
- 24hr Service, 365 days a year
- Emergency bookings and out-of- hours bookings

Translation and Transcription

This includes the provision of Translation Services which requires the interpretation of written text in the source language and rendering that material clearly and accurately into the target language. It also includes the provision of transcription services which converts speech (either live or recorded) into a written or electronic text document and proof reading. This shall include the provision of Document Translation, Transcription Services (Text to Audio/Audio to Text for English to

English and Non-English Languages) and Proof Reading as well as some or all of the following services and alternative formats:

- Multilingual Voice Overs
- Easy Read
- Braille
- Large Print

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

2.2.1 Based upon current demand levels £700k for the entire 4-year contract period (2 years plus a 2-year option for an extension) The guesstimated spend per contract year is £175k as per current levels of demand. This is a resident demand led service and is funded from individual service budgets based upon usage data.

2.3 Duration of the contract, including any options for extension

2.3.1 Two years plus an optional two-year extension.

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

2.4.1 Yes, this requirement falls under the requirements of Goods and Services, however the use of an accessible framework is permitted under PCR 2015 and the Council's Contract Rules.

2.5 Recommended procurement procedure and reasons for the recommendation

2.5.1 It is recommended to directly award a two-year contract plus an option for a two-year extension to The Language Shop Limited via the Healthtrust Europe LLP Framework for Total Language Solutions: Interpretation, Translation and Transcription Services from Lot 1 (On-Site and/or Remote Interpretation, Translation and Transcription Services) and Lot 2 (Non-Spoken Interpretation and Translation Services), using the Framework Standard Terms and Conditions and the outline specification highlighted in paragraph 2.1 above.

2.5.2 The reasoning for this recommendation is:

- (i) The provider has a full understanding of our needs as The Language Shop Limited has evolved from a Local Authority background and comprehends in minute detail the requirements, constraints and challenges that Local Authorities are currently operating under, both with demands and finances.
- (ii) The Language Shop Limited has demonstrated they can fulfil 97% of service requests at reduced costs, so can meet our volumetric demands, quality and price expectations.
- (iii) Previous experience in moving suppliers has not delivered desired results and has hindered service outcomes for residents to the point where a stage 3 complaint was received.

(iv) A pool of pre-vetted professionals is readily available to the Council and once the strategy is agreed we will build into the contractual provisions about the use of local interpreters where possible.

2.5.3 The delivery of this service and awarding of this contract will allow the Council to meet the following Borough Manifesto aspirations, whilst also allowing staff to fully realise our values Deliver, Respond and Engage with this service giving them the ability to fully communicate with residents with no language barriers:

- a) Supporting Residents to achieve independent, healthy, safe and fulfilling lives.
- b) A place where residents have access to equal opportunity.
- c) Fair treatment for all

2.5.4 The direct award of this contract to The Language Shop Limited will also remove any requirement for an implementation plan/period or service disruption due to them being the incumbent supplier. It is estimated that to conduct a mini or full procurement exercise, evaluate the tenders with a stakeholder panel and implement a new IT/purchasing process along with settling in a new supplier would take considerable officer time and resources which would far outweigh any cost avoidance or savings a new provider could potentially deliver. Taking this into consideration an open market exercise was not considered to be the best proposition to deliver the best value for money.

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

2.6.1 The terms and conditions to be used is the Call Off Agreement from the Health Trust Europe Framework supplemented by the Header terms of the framework.

2.6.2 The preferred supplier will be required to maintain a full electronic set of information on the services provided to the Council including but not limited to:

- Client/Resident Name
- Individual Job Reference
- Date
- Start Time/Finish Time
- Duration
- Officer Name
- Department Name
- Cost Centre
- Language requiring translation.
- Type of Service Request
- Cost
- Location of Delivery

2.6.3 This data will be accessible to LBBD officers in the form of Management Information upon request.

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

- The Council fulfils its legal and statutory obligation to comply with the Equality Act 2010.

- That non-English speaking residents can access essential services and support.
- That all residents can fully participate in the democratic process.
- Residents regardless of their English comprehension can be enabled to function effectively as citizens of society by ensuring they understand their obligations towards local rules and customs e.g. rubbish disposal and parking restrictions
- The Council is compliant with its Contract Rules and PCR 2015
- Translation and Interpretation services have the potential to improve the use and focus of officer time and quickly deliver the desired outcomes to all parties, when compared to the quality of interaction and time taken if the service was not employed, so in essence could be considered to be delivering cost avoidance.

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

2.8.1 Not applicable as the recommendation is a Direct Award.

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

2.9.1 As this procurement strategy is recommending a Direct Award, LBBD is not able to evaluate the Social Value commitments offered. However, to comply with the Council's strategy to ensure Social Value is delivered by all supplier's contracting with the Council for over £100,000. The Language Shop Limited will be notified of the Council's Social Value policies and provided with the Social Value Toolkit. As part of the contract signing agreement. LBBD will liaise with their account manager to discuss and encourage future Social Value commitments.

2.9.2 Any commitments made will be in addition to the service The Language Shop Limited are providing and will be monitored by LBBD's contract manager to ensure outcomes are achieved and reported to the SV Co-Ordinator for reporting and monitoring purposes.

3. **Options Appraisal**

3.1 **Do Nothing** - this was rejected as to this could result in the Authority failing to deliver on its legislative requirements under the Equality Act 2010. Doing nothing means the Council would not satisfy its own Manifesto commitment to fair treatment for all.

3.2 **Mini Competition via the existing Framework** – this was rejected due to the historical procurement and contract management experience with this service over the last decade, in that a slightly cheaper rate card on two occasions has previously never delivered the quality of service that we expect for our end users, so much so there was an increase in abortive appointments, inability to meet the diverse language requirements and even a stage 3 complaint.

3.3 **Open Market Procurement** – this was rejected due to the considerable officer time, resources and associated costs it would require evaluating the tenders with a stakeholder panel and implement a new IT/purchasing process along with settling in a new supplier would far outweigh any cost avoidance or savings a new provider could potentially deliver. Taking this into consideration this option was not considered to be the best proposition to deliver the best value for money.

3.4 **Direct Award a two-year contract (with two-year extension option) to The Language Shop Limited** - this is the recommended option for the reasons set out in the report.

4. **Waiver**

4.1 Not applicable.

5. **Equalities and other Customer Impact**

5.1 This service provision will enable accurate and timely interaction with varied end user groups including vulnerable Adults and Children and is a tool to ensure that all available information is communicated effectively through spoken, written or non-spoken word processes. This service provision promotes and celebrates the diverse nature of our residents by promoting inclusivity and giving residents equal access to our services and support.

5.2 An Equality Impact Assessment Screening Tool has been completed (**Appendix 1**) which has determined that this contract and procurement activity will deliver either neutral or positive outcomes to the characteristics analysed and therefore a full EIA is not required. This contract is inherently aimed at eliminating discrimination and providing better and equal access to support and information for all residents.

6. **Other Considerations and Implications**

6.1 **Risk and Risk Management**

Risks

- No formal contract means the Council will not be able to continue to provide its residents with appropriate translation and interpretation to perform their legislative duties as stated in the Equality Act 2010;
- Uncontrolled spending on Translation and Interpretation due to no formal contracts in place could leave to the Council open to challenge through FOI and audit;
- There is risk of overspending on Translation and Interpretation across all Council divisions due to non-centralised buying and unagreed prices on non-contractual services if not covered by the scope and management of a corporate contract;
- Not having this service covered by a corporate contract with centralised management, could mean delays, cancellations, non-delivery and the inability for volume/diverse language requirements to be met potentially putting some residents at a disadvantage.

Risk Management

- Having a corporate contract in place will ensure the Council meets its duty of care and obligations as stated in the Equality Act 2010
- The contract will provide for strict performance monitoring which the provider will be required to adhere to in order to ensure a timely quality service with high fulfilment rates at the agreed costs is delivered, thus reducing the issues of unapproved services at unagreed prices.

- The Terms and Conditions will set out the operations of the Contract and ensure all parties meet their contractual obligations.
- If the provider continuously fails to deliver expected service levels in line with expectations and the contract terms and conditions despite close corporate contract management, then we will have the ability should we need to terminate the contract and source an alternative provider (subject to Procurement Board and Stakeholder approval). There are other providers available on the Healthtrust Europe LLP Framework and if required we could explore other Frameworks like the NHS Shared Business Services.

