Barking & Dagenham

Notice of Meeting

CABINET

Monday, 19 February 2024 - 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: 9 February 2024

Fiona Taylor
Chief Executive

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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. Members are reminded that the provisions of paragraph 9.3 of Part 5, Chapter 1 of the Constitution in relation to Council Tax arrears applies to agenda item 5.

3. **Minutes - To confirm as correct the minutes of the meeting held on 23 January 2024 (Pages 3 - 13)**

4. **Revenue Budget Monitoring 2023/24 (Period 9, December 2023) (Pages 15 - 84)**

5. **Budget Framework 2024/25 and Medium Term Financial Strategy 2024/25 to 2026/27 (Pages 85 - 178)**

6. **Treasury Management Strategy Statement 2024/25 and Capital Strategy 2024/25 to 2026/27 (Pages 179 - 251)**

7. **Innovative Sites Programme (Pages 253 - 270)**

   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)).

8. **Padnall Lake Phase 2, Gascoigne East Phase 3A Block I and Gascoigne West Phase 2 - Approval of Disposals, Head Leases and Loan Facility Agreements (Pages 271 - 281)**

9. **Valence House Museum and Borough Archive Conservation Project (Pages 283 - 292)**

10. **Social Infrastructure Contract 2024-2028 (Pages 293 - 358)**

11. **Procurement of an Internet Proxy and VPN Services Contract (Pages 359 - 370)**

12. **Pay Policy Statement 2024/25 (Pages 371 - 380)**

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

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

Private Business

The public and press have a legal right to attend / observe Council meetings such as the Cabinet, except where business is confidential or certain other sensitive information is to be discussed. Item 7 above includes an appendix which is exempt from publication, as described. ***There are no other such items at the time of preparing this agenda.***

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

Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND

Our Priorities

- 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 January 2024
(7:00 - 8:45 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; Cllr John Dulwich

Apologies: Cllr Saima Ashraf

70. Declaration of Members' Interests

There were no declarations of interest.

71. Minutes (19 December 2023)

The minutes of the meeting held on 19 December 2023 were confirmed as correct.

72. Revenue Budget Monitoring 2023/24 (Period 8, November 2023)

The Cabinet Member for Finance, Growth and Core Services introduced the Council's revenue budget monitoring report for the 2023/24 financial year as of 30 November 2023 (period 8).

The Council's General Fund revenue budget for 2023/24 was £199.002m and the forecast outturn position at the end of November projected a net overspend of £10.54m after transfers to and from reserves, which represented an improvement of £1.065m on the position at period 7. The Housing Revenue Account (HRA) was showing a projected overspend of £5.0528m for 2023/24, which represented an improvement of £2.029m from period 7.

The Cabinet Member welcomed the reduced overspend positions and encouraged Cabinet Members and Directors to continue to make every effort to further reduce the overspend position by the year-end, especially in light of the continuing risks, such as demands on social care services, that continue to threaten the Council's ability to achieve a balanced budget. He also referred to a recent letter from over 40 Conservative MPs criticising the Chancellor of the Exchequer for failing to provide sufficient additional funding in the draft Local Government Finance Settlement for 2024/25 to meet excessive inflationary costs and increased demand for local authority services, adding that had the Government introduced the Fair Funding reforms that it had previously promised, it was likely that the Council would be operating at a small surplus instead of facing an overspend position.

Cabinet **resolved** to:

(i) Note the projected £10.540m revenue overspend forecast at Period 8 for the General Fund for the 2023/24 financial year, as set out in sections 2 and 3 and Appendix A of the report and note the net projected year end drawdown of £4.88m reserves to support the in-year position;

(ii) Note the projected £5.052m revenue overspend forecast for the Housing Revenue Account, as set out in section 6 and Appendix A of the report;

(iii) Note the projected returns for the Investment and Acquisition Strategy as set out in section 4 and Appendix A of the report;

(iv) Note the movement in Reserve drawdown as indicated in section 5 of the report and that the Cabinet shall be asked to approve the drawdown of reserves to support any overspends at final outturn (post March 2024), subject to finalisation of the actual spend against budget; and

(v) Note that a review of reserve balances was being conducted and an updated position shall be provided as part of the Budget Setting report in February 2024.