- 6.2 **Safeguarding Children** - It is clear from the historical spend data that Children's Services are heavily reliant on the use of translation services to ensure they can fully communicate transparently and fully with those residents involved in referrals and casework where language barriers exist. This service is a necessity to ensure that the children who are subject to our interventions are fully safeguarded and that no communication complications impede the ability of officers to ensure that this is indeed the case.
- 6.3 **Health Issues** - As above, Children's Services are heavy users of translation in all areas of support offered, which in turn will deliver concise important messages and expectations to the parents and caregivers about the care that a child is expected to receive, it will remove any ambiguity, it will remove cultural differences and hopefully ensure with our help along with the support of translation services that a child can be raised in a healthy, non-neglectful and positive way.
- 6.4 **Crime and Disorder Issues** - This service provision will ensure regardless of a resident's English comprehension that they can be enabled to function effectively as citizens of our borough and society by ensuring they understand their obligations towards local rules and customs e.g., rubbish disposal, parking restrictions, noise nuisance and any subsequent legal proceedings for non-compliance.
- 6.5 **Data Protection** - The Data Protection elements of this contract and Framework will be reviewed in line with Data Protection legislation requirements for example undertaking a Data Protection Impact Assessment prior to contract commencement date.

7. Consultation

- 7.1 The proposals in this report will be considered at Procurement Sub-Group on 3rd April 2023 and Procurement Board on 17 April 2023.

8. Corporate Procurement

Implications completed by: Euan Beales, Head of Procurement

- 8.1 The Council requires all spend over £50,000 to be procured in the open market, however this requirement is also satisfied in the event that the route to market is an open and accessible framework. The use of the Health Trust Europe framework satisfies this requirement and is also a recognised route to market for this type of service.

- 8.2 The report recommends a direct award to The Language Shop and justification has been given, this is supported by cost avoidance through not having to conduct a full open tender or a mini competition through the framework which would require a full project team for the evaluation and implementation.

9. Financial Implications

Implications completed by: Sandra Pillinger Group Accountant

- 9.1 The estimated cost of this contract award is £700,000 for the four-year period from 1 January 2024 to 31 December 2027 (two years plus two years' extension). This is based on the price schedule set out in the first section of this report and historic usage levels. These prices will be fixed over the term of the contract. Costs will be borne directly by the service, which is largely Childrens Services, but also Disability Services and Community Solutions.

10. Legal Implications

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

- 10.1 This report is seeking approval to use the Healthtrust Europe LLP Framework to procure a contract for Translation and Interpretation Services from Lots 1 and 2 on the framework for a term of two years from 1 January 2024 to 31 December 2025, with an extension option of two years to 31 December 2027 via a direct call-off.
- 10.2 This report states that the total value of the procurement will be £700,000, which is above the threshold for service contracts and means that there is a legal requirement to carry out a tender exercise in accordance with the Public Contracts Regulations 2015 (PCR). Using an already established framework is a compliant route to market under the PCR. This will also satisfy the Council's Contract Rules. Rule 5.1 (a) advises that it is not necessary for officers to embark upon a separate procurement exercise when using a Framework Agreement providing the Framework being used has been properly procured in accordance with the law and the call-off is made in line with the Framework terms and conditions.
- 10.3 The use of the HealthTrust Framework will satisfy the above requirements as the Council is permitted to call off from the framework, which has been set up following a compliant process for all local authorities in the country.
- 10.4 Contract Rule 28.8 of the Council's Contract Rules requires that all procurements of contracts above £500,000 in value must be submitted to Cabinet for approval. In line with Contract Rule 50.15, Cabinet can indicate whether it is content for the Chief Officer to award the contracts following the procurement process.
- 10.5 The legal team will be able to assist the client department with putting in place the contract with the supplier.

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

List of appendices:

- **Appendix 1** – Equality Impact Assessment Screening Tool

Equality Impact Assessment Screening Tool

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

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

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

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

Proposal/Project/Policy Title	Procurement of Translation & Interpretation Services	
Service Area	Commercial Services (Corporate Contract)	
Officer completing the EIA Screening Tool	Carly Bucknell Commercial Support Officer	
Head of Service	Hilary Morris	
Date	11/04/2023	
Brief Summary of the Proposal/Project/Policy Include main aims, proposed outcomes, recommendations/decisions sought.	The direct award of a contract for Translation & Interpretation Services to The Language Shop Limited via the Healthtrust Europe LLP Framework for Total Language Solutions.	
Protected characteristic	Impact	Description
Age	Positive impact (L)	Having this contract would ensure better access to our support and services for all ages & may mean younger children/teens aren't relied on to translate for older family members.
Disability	Positive impact (L)	Having this contract would ensure better access to our support and

		services for all levels of ability – there is also provision for BSL translation for those residents who are deaf. This contract will also allow for recorded text to be sent to tenants who are registered blind.
Gender re-assignment	Not applicable (N/A)	We don't believe this contract and the service delivered will impact specifically on those undergoing gender re-assignment unless of course they have difficulty understanding/speaking English in which case this will most certainly have a positive impact.
Marriage and civil partnership	Positive impact (L)	Having this contract would ensure better access to our support and services regardless of marital status and may in fact highlight any safeguarding issues that may not otherwise have been identified
Pregnancy and maternity	Positive impact (L)	Childrens Services are one of the highest users of the translation services and by association it is assumed that some of their end users may be pregnant or in a maternity period. This will positively impact these service users to ensure safeguarding and interventions are fully understood and improvements to care can be made to ensure a happy and healthy child.
Race	Positive impact (L)	There is a positive impact for this group as this contract & service aims to ensure that those individuals who need language assistance to understand the support and services the council offers will receive it in a format or language that is relevant to them
Religion	Positive impact (L)	Though there appears not to be any specific or direct impact LBBB is aware that issues of culture, around gender for instance, may mean there is a risk that a resident may not receive appropriate interpretation if provided by a family member. The provision of an appropriate and independent interpreter will have a

		positive impact under such circumstances.
Sex	Positive impact (L)	There may be language difficulties because of cultural and gender related issues that are intertwined, this is a difference the contract takes account of as it is delivered with a person centric approach that should mitigate against this difference.
Sexual orientation	Not applicable (N/A)	We don't believe this contract and the service delivered will impact specifically on those of alternative sexual orientation unless of course they have difficulty understanding/speaking English in which case this will most certainly have a positive impact. The contract is inherently aimed at eliminating discrimination and providing better access to support and information
Socio-Economic Disadvantage¹	Positive impact (L)	We don't believe this contract and the service delivered will impact specifically on those residents with a Socio-Economic Disadvantage unless of course they have difficulty understanding/speaking English in which case this will most certainly have a positive impact. The contract is inherently aimed at eliminating discrimination and providing better access to support and information and may improve a resident's socio-economic status as a result.
How visible is this service/policy/project/proposal to the general public?		Medium visibility to the general public (M)
What is the potential risk to the Council's reputation? Consider the following impacts – legal, financial, political, media, public perception etc		Low risk to reputation (L)

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

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

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

It is considered that this contract and procurement activity will deliver either neutral or positive outcomes to the characteristics analysed and therefore a full EIA will not be required on this occasion. This contract is inherently aimed at eliminating discrimination and providing better & equal access to support and information for all residents.

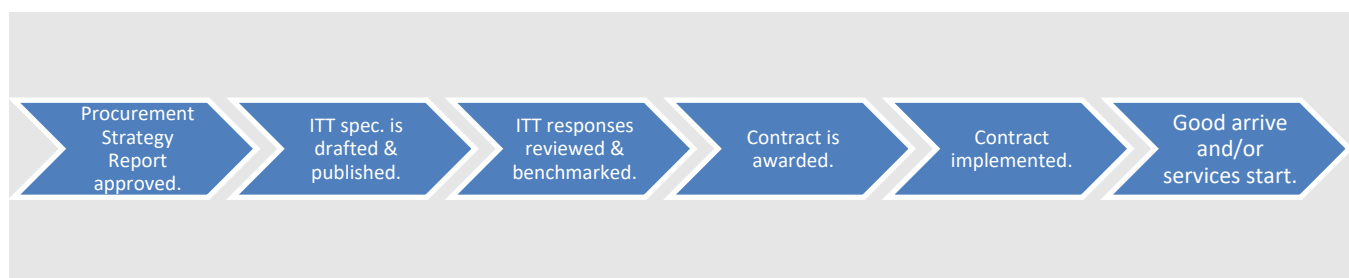
Please submit the form to CE-strategy@lbbd.gov.uk and include the above explanation as part of the equalities comments on any subsequent related report.