73. HRA Budget and Rent Setting for 2024/25 and Draft 30-Year Business Plan

The Cabinet Member for Finance, Growth and Core Services introduced a report on the review of rents and other charges within the Housing Revenue Account (HRA) for 2024/25 and the draft HRA 30-year Business Plan.

The Cabinet Member referred to previous Government policy that imposed a social housing rent reduction for the financial years 2016/17 to 2019/20. Furthermore, although the Government reinstated previous national rent policy from 2020/21 of social rents being increased annually in line with the Consumer Price Index (CPI) plus 1%, a capping of that level to 7% last year, when inflation was over 11%, meant that the HRA had to absorb the difference. The combined effect of those measures was a loss of income to the Council in excess of £35 million which severely impacted plans to rejuvenate the Council's housing stock and reduced capacity for the Council to implement lower increases in future years. As a consequence, it was proposed that for 2024/25, rent levels for Council tenants would increase by an average of £8.35 per week to £117.07 per week under the CPI + 1% arrangement. In recognising the impact that any level of rent increase would have on local residents during the current economic climate, the Cabinet Member stressed the importance of the Council continuing to invest in its housing stock and pointed out that those receiving Housing Benefit / Universal Credit should find that their benefit would increase to cover any uplift.

The annual review of service charges continued to focus on achieving full cost recovery where appropriate, which meant that services for grounds maintenance, concierge, CCTV and TV aerials would increase by CPI plus 1% for those receiving such services, while caretaking, cleaning and Safer Neighbourhood-related services would increase by varying degrees. The charge for estate lighting would remain at the 2023/24 level, while heating and hot water charges would be reduced by 5.5% and water and sewerage charges increased by 10%, to reflect the predicted uplift in suppliers' charges.

The Cabinet Member advised on the principles that underpinned the draft HRA 30-year Business Plan, which showed an expected investment requirement of £1.8 billion over the period once inflationary factors had been taken into account and a borrowing requirement for the HRA up to 2053/54 of £987.3m. The planned HRA Capital Programme for 2024/25 was proposed at £24.688m.

Cabinet Members acknowledged the reality of rising costs and the balance that the Council had sought to achieve through the proposals. Reference was also made to the Council's new homes programme through B&D Reside, which had helped provide affordable, good quality properties for local people and reduce the reliance on temporary accommodation, and the numerous avenues of advice and financial support that the Council offered for those struggling to make ends meet.

Cabinet **resolved** to:

(i) Agree that rents for all general needs secure, affordable and sheltered housing accommodation be increased by 7.7%, in line with the Government's current rent policy of CPI +1% (with CPI for September 2023 of 6.7% being used as the base), meaning an increase to the average rent for general needs from £108.72 per week to £117.07 per week;

(ii) Agree the following service charges for tenants:

Services	**Weekly Charges 2024/25**	**Increase / (Reduction)**	**Basis of Increase**
Grounds Maintenance	£3.16	£0.23	CPI+1%
Caretaking	£8.03	£0.38	Cost Recovery
Cleaning	£3.86	£0.18	Cost Recovery
Estate Lighting	£4.34	nil	Cost Recovery
Concierge	£11.93	£0.85	CPI+1%
CCTV (SAMS)	£7.31	£0.52	CPI+1%
Safer Neighbourhood Charge	£0.60	£0.03	Cost Recovery
TV Aerials	£0.67	£0.05	CPI+1%

(iii) Agree that charges for heating and hot water be reduced by 5.5% in line with decreases in the estimated charges for 2024/25 provided by suppliers as follows:

Property size	**Weekly Charges 2023/24**	**Weekly Charge 2024/25**
Bedsit	£29.52	£27.89
1 bedroom	£31.56	£29.82
2 bedroom	£38.21	£36.11
3 bedroom	£38.92	£36.78
4 bedroom	£39.94	£37.74

(iv) Note that following the annual review of current charges and insight from the provider, water charges shall increase by 10% while sewerage charges shall remain at the current year's rates;

(v) Agree the HRA Income and Expenditure budget for 2024/25 and note the changes from the 2023/24 budget, as detailed in section 3 of this report.

(vi) Agree a £24.7m capital programme for the HRA in 2024/25 and note the indicative 4-year HRA capital programme detailed in section 4 of the report;

(vii) Agree that the above charges take effect from 1 April 2024;

(viii) Note the draft HRA 30-year business plan, as detailed in section 2 of the report, and the indicative 30-year financial forecasts set out in Appendices A and B to the report; and

(ix) Note that the final version of the HRA Business Plan shall be presented to Cabinet in March 2024 after a comprehensive review by the Strategic Director, Resources.