CABINET**20 June 2023**

Title: Social Value in Procurement – Impact Report 2022/23	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Faye Elliott Social Value Co-ordinator, Commercial Service	Contact Details: Tel: 020 3911 7653 E-mail: faye.elliott@lbbd.gov.uk
Accountable Director: Hilary Morris, Commercial Director, Customer, Commercial and Service Delivery	
Accountable Executive Team Director: James Coulstock, Interim Strategic Director of Inclusive Growth	
<p>Summary</p> <p>The Council’s Social Value Policy was developed and approved by Cabinet in May 2020 and then launched in October 2020. Its purpose was to maximise the impact the Council could leverage from its contracted spend by mandating social value must be part of the evaluation criteria on Council procurements over £100,000.</p> <p>The revised policy was designed to enhance delivery of ‘Inclusive Growth’ and meet Borough Manifesto targets to improve job density, income and employment rates in the borough. The Social Value policy also plays a part in supporting delivery of the Council’s wider Corporate Plan and strategic goals to improve participation and engagement; independence and resilience; and environmental sustainability.</p> <p>This report provides the annual update regarding progress and impact that the Social Value policy is having between April 2022 and March 2023, as well as an update on social impact from the wider Inclusive Growth team.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) Note the continued positive impact of the Council’s Social Value in Procurement policy in terms of suppliers’ social value commitments and associated outputs during 2022/23, as detailed in Appendix A to the report; and (ii) Note the Council’s wider Social Impact across other Inclusive Economy sectors. 	
<p>Reason(s)</p> <p>Social Value commitments and outputs are linked to the wider corporate strategy and linked particular with inclusive growth, citizenship and participation.</p>	

1. Introduction and Background

- 1.1 In May 2020 Cabinet approved a revised Social Value policy which committed Commissioners to include a minimum of 10% (and a maximum of 20%) Social Value weighting to the evaluation criteria for all procurements over £100,000 (excluding frameworks and waivers).
- 1.2 The Policy and Social Value Toolkit (supporting guide) requires potential suppliers to consider what action they might undertake to support the Council in achieving better outcomes for the borough and its residents and places emphasis on commitments that deliver within our three social value themes.
- 1.3 As a reminder, most procurements that now meet the Social Value threshold are large and complex, and there is often a long time between papers going to Procurement Board, ITT specification being developed and published, contract awards and the supplier starting work. The table below sets out the high-level procurement process:



- 1.4 There is often a 9-18month lead time between the start of the process to procure and the work/service starting or goods arriving.
- 1.5 On that basis reporting on Social Value are reported in two separate ways: commitments, and outcomes. Commitments are the activities or initiatives that suppliers outline they will deliver during the time they are in contract with the Council; whereas the outcomes are the actual benefits that are delivered by the supplier. There can be a number of factors that mean these two things differ, for instance, possible lack on engagement from a community organisation, school, residents etc. If these situations occur, the Council works with suppliers to find an alternative outcome to ensure some impact is still achieved.

2. Social Value Performance Summary 2022/23

- 2.1 There have been 52 relevant procurements brought to Procurement Board in the last 12 months with all suppliers being asked to commit to provide a social value commitment through that process. Furthermore, where the procurement process has been concluded, 100% of our eligible procurements have included contractual commitments to provide some social value to the borough and its residents.
- 2.2 Where goods or services are procured through either a pre-procurement framework or via a council approved waiver, Social Value cannot always be mandated. However, we encourage commissioners to discuss our Social Value aspirations with suppliers and to work with them to try and secure commitments wherever possible. In the last 12 months the Council has received Social Value commitments

from a number of suppliers through this process, with the commitments ranging from advertising roles via the jobs shop, running virtual training sessions for residents, research findings and knowledge sharing across relevant sector partners, industry specific books for a school library and work experience placements.

- 2.3 LBBD has just over 2 years of data collected from Social Value commitments and outcomes from suppliers. It's worth noting that very rarely are two procurement processes the same or yield the same results as the intention is to try and match supplier commitments to specific needs within the community wherever possible. As such we are starting to produce analysis that looks at trends in commitments and outcomes as a way to generate a stronger understanding of what the Council might be offered as a baseline commitment in terms of Social Value from certain industries/sectors.
- 2.4 Across the educational construction sector (school improvements and general building works etc), we are seeing good outcomes, especially when the contract manager at LBBD and the supplier have a strong relationship. However, key to success is often the support and engagement of the school itself. One school project it is worth highlighting is a recycling plastic bottles project, where members of the school community brought in clean plastic bottles to school and the supplier has turned these into a greenhouse for the students to use (see picture below). This is a great example of community participation, reduction of waste to landfill and educational enrichment of the children of B&D.



- 2.5 Sectors where the Council is procuring 'services' appear to find it easier to commit to jobs, work experience, work placements, industry learning etc. Suppliers also seem to grasp the link and benefits achieved from B&D residents being employed and delivering LBBD services.
- 2.6 Suppliers of 'goods' often need to be more creative in thinking about how they might support B&D from a Social Value perspective. However, we are starting to see more suppliers look to the Environment Sustainability theme, particularly focusing on reduction of single use plastic, reduction of cardboard used in transportation and use of electric vehicles. This is not just good business sense, it makes LBBD a cleaner, greener borough.
- 2.7 Finally, taking a focused approach to target particular need in the borough has seen a link develop between small financial contributions, often from 'goods' suppliers, to funnel support to wider council campaigns, like the cost-of-living crisis. A good

example of this is the Community hubs being able to offer 180 fleeces to residents in the Borough who attend Baby Club, Food Club or Warm hubs during autumn and winter months.

3. Social Value Commitments and Outcomes 2022/23

3.1 The following summarises the commitments that have been agreed in procurement processes that have concluded and contracts awarded between April 2022 and March 2023 as well as the outcomes that have been delivered during this period.

3.2 More information regarding each supplier's commitments and outcomes can be found in **Appendix A** "Social Value Commitments and Output from Suppliers April 2022 to March 2023".

Data and Impact: Commitments made 22/23



Data and Impact: Outcomes made 22/23



3.3 During 22/23 the Social Value Coordinator was recognised for LBBB's work within the Social Value space, with two nominations for nationwide awards, picking up a Highly Commended in the GO National Procurement awards. The Social Value Coordinator has also been asked to attend a session with a small number of other local authorities to have a discussion on Social Value, which concluded in an article in the Local Government Chronicle that LBBB featured in. LBBB has also been asked to present at two Social Value Panel sessions, run by the Social Value Portal and the Westminster Business forum, speaking alongside other Local Authorities and suppliers, highlighting LBBB's approach to Social Value.

4. Social Value Improvements

4.1 We continue to look for ways to improve our approach to Social Value to ensure we are obtaining maximum value and the below summarises some of the activities we have undertaken this year.

4.2 First, we have completed the Social Value Portal's Maturity Index assessment, which assesses the strength of our approach in relation to a series of criteria, for example Policy, Reporting, Internal Management, Market Engagement and Partnership etc. This report suggests that our approach to social value is assessed as split 50/50 between 'Mature' and 'Leader' (the higher level) with an overall benchmark score of 'Mature'. This is a positive reflection of the significant step-change we have nurtured in our approach to Social Value since the revision of the policy in 2020 and also give us defined areas of improvement to focus on to allow us to move consistently into the 'Leader' space. The areas we will be focusing on moving forward will be around supplier and VCSE market engagement and communication of Social Value wins and lessons learnt both internally and externally.

4.3 Secondly, the Council seeks to enhance and develop its existing relationship with the Voluntary Sector (VCSE). Since 2021 LBBB has held bi-monthly meetings with the VCSE and this forum brings together front facing B&D staff, as well as representatives from the VCSE sector in the Borough. The purpose of this engagement is to ensure that wherever possible Social Value commitments reflect the needs, issues and priorities facing the residents of B&D and help build the capacity of existing initiatives to address these.

4.4 Thirdly, the Council has held its first Social Value priorities setting session. Facilitated by BD Giving, the VCSE came together to talk with council teams about the focus areas across the borough that Social Value activities might look to support. This session was attended by 12 residents/VCSEs representatives/suppliers and was a very engaging conversation around what Social Value is, and what the sector sees in terms of issues, priorities and need. There was an active question and answer sessions around Social Value and the overall aim of the session was to start a process to establish a statement owned by the VCSE sector that suppliers can access directly, relating to the Social Value needs of the Borough. This is now planned as an annual event, to review and develop this shared statement.

4.5 Finally, the Council is also looking for innovative ways to recognise those suppliers that go above and beyond. LBBB is looking into the option of a Digital Badge reward system for suppliers, awarding those that make commitments to B&D,

deliver against that commitment, and/or over deliver. The badge is being developed to include the B&D logo and show that the supplier it is awarded to has met certain criteria relating to Social Value. The digital badge will be given to suppliers to store/display the badge on their website/social media. The badge itself is a link to a set of principles LBBD will create explaining the supplier has made Social Value commitments, delivered and/or over-achieved against those commitments.

5. Social Impact beyond Social Value

- 5.1 In addition to the use of Social Value requirements, procurement rules are being used to promote wider good practice. In September 2022 the Council became an accredited Living Wage Employer – meaning all new contracts to deliver Council services require suppliers to pay staff working on them the real London Living Wage. In the same month a new rule was introduced that all bronze spend (under £25k) contracts must include a quote from a local supplier. A dedicated working group is looking at how we can improve the information about procurement opportunities and over the last twelve months we have attended 3 local market engagement events (2 in person, 1 online) and 3 meet the buyer sessions to date. Work has also started to better promote sustainability in Council supply chains.
- 5.2 Procurement is just one of the ways that the Council is seeking to use its levers to drive social impact and promote a culture shift to deliver on the priorities of the Borough Manifesto. These wider community benefits have been highlighted in a few key example areas below. Their outcomes are noted here for reference and are not included in the Social Value figures above:
- 5.3 The Council Commercial portfolio includes Be First and B&D Energy. These companies have, where possible, been set targets and expectations relating to local employment and training in their work, as well as obtaining their own Social Value from their supply chain:
- 5.4 The Council has set Be First targets to ensure 25% of their workforce is local, 5% of their FTE workforce is an apprentice, and 25% of their spend is with local businesses. Be First & their wider supply chain currently employs approx. 1080 B&D residents and manage 54 apprenticeships across their wider portfolio. Through their supply chain, they have also delivered at least 1 week or more of work experience placements to 18 people and 43 careers talks/workshops with residents and students from B&D.
- 5.5 B&D Energy has taken on 1 apprentice who is working on a 4-year apprenticeship, and they have also recruited one additional member of staff during the past 12 months from B&D, taking their total to 4 employees from the Borough.
- 5.6 The Inclusive Growth portfolio has seen the Council's Film Service, Film Barking and Dagenham, continues to drive Social Impact by brokering opportunities for residents with visiting productions using the borough as a location – an approach that is set to grow through the 'Make It Here' programme of pathways to secure education, employment, supply chain and community benefits linked to the new film studios.
- 5.7 Film Barking and Dagenham – Make It Here link their Social Impact to the Council's Social Value policy and themes. Outcomes in 2022-23 include:

- work experience for students directly with the film service
- 35 paid marshalling roles for trainees from their Bootcamps in a variety of roles for students with visiting productions including Apple, Amazon, Netflix, and Warner Bros. Using the flat daily marshal rate (set by industry) an estimation can be made the total earnings of approx. £15,000 shared between this cohort of B&D students.

- 5.8 Employment opportunities at the studios including 1 year London Living Wage studio runner contract for a Barking Riverside resident and a permanent local grounds person at the Wharf.
- 5.9 Supply chain opportunities for local businesses including Ritchie's Bakery at the Wharf Studios.
- 5.10 Additional financial support for food banks and income to support building repairs in the areas and locations where filming is taking place.
- 5.11 As part of the wider film sector development work, the 'Make It Here' programme has delivered bootcamps, industry masterclasses and workshops with local colleges, schools, teacher CPDs and community-led film focussed projects. Two careers' events also saw almost 1600 students across 4 half-day sessions learn about different aspects of the film industry and career pathways that will be open to them when the new Eastbrook studios are complete.
- 5.12 The Council has strengthened its ability to use planning powers to secure construction-phase and end-user employment, training and supply chain targets from major developers in the borough using Section 106 powers. The new policy is being embedded in the new Local Plan.
- 5.13 Among other developments in Inclusive Economy, the new policy underpins an endowment secured from the City of London in relation to the planned relocation of its food wholesale markets to Barking and Dagenham. This is supporting a plan to promote healthier, affordable and more sustainable food in the borough. Overseen by a Good Food Partnership that was launched in March 2023, this includes work to improve in food education and catering in schools and a community Grow, Cook, Eat programme, as well as plans for a new World Food School and Food Hall in Barking town centre, with links to the new wholesale markets.

6. Social Value focused area: Support Employment Programme update

- 6.1 A key ongoing focus is how to coordinate and maximise the impact of Social Value in priority areas. Working across the Council to understand wider Borough need and trying to establish coordinated programmes in order to channel the supplier commitments towards the greatest or most relevant need.
- 6.2 In the 21/22, securing more paid employment opportunities for people with complex barriers to work, was identified as a key focus. In summer 2022 research was undertaken and completed by the Learning and Work Institute (L&WI) to identify how best to target and coordinate a supported employment programme, in consultation with Care and Support and other relevant colleagues across the Council.

- 6.3 L&WI recommended focusing on people with LD and/or mental health needs, highlighting the need for paid placements, a structured programme and more support and engagement to enable more employers to offer placements.
- 6.4 The job brokerage service subsequently secured funding from DWP for a 2-year Supported Employment programme for people with learning disabilities. Based on the L&WI recommendations, this includes match funding provided through additional employer engagement officers.
- 6.5 Securing placements will be a key focus of Social Value negotiations wherever possible, including through BD Group.
- 6.6 The programme is currently in the recruitment phase with one of the key positions recently offered and accepted. The outcome of the rest of the recruitment will be announced imminently. Many participants have already been identified to join the programme, with 7 already in progress, one of which has a job offer being processed.
- 6.7 Currently in the recruitment phase of the programme with one of the key positions recently offered and accepted. The outcome of the rest of the recruitment will be announced imminently. Many participants have already been identified to join the programme, with 7 already in progress, one of which has a job offer being processed.

7. Consultation

- 7.1 This report was considered and reviewed by Senior Leadership Team during May 2023.

8. Financial Implications

Implications completed by: Gina James, Finance Business Partner

- 8.1 Social value refers to improvements in the life of residents, communities and the environment that goes beyond economic exchanges. Although it can be difficult to quantify the social value of the outcomes delivered, it may be possible to measure performance with the introduction of relevant and focused metrics that align with the Council Social Value, Corporate Plan and strategic objectives. This information would allow for better justification of procurement decisions and the delivery of the most value for money for all stakeholders.
- 8.2 The revised Social Value Policy has led to considerable local economic and indirect financial benefits, including cost savings for both the Council and the Borough's residents. For example, the Community hubs being able to offer 260 fleeces to residents in the Borough who attend Baby Club, Food Club or Warm hubs during autumn and winter months in support of the cost-of-living crises; £28k direct funding support to various VCSEs, employment opportunities created and offered to the local community, suppliers volunteering days and other contributions made in support of Council initiatives, all lead to financial advantages.

9. Legal Implications

Implications completed by Lauren van Arendonk, Locum Contracts & Procurement Lawyer

- 9.1 The Council recognises the importance of social value within the Borough, for its improvements in the life of residents, communities and the environment that goes beyond economic exchanges. As a local authority, the Council is required to adhere to key legislation which deals with aspects of social value.
- 9.2 Under the Public Services (Social Value) Act 2012, commissioners of public services are to consider in any pre-procurement process, how they can secure wider social, economic and environmental benefits in its area.
- 9.3 Social value is promoted via various regulations in the Public Contracts Regulations 2015 ("PCR") Reg. 67(2) states that environmental and/or social aspects of a tender may be a factor that taken into account in the evaluation of tenders. Similarly, the Council is bound by the Modern Slavery Act 2015. Section 54 states that a commercial organisation must prepare a slavery and human trafficking statement for each financial year.
- 9.4 The social value policy has relevance to public procurement. It is embedded within the Council's Contract Rules and is also relevant to public contract law and the Council's adherence to legislation.

10. Corporate Procurement

Implications completed by: Euan Beales, Head of Procurement

- 10.1 Corporate Procurement have worked alongside stakeholders in all service areas to ensure social value is included in the procurements we are responsible for. We assist our stakeholders in recognising the benefit of social value and the impact it can, and does have, within the borough.
- 10.2 Corporate Procurement ensures social value reflects the various themes detailed in the Borough Manifesto and that supplier's tender responses include targets and demonstrates how those targets will be delivered within the borough.