74. Dedicated Schools Budget and School Funding Formula 2024/25

The Cabinet Member for Educational Attainment and School Improvement presented a report on the Dedicated Schools Budget and Schools Funding Formula for 2024/25.

The Cabinet Member explained that the main source of funding for education-related activities came from the Department for Education (DfE) via the Dedicated Schools Grant (DSG) and was allocated under four blocks that funded different components of the 3 - 16 year old education system, namely the Schools block (the main allocation to schools), the Central block (central costs for core Local Authority education services), the High Needs block (additional costs for Special Educational Needs pupils) and the Early Years block (childcare and pre-school services).. The DfE's future intention was to allocate the Schools block directly to schools based on a National Funding Formula (NFF). In the meantime, the Council, as the Local Education Authority, retained the ability to set its own formula for the allocation of Schools block funding along with the other funding blocks, in consultation with schools and the local Schools Forum.

The Cabinet Member advised that in view of the fact that all 43 primary schools in the Borough were funded at the 'funding floor', receiving only the minimum increase 0.5% in per pupil funding, the preferred option for 2024/25 was to apply a local model (referred to as Model C) that allocated additional funding to the primary sector to achieve a 1:1.36 ratio between primary and secondary phases, compared to a 1:1.42 ratio under the NFF. The Schools' Forum had endorsed that approach at its meeting on 16 January 2024 and further supported the proposed allocation arrangements for the other three blocks.

The DSG allocation for 2024/25 (including Academy school funding) totalled £367.846m, an increase of £25.5m on the allocation for 2023/24. The Cabinet Member pointed out, however, that factors such as inflation and the significant increase in pupils with special educational needs and/or Education, Health and Care Plans (EHCPs) meant that pressures on all areas and especially the High Needs block would remain and some services, such as the Community Music Service and the Trewern Outdoor Education Centre, would continue to experience budget reductions.

Speaking in support of the proposals, the Cabinet Member for Finance, Growth and Core Services also remarked on the benefits of having a National Funding

Formula in place for school funding. He encouraged the Government to avoid any further delay in implementing Fair Funding reforms across all Local Authority service areas, especially in Children's and Adults' social care, to similarly recognise the additional and ongoing financial support that communities with high levels of deprivation and vulnerability required.

Cabinet **resolved** to:

(i) Note the indicative allocation of Dedicated Schools Grant for 2024/25 as set out in section 2 of the report;

(ii) Approve the strategy for the Dedicated Schools Budget as set out in section 3 of the report;

(iii) Approve, subject to consultation with Schools and the Schools' Forum, the proposed principles for the design of the Local Schools Funding Formula as set out in section 4 of the report;

(iv) Note the allocated funding and strategy for the three other funding blocks as set out in section 5 of the report;

(v) Approve the increases in the Early Years so that the funding rate for three and four year olds is increased to £5.15 per hour and that for two year olds is increased to £6.09 per hour; and

(vi) Delegate authority to the Strategic Director, Children and Adults, in consultation with the Strategic Director, Resources, the Schools Forum and the Cabinet Member for Educational Attainment and School Improvement, to approve the final 2024/25 school funding formula for submission to the Education and Schools Funding Agency.

75. School Place Planning and Capital Investment Update

The Cabinet Member for Educational Attainment and School Improvement presented the latest update report on the forecast demand for education places in primary, secondary and special needs settings, along with details of new grant allocations received from the DfE, new projects using grant funding and some changes to the current programme of capital investment.

The report set out the projected demand for school places up to 2027/28, which showed a future decline in demand particularly in primary year groups, including Reception. The Cabinet Member explained that over the past 15 years, the pupil population in the Borough had increased by 43%, which was borne out by the 2021 Census data which showed that Barking and Dagenham had the highest population (26.1%) of residents aged under 16 in England and Wales. A considerable amount of work had gone into insuring that sufficient school places was available to meet the increase in demand over that period, through the construction of new schools and the expansion of 75% of the existing school estate. In view of the projected decline, the Cabinet Member advised that discussions were now taking place with schools to ensure that, collectively, they remained financially viable. In that respect, a review of the school estate was being undertaken to identify opportunities for rationalisation and the possibility of creating additional specialist provision in its place, due to exponential demand in that area.