11. Corporate Policy and Equality Impact

- 11.1 The Equality Impact Assessment was updated for the previous Social Value Impact Report (21/22) due to the changes to the Social Value Toolkit. There are no planned changes to the Social Value Toolkit in this report and therefore we have been advised we only needed to update the EIA to reflect this.

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

List of appendices:

Appendix A: Social Value Commitments and Outcomes from Suppliers April 2022 to March 2023

This page is intentionally left blank

**Social Value Commitments and Output from Suppliers
April 2022 to March 2023**

Commitments:

Supplier	Commitment	Themes
Medequip - Care Technical services 3-year contract	<p>Additional commitments:</p> <ul style="list-style-type: none"> Grant Scheme for VCSEs through partnership with BD Giving £10,000 Onward supply chain commitment of c£20,000 per year with local suppliers. Advertise LBBB supply chain opportunities for LBBB through B&D Business Forum. 	<ul style="list-style-type: none"> Investment in local people Investment in local economy
Able – Canopies and playground resurfacing for Barking Abbey sites. 6months - 1 year contract	<ul style="list-style-type: none"> Use of surplus material to enhance school outdoor space – to be developed in conjunction with the school. 	<ul style="list-style-type: none"> Investment in local people
Health Assured – Employee Assistance Programme 4-year contract	<ul style="list-style-type: none"> Support community group via volunteering VOLUMES TBC. Advertise all jobs via LBBB job shop. 	<ul style="list-style-type: none"> Investment in local people
AID Training & Operations – Health and Safety Wellbeing Training 3-year contract	<ul style="list-style-type: none"> Free access to LBBB staff to online first aid awareness training. Remote training packages, where possible, to reduce environmental impact. Face to face where needed. Fully paperless service to reduce carbon impact. 	<ul style="list-style-type: none"> Investment in local people Investment in environmental sustainability
Life-Life – Healthwatch contract 3-year contract	<ul style="list-style-type: none"> 1 Apprenticeship. 4 work experience placements Advertise all jobs via LBBB job shop. 25% of onward supply chain for goods and services to be through local suppliers. 30 volunteers supported. Raise additional funds for specific projects in the Borough to grant value of approx. £200k 	<ul style="list-style-type: none"> Investment in local people Investment in local economy
MPD FM Ltd. Security Contract 3-year contract	<ul style="list-style-type: none"> All new roles to be advertised via job shop. 8 weeks work experience placements and 6 traineeships. 	<ul style="list-style-type: none"> Investment in local people Investment in local economy

	<ul style="list-style-type: none"> • 75% of onwards supply chain related to the contract, to be local. • 10 residents offered career mentoring. • £9k to support local VCSEs (with possible focus on domestic abuse survivors, women empowerment, food insecurity, and/or home care support). • Business mentoring to be offered to VCSEs, 2 sessions per year. • Group discussion, training, workshops and open days approx. 24 sessions, with a focus on security, personal safety, risks and resolutions. 	
Carers Barking and Dagenham – Carers Support Service 1 st year of contract extension.	<ul style="list-style-type: none"> • 7 volunteer roles offered to B&D residents. • Support 15 B&D residents into employment. • 4 student placements offered to B&D residents. • 5 social worker placements offered to B&D residents. 	<ul style="list-style-type: none"> • Investment in local people
Re-Gen - Additional Resource Provision (ARP) playground area at Eastbrook Primary School 1 year contract	<ul style="list-style-type: none"> • Advertise all jobs via LBBB job shop. • Non specialist onward supply chain for goods and services to be through local suppliers. • Attend local job fair/career day. 	<ul style="list-style-type: none"> • Investment in local people • Investment in local economy
Delux Care - Independent Travel Training for children and young people with Special Educational Needs and/or disabilities 2-year contract	<ul style="list-style-type: none"> • Jobs to be advertised locally and through the LBBB job shop. • Work placement to be offer to student focused on care qualification at B&D College. • Attend 1 job fair and 1 careers fair at job shop and college. • Work experience for 1 residents/student. • Commitment to buy local for office supplies, catering and transport. 	<ul style="list-style-type: none"> • Investment in local people • Investment in local economy
Care Support - Extra Care Supported Accommodation for older people, 6-month contract extension	<ul style="list-style-type: none"> • 1 student to undertake social care and nursing placement. 	<ul style="list-style-type: none"> • Investment in local people

Outputs:

Supplier	Outcomes	Themes
Xerox	<ul style="list-style-type: none"> 14 A0 B&D maps designed and printed for Youth Community Safety Event. Business Support offer put out through Discourse, 6 businesses/VCSE signed up to event (10 hours). 	<ul style="list-style-type: none"> Investment in local people Investment in local economy
Clear Channel - Small Format Advertising (Digital & Analogue)	<p>Innovation fund, advertised through B&D Giving,</p> <ul style="list-style-type: none"> £40k was awarded to the Thames View residents' association to create a community space around the Skate bowl. New Benches (made with reclaimed wood), plants and planters, activity boards and floor markings are now in place. Launch event held on 10th March 2023. 	<ul style="list-style-type: none"> Investment in local people Investment in environmental sustainability
Aston Heating Ltd – Fews and Kallar Lodge Mains Boiler replacements	<ul style="list-style-type: none"> 6 raised planters built and installed in the surrounding gardens. Repairs and Maintenance in reception area of Fews Lodge. 	<ul style="list-style-type: none"> Investment in local people
Leeds Credit Union – Credit union for residents of B&D	<ul style="list-style-type: none"> 1 day spent by 2 staff at debt event in borough 50-100 people attended. 1 day with 2 staff working with LBBB focused on how best to support vulnerable residents. 	<ul style="list-style-type: none"> Investment in local people
Medequip - Partner managing and delivering of an all-age Care Technology Service	<ul style="list-style-type: none"> Various jobs advertised through Job Shop. 1 permanent role offered to resident. 	<ul style="list-style-type: none"> Investment in local people
Independent Living Agency – Blitz cleaning contract	<ul style="list-style-type: none"> 1 permanent role filled by LBBB resident (paid). Volunteer roles: 1 person 2 days a week and 1 person mornings only. 1 permanent role filled 3 hours per week (paid). 	<ul style="list-style-type: none"> Investment in local people
Agilisys – SharePoint contract	<ul style="list-style-type: none"> 10 Chromebook, 7 MiFi devices and 4 additional chargers all purchased for the digital inclusion pilot programme. 	<ul style="list-style-type: none"> Investment in local people
Agilisys – Azure contract	<ul style="list-style-type: none"> £12,000 donated to Future Youth Zone, for support in creation of Baby Zone. 	<ul style="list-style-type: none"> Investment in local people
CDW – Lan Hardware Services	<ul style="list-style-type: none"> 2 staff attended full day careers event at Jo Richardson School. 1 undertaking industry talks and 1 	<ul style="list-style-type: none"> Investment in local people

	undertaking full day of student interviews.	
Agilisys – DBA contract	<ul style="list-style-type: none"> • £1,000 donation to We Rise domestic abuse survivors group. • £1,000 donation to Women Empowerment events. • £2,000 donation to summer of festivals. 	<ul style="list-style-type: none"> • Investment in local people
Re-Gen – 4 new classrooms at Rose Lane School	<ul style="list-style-type: none"> • Greenhouse built from recycled plastic bottles collected from the students/parents. • Wildflower garden on school ground dug out and readied for planting. • Creation outdoor space for students to learn in, using pallets and other recycled materials, Re-Gen only purchased rope. (10 volunteering days). 	<ul style="list-style-type: none"> • Investment in local people • Investment in environmental sustainability
OCN Contracts – Furniture provider for Early Years Educations & Temp. Accommodation	<ul style="list-style-type: none"> • Advertised jobs via LBBB job shop. • Reduced cardboard required to package items, in some cases by 50%. 	<ul style="list-style-type: none"> • Investment in local people • Investment in environmental sustainability
Independent Living Agency – Floating support	<ul style="list-style-type: none"> • Established and supports a working group of 8 residents/service users. 5 Meetings held, with 12 different residents in attendance. Given better understanding of service user needs/concerns & action can be taken. Created a sense of community within the working group (5 volunteering days). • 80 food parcels donated to residents. • Various other items donated or provided on short term loan system including Wheelchairs, clothing, household items, supermarket vouchers etc. 	<ul style="list-style-type: none"> • Investment in local people
ABLE – Barking Abbey dining canopy and playground resurfacing	<ul style="list-style-type: none"> • Labour, goods and construction of step at service pod (2 volunteering days). • Additional pod canopy built to stop students getting wet while they que for food. • Two classrooms decorated and sanded the parquet flooring. Also provided new furniture for each classroom, all painted and extra tins of paint brought, and will donate any 	<ul style="list-style-type: none"> • Investment in local people

	leftovers to the school. (5 volunteering days).	
Life-Life – Healthwatch contract 3-year contract	<ul style="list-style-type: none"> • 13 staff employed from B&D, 1 of which is an apprenticeship. • Advertise all jobs via LBBD job shop. • 10% of onward supply chain for goods and services to be through local suppliers. • 15 volunteers supported in a variety of regular and adhoc roles, (board members, enter & view reps, outreach, admin etc). • Raise additional funds for specific projects in the Borough: <ul style="list-style-type: none"> ○ Parent Champion network and support supports focus on policing and crime prevention. ○ Youth engagement programmes, with mentoring and activity-based programmes, supporting 120 people, within 70 get tailored intensive support. • Undertook 2 days of student engagement linked to careers. • Attend 1 B&D College student fair. 	<ul style="list-style-type: none"> • Investment in local people Investment in local economy
Portakabin – Modula library @ Manor Road Junior School	<ul style="list-style-type: none"> • £250 worth of books for library on design, architecture, construction & sustainability for access to students and parents/carers. 	<ul style="list-style-type: none"> • Investment in local people
St Luke’s Services Change, Grow, Live & WDP - Extension Adult & Children Substance Misuse Integrated Service	<ul style="list-style-type: none"> • 1 resident offered role but turned down role. • 2 industry events attended in connection with B&D College • 2 peer mentors being trained. • 1 event held at Barking station cross-sector focused on substance misuse and domestic abuse. • 2 Individual through the programme (supported across wider Healthy lifestyles remit), currently studying for coaching qualification and running 'supporting memories' workshops for others. 	<ul style="list-style-type: none"> • Investment in local people •
Cranstoun – remove abuse predator intervention pilot programme	<ul style="list-style-type: none"> • 1 information sharing event with borough wide industry experts. • 1 event held at Barking station cross-sector focused on substance misuse and domestic abuse. • 3 plaques added to benches around the Borough to recognise Domestic 	Investment in local people

	<p>abuse victims and survivors, this was undertaken during the 16 days of activism against gender-based violence.</p>	
Care Support - Extra Care Supported Accommodation for older people, contract extension	<ul style="list-style-type: none"> • 2 x staff attended Marks Gate job fair to meet with residents and talk about the industry. • 1 student to undertake social care and nursing placement. 	<ul style="list-style-type: none"> • Investment in local people
Moore Insight – ERP replacement and maintenance contract	<ul style="list-style-type: none"> • Litter picking x 4 volunteers all day. • 2 work experience placements for 1 week each. 	<ul style="list-style-type: none"> • Investment in environmental sustainability • Investment in local people
Mullalley & Co – Stones Close replacement balconies	<ul style="list-style-type: none"> • 25% of onwards supply chain sourced from within the Borough – self certified. • 2 Raised planters with seats made from wood taken from balconies. 	<ul style="list-style-type: none"> • Investment in local economy • Investment in environmental sustainability • Investment in local people
Positive Vibe – Alternative education provisional project – New Ways Tuition	<ul style="list-style-type: none"> • Gang and knife crime prevention and advice drop-in session held at community hub with approx. 150 students and parents in attendance. 	<ul style="list-style-type: none"> • Investment in local people
SMI – PPE contract	<ul style="list-style-type: none"> • 80 Fleeces provided to food club, baby club and residents attending Marks Gate community hub. Given out in Autumn 2022. 	<ul style="list-style-type: none"> • Investment in local people
MPD FM Services – Security contract extension	<ul style="list-style-type: none"> • 2 work experience placements for students in the Borough. 	<ul style="list-style-type: none"> • Investment in local people
MPD FM Ltd – Security Contract	<ul style="list-style-type: none"> • £2,000 of T-shirts for Women’s Empowerment Event. • 200 personal alarms provided to LBBD staff. • £10,000 allocated via cooking programme to 4 VCSEs to work with residents to run food workshops. Residents will get training, receipt cards, food, and cooking equipment to take home. 	<ul style="list-style-type: none"> • Investment in local people
Carers Barking and Dagenham – Carers Support Service 1 st year of contract extension.	<ul style="list-style-type: none"> • 10 volunteer roles undertaken by B&D residents. • 4 student placements undertaken by B&D students. • 5 social worker placements undertaken by B&D residents. 	<ul style="list-style-type: none"> • Investment in local people

	<ul style="list-style-type: none"> Offered carers in crisis individual emergency funding each year, this averages £8,000 in total supporting around 32 carers each year. 	
Gravitas – Recruitment outside of Adecco framework two Housing specialists	<ul style="list-style-type: none"> Two career/employability workshops delivered to residents (2 volunteering days). 	<ul style="list-style-type: none"> Investment in local people
LASER – Water services contract	<ul style="list-style-type: none"> £2,000 rebate given to 3 foodbanks across 5 sites in the Borough during January 2023 to help with post-Christmas stock issues. 	<ul style="list-style-type: none"> Investment in local people
	<ul style="list-style-type: none"> 	

This page is intentionally left blank

CABINET**20 June 2023**

Title: Debt Management Performance 2022/23 (Quarter 4)	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Stuart Kirby, Head of Collections	Contact Details: E-mail: stuart.kirby@lbbd.gov.uk
Accountable Director: Stephen McGinnes, Director of Support and Collections	
Accountable Executive Team Director: Fiona Taylor, Chief Executive	
<p>Summary</p> <p>This report sets out the performance of the Collections service in the collection of revenue and debt management for the quarter of the financial year 2022/23. The report demonstrates that performance is becoming increasingly challenging because of the cost-of-living crisis and have not recovered to pre-pandemic levels.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to note the performance of the debt management function carried out by the Council's Collection service, including the pressure on collection rates as a result of the cost-of-living crisis.</p>	
<p>Reason</p> <p>Assisting in the Council's Policy aim of ensuring an efficient organisation delivering its statutory duties in the most practical and cost-effective way. This ensures good financial practice and adherence to the Council's Financial Rules on the reporting of debt management performance and the total amounts of debt written-off each financial quarter.</p>	

1. Introduction and Background

- 1.1. This report sets out performance for the fourth quarter of the 2022/23 financial year and covers the overall progress of each service element since April 2022.
- 1.2. The Collection service is responsible for the collection of Council Tax, Business Rates, Housing Benefit Overpayments, General Income, Rents and for the monitoring of cases sent to Enforcement Agents.

2. Council Tax

- 2.1. Council tax collection finished 22/23 at 93.6% collected in year, this is the same collection rate as 21/22.
- 2.2. However, arrears collection reduced from £2.5m in 21/22 to 1.8m in 22/23. As a result of an exercise to identify uncollectable amounts, the overall council tax arrears debt has reduced by £9.9m
- 2.3. The cost-of-living crisis continues to have a detrimental effect upon the collection of council tax. Whilst collection rates for the current year have not reduced any further, they have still not returned to pre-pandemic levels.
- 2.4. Reductions in the payment of arrears suggests that residents are unable to pay their current council tax whilst clearing any previous debts.
- 2.5. Council tax payers in the most severe financial positions were awarded discretionary relief totalling £261k. 293 residents had their council tax reduced by an average of £891.
- 2.6. The table below shows the reasons for granting relief. As in previous years mental health is cited as being the main reason for financial difficulty. Whilst these categories give an indication of the reasons for relief, in most cases the resident will have multiple issues which can be complex.

Issue	%
Mental Health	55%
Bereavement	12%
Terminal Condition	9%
Domestic Violence	8%
Addiction	4%
Abuse	2%
COVID-19 Impact	4%
Learning Disabilities	1%
No Recourse to Public Funds	2%
Disaster	3%

- 2.7. The discretionary relief budget for council tax has been increased to £500k in 2023/24. This will be combined with the Household support fund and discretionary housing payments to ensure that when the resident approaches with financial difficulties all their needs are taken into consideration and not council tax debts alone.

3. Business Rates

- 3.1. Business rates collection finished the year at 96.5% which is an increase of 1.7% compared with 2021/22.

- 3.2. Reforms to business rates are being put in place. The most significant change is the increase in the frequency of revaluations. This has will now take place every 3 years rather than 5.
- 3.3. Business have been revalued for 2023/24 increasing the total amount to be collected from £59m to £66m. Whilst a transitional scheme exists to prevent steep increases in the charge, many businesses will still see an increase in 2023/24.
- 3.4. Changing the gap between revaluations from 5 to 3 years will result in a reduction in large increases in rates for businesses, however it will increase the frequency of the increase.