The Cabinet Member referred to new grant allocations received from the DfE, including an allocation of £1.87m in 2025/26 to create additional specialist places, and was particularly pleased to report that an application for rebuilding works at the Sandringham and Longbridge Road sites of Barking Abbey School had been approved by the DfE, with works expected to commence from April 2025. She also provided details of proposed new building and remodelling works at Trinity Special School and Alternative Resource Provision (ARP) expansion projects at Mayesbrook School and All Saints Catholic Secondary School.

Cabinet colleagues welcomed the ongoing data analysis work undertaken by officers within the Education service to maintain the balance between demand and provision for school places and encouraged the Government to properly fund school projects to ensure that young people had the best start in life. Reference was also made to the importance of delivering the Schools' capital programme.

Cabinet **resolved** to:

(i) Note the actions being taken by officers to manage school places across the Borough and to meet the demand for specialist places;

(ii) Approve the proposed projects, allocations of funding and procurement routes as set out in paragraphs 8 and 9 of the report, to support the provision of new school places and improvements; and

(iii) Delegate authority to the Strategic Director, Children and Adults, in consultation with the Cabinet Member for Educational Attainment and School Improvement and the Head of Legal, to conduct the procurements and award the respective project contracts.

76. Council Tax Support Scheme 2024/25

Further to Minutes 16 (12 July 2022) and 47 (17 October 2023), the Cabinet Member for Finance, Growth and Core Services presented a report on the outcome of the public consultation on proposals for a new, statutory local Council Tax Support (CTS) scheme for working age recipients for 2024/25.

The Cabinet Member reminded colleagues that the Government's welfare reforms, which included the introduction of the Universal Credit (UC) system to replace Housing Benefit (HB), Income Support and other benefits / tax credits, meant that the Council's current CTS scheme had become far less aligned with HB administration. The welfare reforms also meant that many more individuals became liable for paying towards their Council Tax and the amount of support given to local authorities, to help those on very low incomes with their Council Tax bill, had been cut by approximately 10% by Government.

As a consequence, the Cabinet considered alternative CTS models at its October 2023 meeting and its preferred option was an 'income banded discount' scheme, described as Model 1 in the report, which was more aligned with the new benefits regime, easier for the Council to administer and, most importantly, simpler for claimants to understand whilst being less reactive to changes to their individual circumstances.

A public consultation exercise took place between 23 October and 24 November 2023 and covered a range of issues, including alternative options. The consultation was widely promoted on the Citizens Alliance Network website alongside the main Council website, via social media and awareness campaigns via the BD_Collective. Furthermore, every Council Tax Support claimant was written to directly and direct engagement was sought from key voluntary sector partners, the Citizens' Advice Bureau and the Disablement Association for Barking and Dagenham.

The Cabinet Member advised that although the level of survey responses was relatively low, the response to the Model 1 scheme was predominantly positive and acknowledged the need for change. Individual comments and issues raised by respondents had been reflected upon and the intention was for the new CTS scheme, which was set out at Appendix 1 to the report, to be presented to the Assembly on 31 January 2024 for adoption, for implementation with effect from 1 April 2024. The Cabinet Member also referred to the proposal to carry forward £250,000 Council Tax Discretionary Hardship Funding, provided within the Welfare Reserve, from 2023/24 to 2024/25, to provide additional support for those local residents who may be slightly worse off under the new CTS scheme.

Cabinet Members spoke in support of the new scheme and welcomed the commitment to continually review its impact.

Cabinet **resolved to recommend the Assembly** to:

(i) Agree, in light of the positive response to the public consultation, to adopt Model 1 as set out in sections 1.17 – 1.20 of the report as the Council's replacement Council Tax Support Scheme for 2024/25; and

(ii) Agree the carry forward of £250,000 Council Tax Discretionary Hardship Funding, provided within the Welfare Reserve, from 2023/24 to 2024/25.

77. Debt Management Performance 2023/24 (Quarter 2)

The Cabinet Member for Finance, Growth and Core Services presented the latest debt management performance report covering the second quarter of the 2023/24 financial year.