4. Rents

- 4.1. Rent collection ended 2022/23 at 92.2% compared with 93.8% in 2021/22.
- 4.2. Rent arrears have increased due to the pandemic and subsequent cost of living crisis. Collection of rent in the current financial climate continues to be challenging.
- 4.3. Residents continue to migrate from housing benefit to universal credit (UC). This delays payment of rent by 4 to 6 weeks whilst the tenant awaits their first payment.
- 4.4. The debt recovery process has undergone a rigorous review and many processes have now been automated. Within the automated process stages have been inserted allowing for direct contact with the tenant to be made. This ensures that as debt recovery action continues there are opportunities to speak to the tenant, discuss the reasons for non-payment and give support and/or agree repayment.

5. Reside

- 5.1. Reside collection finished at 96% which is 0.4% below 2021/22
- 5.2. Reside tenants are experiencing financial difficulties as a result of the cost-of-living crisis which has reduced collection.
- 5.3. Work continues with residents in financial difficulty to help to maintain payment and bring arrears up to date.

6. General Income

- 6.1. General income (sundry debt) finished the year at 90%, this is an improvement of 2.3% compared with 21/22.
- 6.2. Data has been successfully migrated from Oracle to E5 during 2022/23 and the new system has greatly improved debt recovery functionality.

7. Adult social care

- 7.1. The total amount charged for homecare and residential care in 2022/23 was £11.6m of which 42% was collected.

- 7.2. The move from Oracle to E5 resulted in changes to codes and description of charges, this makes comparison with the same charges in 2021/22 challenging and potentially inaccurate.
- 7.3. In January 2023 the collection of these charges moved from the Collections team to the Financial Assessments team with Welfare. Since the Financial Assessment Team calculate the amount to be charged and have closer links with Social Services the process of collection and responses to customer queries is greatly improved and the process streamlined overall.

8. Collection rates

- 8.1. The table below shows collection rates for quarter 4:

Collection Area	2022/23	2021/22	Variation
Council Tax current year	93.6%	93.6%	0%
Council Tax arrears	£1,844,645	£2,476,171	-631,525
Rents	92.2%	93.8%	-1.6%
Business Rates	96.5%	94.8%	+1.7%
General Income	90%	87.7%	+2.3%
Leasehold	86.9%	87.7%	+0.7%
Commercial rent	95.5%	87.4%	+8%
Care	42%	N/A	N/A
Housing Benefit Overpayment	15.6%	14.1%	+1.5%
Reside	96.1%	96.5%	-0.4%

9. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

- 9.1. Collection rates are in-line with last year across most categories of debt. However, they have not recovered to pre-pandemic levels, this is due to the impact of the Cost-of-living crisis and transition of residents from Housing Benefit to Universal Credit. To try and alleviate some of this additional pressure, adjustments have been made to the process of debt recovery allowing residents a longer period of time to pay, given their reduced financial circumstances.
- 9.2. The Collection team has been working closely with the wider Community Solutions service to identify residents in financial difficulty and to provide support to assist in tackling financial problems and managing debt. In addition, a new data-led approach is being taken which is more targeted. It is anticipated that the introduction of community banking in the borough will accelerate the wider support given to residents in financial difficulty and managing debt.
- 9.3. Collecting all debts due is critical to funding the Council and maintaining cashflow. Monthly performance monitoring meetings with the Director of Support & Collections focus on where the targets are not being achieved to improve prompt collection of Council revenues.

- 9.4. The Council maintains a bad debt provision which is periodically reviewed. Increases to the provision are met from the Council's revenue budget and reduce the funds available for other Council expenditure.
- 9.5. The arrears project will review historic debt and where these are recoverable the necessary action will be taken. Where debt is no longer recoverable, they will be written off. Vast majority of these debts are more than three years old, and a 100% provision has been allowed for these debts.

10. Legal Implications

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

- 10.1. Monies owed to the Council in the form of debts are a form of asset that is the prospect of a payment sometime in the future. The decision not to pursue a debt carries a cost and so a decision not to pursue a debt is not taken lightly.
- 10.2. The Council holds a fiduciary duty to the ratepayers and the government to make sure money is spent wisely and to recover debts owed to it. If requests for payment are not complied with then the Council seeks to recover money owed to it by way of court action once all other options are exhausted. While a consistent message that the Council is not a soft touch is sent out with Court actions there can come a time where a pragmatic approach should be taken with debts as on occasion, they are uneconomical to recover in terms of the cost of process and the means of the debtor to pay. The maxim no good throwing good money after bad applies. In the case of rent arrears, the court proceedings will be for a possession and money judgement for arrears. However, a possession order and subsequent eviction order is a discretionary remedy, and the courts will often suspend the possession order on condition the tenant contributes to their arrears.
- 10.3. Whilst the use of Introductory Tenancies as a form of trial tenancy may have some impact in terms promoting prompt payment of rent as only those tenants with a satisfactory rent payment history can expect to be offered a secure tenancy, people can fall behind and get into debt. The best approach to resolve their predicament is to maintain a dialogue with those in debt to the Council, to offer early advice and help in making repayments if they need it and to highlight the importance of payment of rent and Council tax. These payments ought to be considered as priority debts rather than other debts such as credit loans as without a roof over their heads it will be very difficult to access support and employment and escape from a downward spiral of debt. The decision to write off debts has been delegated to Chief Officers who must have regard to the Financial Rules.

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

List of appendices: None

This page is intentionally left blank

CABINET**20 June 2023**

Title: Procurement of Contract for the Provision of Leaseholder Insurance	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
Report Author: Christopher Martin, Head of Assurance	Contact Details: Tel: 020 8227 2174 E-mail: Christopher.Martin@lbbd.gov.uk
Accountable Executive Team Director: Philip Gregory - Strategic Director, Finance & Investments	
<p>Summary:</p> <p>The Council's Leaseholder insurance contract was due to expire on 29 September 2025. Whilst we are only one year into that agreement, the current insurer Avid have advised the Council that they have lost their re-insurance capacity provider and are unable to provide renewal terms beyond 29 September 2023.</p> <p>The proposed new contract will be for a period of 3+2 years commencing 30th September 2023. Total expenditure in this area over the potential five-year period will be approximately £10m and recharged in full to leaseholders.</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <p>(i) Agree that the Council proceeds with the procurement of a contract for leaseholder insurance in accordance with the strategy set out in the report; and</p> <p>(ii) Authorise the Strategic Director, Finance and Investment, in consultation with the Cabinet Member for Finance, Growth and Core Services and the Chief Legal Officer, to conduct the procurement and award and enter into the contract(s) and all other necessary or ancillary agreements to fully implement and effect the proposals.</p>	
<p>Reason(s)</p> <p>To assist the Council in ensuring that:</p> <ul style="list-style-type: none"> • Residents are safe, protected, and supported at their most vulnerable; • Residents live in good housing and avoid becoming homeless. <p>It will also assist in providing value for money and strengthening risk management.</p>	

1. Introduction and Background

- 1.1 As a freeholder, the Council arranges buildings insurance on behalf of its residential leaseholders. The insurance provides extended accidental damage as standard and is rated on a bedroom basis regardless of their location and actual rebuild value, so premiums are set on a one, two, three or four-bedroom basis. Avid provide this cover to the Council's 3,500 leaseholders at a cost of £1.35m in 2022/23. The current contract expiry is 29 September 2025.
- 1.2 In May 2023, Avid confirmed to the Council's appointed broker, Gallagher, that they have lost their re-insurance capacity provider and are unable to provide renewal terms beyond the current year, ending on 29 September 2023.

2. Proposed Procurement Strategy

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

- 2.1.1 The public sector insurance market is limited and a highly specialist area and the market can be influenced by various factors such as expensive claims, global exposures and the economic climate. The majority of insurers will only deal with local authorities via an insurance broker intermediary. As such, the Council's insurance broker, Gallagher, will manage the tender process with support from the Corporate Procurement and Insurance teams. Gallagher will also work to warm the market in order to generate as many bids as possible.
- 2.1.2 The position with regards to the leaseholder insurance market is complex. The cost of reinsurance (the insurer's insurer who help with catastrophe losses) has significantly increased over the last two years and is in what is referred to as a 'hard market'. Those increased reinsurance costs are passed down to the policyholder. London arguably has the greatest concentration of leaseholders in the UK, particularly with significant numbers of tower blocks which creates a greater catastrophe exposure for insurers. Insurers are increasingly focussing on the amount of assets they insure in any one geography and de-risking themselves where concentration is too high and/or increasing pricing accordingly.
- 2.1.3 Significant numbers of low-level claims plus catastrophe claims are pushing up costs. The Authority is required by contract to provide the insurance but has limited capacity to influence the risk. Those properties with limited preventative maintenance can cause significant burst water pipe claims which are often not discovered for several days. These attrition claims particularly for tower blocks push up minimum pricing. New entrants have reviewed this and decided the current level of pricing is uneconomic.
- 2.1.4 This product is designed to mimic products provided by the personal insurance market for Freeholders, but leasehold right to buy insurance has not kept pace with the personal insurance market with Authority insurances, in some cases, having no excess at all or very low-level excesses which wouldn't generally be available to freeholders. This allows a policyholder to claim for the smallest level of damage creating a disproportionate number of claims and significantly higher administration costs all of which have to be recouped in insurance premiums.