The Cabinet Member referred to the main highlights within the report, including marked increases in collection rates for General Income and Adult social care costs. The collection of arrears from previous years had also improved and the Cabinet Member stressed the importance of maximising collection of both in-year and older debts in order for the Council to continue to provide much needed services to the local community.

Cabinet **resolved** to note the performance of the debt management function carried out by the Council's Collection service, including the improvements in collection in some areas and the challenges in others.

78. Calculation and Setting of the Council Tax Base 2024/25

The Cabinet Member for Finance, Growth and Core Services introduced the annual Council Tax Base report for the 2024/25 financial year, which must be set by 31 January each year in accordance with Section 67 of the Local Government Finance Act 1992.

The Cabinet Member referred to the make-up of the Council Tax Base and the factors that were taken into account as part of the calculation. It was noted that the Council Tax Base had increased by 3% on last year which, when coupled with the projected increase in Council Tax rate of 4.99% referred to earlier in the meeting, would result in an increase in Council Tax income by £6.3m to £84.09m for 2024/25. The Cabinet Member stressed, however, that the additional £6.3m would only help to reduce the projected budget gap for future years.

Cabinet **resolved** to agree that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Barking and Dagenham as its Council Tax Base for the year 2024/25 shall be 54,916.54 Band 'D' properties.

79. Corporate Plan 2023-2026 - Outcomes Framework Performance Report Q1 and Q2 2023/24

The Deputy Cabinet Member for Performance and Data Insight introduced the corporate performance monitoring report covering the period April to September 2023.

The Deputy Cabinet Member explained that the report reflected the new performance framework which underpinned the Council's Corporate Plan for 2023-2026, approved by the Assembly in May 2023. The report included an assessment of 53 of the 54 outcomes measures within the framework, indicating the direction of travel and 'RAG' status of each. The new approach aimed to provide a holistic and strategic perspective on progress towards the seven priorities within the Corporate Plan, highlighting significant performance improvements and challenges during the period. Key points highlighted as part of the presentation included:

- The number of Borough schools rated Good or Outstanding by OFSTED increased to 96.6%, representing 57 of 59 schools;
- In increase in the number of fly-tipping incidents at 17.1 incidents per 1,000 people against a maximum target of 15 incidents;
- That the six outcome measures that are 'Red RAG' rated and had a negative direction of travel would be given extra focus over the coming months as part of the deep-dive performance meetings;
- Overall satisfaction with social care services increased to 64.5% in 2022/23, an increase of 6.5% on 2021/22 and above London and national averages;
- The improvements being achieved in the Social Prescribing service, with 86% of the 397 patients discharged from the service reporting a positive outcome;
- The impact that the Government's failure to implement Fair Funding reforms was having on local authority service provision and prevention measures;
- The steps being taken by the Council and Be First to maintain the new homes building programme and associated infrastructure plans, supported by

Community Infrastructure Levy (CIL) and Section 106 funding, despite the current economic challenges.

Cabinet Members welcomed the new performance monitoring approach and the added transparency that it provided.

Cabinet **resolved** to note the performance relating to quarters one and two of the 2023/24 financial year, as set out in Appendix 1 to the report.

80. Oxlow Lane Redevelopment - Approval of Disposal, Head Lease and Loan Facility Agreement

Further to Minute 48 (17 October 2023), the Cabinet Member for Regeneration and Economic Development introduced a report on proposals to progress the disposal of a further 63 new homes built at the Oxlow Lane redevelopment project.

The Cabinet Member advised that, as with the previous reports, the properties within Castle House and Petticoat House would be transferred, by way of long leases and associated loans, to the Barking and Dagenham Reside Regeneration Ltd (Reside) structure of companies following practical completion, due in March 2024. Block J consisted of 66 London Affordable Rent (LAR) and 58 Affordable Rent (AR) properties which the Cabinet Member confirmed would be available to those on the Council's housing waiting / transfer lists.

The Cabinet Member also referred to state aid and subsidy control issues relating to loans provided to Reside that were outlined in the report and the requirement for the Council to declare previous schemes on the Subsidy Database or to make a referral to the Subsidy Advice Unit.

Cabinet **resolved** to:

(i) Note that the Strategic Director, Resources, shall declare on the Subsidy Database the schemes included in Appendix 1 to the report and shall make the referrals to the Subsidy Advice Unit for the schemes included in Appendix 2 to the report;

(ii) Delegate authority to the Strategic Director, Resources, in consultation with the Strategic Director, Inclusive Growth, to subsequently take any remedial action necessary resulting from such declarations or referrals provided that such action does not materially affect the approvals granted by Cabinet;

(iii) Approve, in principle, the disposal of the following Oxlow Lane redevelopment scheme by the granting of long leases to the appropriate Reside entity as identified in the report:

- Castle House, Rainham Road North, Dagenham, RM10 7YW
- Petticoat House, Rainham Road North, Dagenham, RM10 7YY

(iv) Approve, in principle, the indicative draft Heads of Terms for leases and loans for the Oxlow Lane redevelopment scheme as set out in section 2 of the report;

(v) Delegate authority to the Strategic Director, Resources, in consultation with the Strategic Director, Inclusive Growth, to agree and finalise the terms of the loan, lease 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

(vi) Delegate authority to the Head of Legal, 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.

81. Procurement Strategy for the LBBD Development Framework 2024 - 2028

The Cabinet Member for Regeneration and Economic Development presented a report on the proposed procurement of a new four-year framework agreement for construction new build works, commissioned by Be First on behalf of the Council, in relation to the delivery of projects within Council's Investment and Acquisition Strategy (IAS).

The Cabinet Member advised that despite the current challenging environment for construction projects, there remained the potential to award £1.5bn of contracts for new schemes over the period 2024 - 2028, based on an estimated £1.1bn worth of direct delivery schemes and an allowance of £400m for potential third party access. An assessment of options by officers from Be First and the Council had identified a two-stage restricted procurement procedure comprising two Lots (works under £50m and works in excess of £50m) as the preferred approach, in order to provide enhanced resilience and ensure competition.

Cabinet **resolved** to:

(i) Agree that Be First, on behalf of the Council, proceed with the procurement of the London Borough of Barking and Dagenham Development Framework 2024 - 2028 in accordance with the strategy set out in the report;

(ii) Note that whilst the projected value of the Framework was up to £1.5bn, the Council shall not be obliged to award any contracts via the Framework;

(iii) Agree that Be First, on behalf of the Council, manage the Framework in accordance with the scope of services set out in Appendix A to the report, and that the fee for the management of the Framework be paid by the Council to Be First as per the mechanism set out that appendix; and

(iv) Authorise the Strategic Director, Inclusive Growth, in consultation with the Cabinet Member for Regeneration and Economic Development, the Head of Legal and the Strategic Director, Resources, to conduct the procurement and award and enter into the Framework Agreements and all other necessary or ancillary agreements with the successful bidders.

82. Procurement of 8x8 Telephony Services Contract

The Cabinet Member for Finance, Growth and Core Services introduced a report on the proposed procurement of a new two-year contract for the provision of 8x8 communications services for use within the Council's Contact Centre, Unified Communications and schools.

The Cabinet Member advised on the rationale for continuing to use the 8x8 technology for the time being, primarily due to costs associated with moving to a new service and the anticipated emergence of new Artificial Intelligence (AI) and automation functionality over the next few years.

Cabinet **resolved** to:

(i) Agree that the Council proceeds with the procurement of a new two-year contract for 8x8 UCaaS and CCaaS through the G-Cloud 13 Framework in accordance with the strategy set out in the report; and

(ii) Delegate authority to the Strategic Director, Resources, in consultation with Cabinet Member for Finance, Growth and Core Services and the Head of Legal, to conduct the procurement and award and enter into the contract and all other necessary or ancillary agreements to fully implement and effect the proposals.

83. Procurement of Culvert Repair Works at Choats Road, Barking

The Cabinet Member for Public Realm and Climate Change presented a report on the proposed procurement of a design and build contract for the delivery of necessary repair / strengthening works to the Choats Road culvert bridge, together with the funding requirements for the works.

A routine inspection of the bridge, which provided a crucial gateway to the Barking Riverside / Thames View area as well as being a key logistics route to the Dagenham Dock area, identified that voids were forming under the concrete culvert slab which supported the road. Consulting civil engineers were commissioned to produce a feasibility and options appraisal examining options to repair and/or replace the culvert and the Cabinet Member advised that the preferred solution was carry out repair / strengthening works, at an estimated cost of £850,000. It was noted that approximately £578,000 was already available within the Highways capital budget to fund the works, with the remaining funding to be sought in the next round of capital works bids.