- 2.1.5 The successful insurer will provide buildings insurance for residential leasehold properties on behalf of Right To Buy (RTB) and residential leaseholders, including shared owners.
- 2.2 Estimated Contract Value, including the value of any uplift or extension period**
- 2.2.1 The annual value of the contract to be tendered is anticipated to be in the region of £2m per annum giving a contract value over the 3+2 years period of about £11m.
- 2.3 Duration of the contract, including any options for extension**
- 2.3.1 Three years with option to extend for a further two years at the discretion of the Council.
- 2.4 Is the contract subject to (a) the Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?**
- 2.4.1 Yes. The value exceeds the UK Threshold for services.
- 2.5 Recommended procurement procedure and reasons for the recommendation**
- 2.5.1 A full open tender will be carried out and advertised on Find a Tender, Jaggaer/Bravo (e-tendering), Contracts Finder and the Council's website. The tender will be published via the Jaggaer/Bravo Solution procurement portal.
- 2.5.2 The procurement is required to be let under an open procedure. The open procedure will allow for the maximum number of suppliers to respond including any local suppliers capable of delivering the service.
- 2.6 The contract delivery methodology and documentation to be adopted**
- 2.6.1 The Contract will be let using the Council's standard Terms and Conditions for Services.
- 2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract**
- 2.7.1 The Council must provide buildings insurance for residential leasehold properties on behalf of Right To Buy (RTB) and residential leaseholders, including shared owners. This procurement delivers on that responsibility. Because of the volatility of the market there are no savings or efficiencies anticipated.
- 2.8 Criteria against which the tenderers are to be selected and contract is to be awarded**
- 2.8.1 The price quality ratio upon which contracts will be awarded will be 65% price, 25% quality and 10% social value.

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

2.9.1 The Social Value toolkit will be published as part of the tender documentation pack. A delivery plan (what) and method statement (how) question relating to social value will hold 10% of the overall evaluation.

2.10 London Living Wage (LLW)

2.10.1 Payment of London Living Wage will be required.

2.11 How the Procurement will impact/support the Net Zero Carbon Target and Sustainability

2.11.1 Part of the evaluation criteria will request details on the net zero carbon position of the bidders, and if not net zero neutral, how the bidder will propose to seek to become a carbon neutral supplier.

3. Options Appraisal

3.1 The option of the Council insuring the leasehold property insurance internally is the only other viable option at this stage. Due to the time critical nature of managing the hundreds of claims each year, the Council would require a claims handling agent. Due to the nature of the type of claims made on this policy, there would need to be a 24/7 helpline to assist leaseholders in the event of an emergency/major loss. There would also be an additional burden on the Council's insurance team. This option was rejected due to the associated time and cost pressures.

3.2 Given the difficulties in the market and having seen other local authorities go through a similar process if the procurement does not provide any bids then the Council would look into the other options/processes the PCR 2015 can offer in order for the Council to meet its need.

4. Waiver

4.1 Not applicable.

5. Consultation

5.1 As the proposed contract is proposed to last more than 12 months, this would be considered a qualifying long-term agreement. In this circumstance the Council will be required to consult where the amount payable by any one contributing leaseholder under the agreement in any accounting period exceeds £100.

5.2 There are usually three stages to the consultation for qualifying long-term agreement: (i) Pre-tender stage where we send a Notice of intention; (ii) Tender stage – Preparation of landlord's proposals and (iii) Award of contract Notification of the award of contract. The first two stages require a 30-day consultation period and the last stage requires the Council to provide a 21-day period for leaseholders to respond. If consultation is not undertaken, the landlord may not be able to recover more than £100 per leaseholder in any accounting period towards the costs under the agreement.

6. Corporate Procurement

Implications completed by: Euan Beales, Head of Procurement

- 6.1 The Council's Contract Rules require all spend over the Gold threshold to be procured in the open market and is subject to the UK threshold for services. The proposed contract spend exceeds this threshold so must comply fully with PCR2015.
- 6.2 The open process being proposed, and the evaluation criteria methodology including Social Value and London Living Wage meets the requirements of the legislation and has the best opportunity to provide a beneficial bid for the Council.
- 6.3 In the event that the procurement yields a non-response from the procurement process due to the volatility and size of the market, the Council may need to conduct a negotiated process to ensure cover is maintained.
- 6.4 Based on the information contained in the report the open process has the best chance of yielding a positive outcome in a challenging market.

7. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

- 7.1 The cost of the current Insurance contract is likely to be about £2m per year for around 3,500 properties. As set out above, this is a specialist insurance and is currently a hard market. The cost is significantly higher than general house insurance for private homeowners. It is therefore essential that a full open market tender is carried out to ensure and demonstrate that the Council is achieving the best value for money possible in the current circumstances.
- 7.2 Increases in leaseholder insurance will be passed through to the leaseholders but the Council still has a duty to obtain value for money. The full consultation process set out in section 5 must be carried out correctly otherwise the Council will not be able to pass on the cost and could make a loss on the contract. The timescales are very tight, so careful planning and management is required.
- 7.3 As costs to leaseholders increase there is a risk that some leaseholders may not be able to make the payment thus increasing the level of debt. Leaseholder debt is generally regarded as reasonably secure because leaseholders tend on average to be better off than tenants and because in the final instance it can be recovered when a property is sold if there are robust processes to ensure this takes place. However, if the level of leaseholder debt increases then it does increase the Council's cash flow risks.
- 7.4 The Council does however need to ensure that there are adequate arrangements to insure leaseholder properties and an external contract acquired through an open market tender has been assessed as carrying fewer risks than the alternative option of self-insurance.

8. Legal Implications

Implications completed by: Kayleigh Eaton, Principal Contracts & Procurement Solicitor

- 8.1 This report is seeking approval to tender the Council's leaseholder insurance requirement. The total cost across the potential 5 years is approximately £11m.
- 8.2 The value of the contract is in excess of the service/supply threshold under the Public Contracts Regulations 2015 (PCR 2015) and therefore a competitive tendering process is required.
- 8.3 This report sets out that it intends to procure the contract using the Open procedure which is compliant with PCR 2015. The opportunity will be advertised in Find a Tender as well as Bravo, Contracts Finder and the council's website. The Council's insurance broker will also work to generate interest in the tender across the market in light of the difficulties the insurance market in this field faces.
- 8.4 Rule 6.5 (a) of the Council's Contract Rules requires that all procurements of contracts above £500,000 in value must be submitted to Cabinet/HWB for approval.
- 8.5 In respect of leaseholders of the Council there is a requirement to consult them where the Council enters into a long-term qualifying agreement for the provision of services under the provisions of s20 of the Landlord and Tenant Act 1985 and the Service Charges (Consultation Requirements) (England) Regulations 2003. This agreement will qualify as it is intended to be awarded for a duration of more than 12 months. If the Council does not consult it cannot recover more than £100 per leaseholder for the provision of the service.

9. Other Implications

- 9.1 **Risk and Risk Management** - Insurance is a mechanism for transferring risks to another (the insurer) for a consideration (premium). The broad principal of insurance is that the premiums collected from many policyholders pays for the claims of a few.
- 9.2 **Corporate Policy and Equality Impact** – As a Local Authority, LBBD are mandated to provide the appropriate level of buildings insurance for residential leaseholders. There are no known or perceived disproportionate impacts on residents with protected characteristics, and as such, an Equality Impact Assessment is not required at this time.
- 9.3 **Property / Asset Issues** – This policy will provide cover for buildings for which the Council retains a freehold interest.
- 9.4 **Business Continuity / Disaster Recovery** - Suppliers will be asked to submit their own Business Continuity Plans when bidding.

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

List of appendices: None