Cabinet **resolved** to:

(i) Agree that the Council proceeds with the procurement of a contract for repair / strengthening works to the culvert bridge at Choats Road, Barking, in accordance with the strategy set out in the report; and

(ii) Delegate authority to the Director of Public Realm, in consultation with the Cabinet Member for Public Realm and Climate Change, the Strategic Director, Resources and the Head of Legal, to award and enter into the contract and all other necessary or ancillary agreements to fully implement and effect the proposals, subject to the necessary budget provision being in place to meet the full cost of the project.

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CABINET

19 February 2024

Title: Revenue Budget Monitoring 2023/24 (Period 9, December 2023)	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Nurul Alom, Finance Manager David Dickinson, Head of Capital and Investments	**Contact Details:** E-mails: nurul.alom@lbbd.gov.uk david.dickinson@lbbd.gov.uk
Accountable Executive Team Director: Jo Moore, Interim Strategic Director, Resources	

Summary

This report sets out the Council's revenue budget monitoring position for 2023/24 as at the end of December 2023 (Period 9), highlighting key risks and opportunities and the forecast position.

At the end of December, forecast expenditure after transfers to and from reserves of £4.73m is now £203.796m resulting in a forecast overspend of £9.336m. This represents a positive movement of £1.203m from Period 8. Work to reduce spending will need to continue further to prevent any further drawdowns from Council's reserves.

At the end of the last financial year, the Council was overspent across a range of service areas and whilst one of this was one-off in nature, there was an underlying permanent core budget pressure, which continues to impact the current financial year. The factors contributing to this, especially increasing needs and costs of social care services, have continued and worsened into this financial year resulting in a further overspend forecast position.

The Council's General Fund budget for 2023/24 is £194.460m, this has been updated to reflect the movement of the Capitalised Interest budget of £4.542m, which was previously in the funding and is now part of the Income & Expenditure budget. Based on the information available at the end of November (Period 8) overall expenditure after transfers to and from reserves was forecast to be £209.542m making a forecast overspend of £10.540m. The Council continues to be impacted by needs and increasing care costs related to social care. Continued mitigations and cost reductions will be pursued to ensure the Council limits the overspend by year end. In addition to the reserve drawdown of £4.73m, the base budget has £15.01m of budgeted drawdown and it is also expected that £10.3m Be First dividend will be funded from reserves. This will take the total reserve drawdown to £30.04m before covering any overspends.

There is also the inherent risk that demand costs increase and other unforeseen costs materialise which result in additional expenditure or shortfalls of income not currently include within the P9 forecast.

There is also a projected overspend of £5.005m on the HRA, as reported in Period 8. This level of overspend is not sustainable and work is currently underway to reduce this level of overspend going forward.

Currently corporate funding is expected to be in line with the budget but this year's dividend from Be First (estimated at c£10.3m) is planned to be drawn down from reserves. Last year an exceptional return was made from the Muller deal, and this year Be First will not be able to meet their dividend target and therefore the Muller Reserve will be used to cover the dividend budget. This drawdown is in addition to the £4.73m indicated above.

If the forecast level of overspend continues, this will result in the use of earmarked reserves to balance the budget for 2023/24 and/or potentially drawing of funds down from the General Fund balance which is currently c£17m. This will reduce the financial resilience of the Council and curtail future ability to meet cost pressures. It is important to maintain a strong level of the general balance to meet any unknown future risks and all efforts must be made to reduce in year overspends to nil and deliver services within existing budgets. The position will continue to be closely monitored.

Recommendation(s)

Cabinet is recommended to:

(i) Note the projected £9.336m revenue overspend forecast at Period 9 for the General Fund for the 2023/24 financial year, as set out in sections 2 and 3 and Appendix A of the report and note the net projected year end drawdown of £4.73m reserves to support the in-year position;

(ii) Note the projected £5.005m revenue overspend forecast for the Housing Revenue Account, as set out in section 6 and Appendix A of the report;

(iii) Note the projected returns for the Investment and Acquisition Strategy as set out in section 4 and Appendix A of the report;

(iv) Note the movement in Reserve drawdown as indicated in section 5 of the report and that the Cabinet shall be asked to approve the drawdown of reserves to support any overspends at final outturn (post March 2024), subject to finalisation of the actual spend against budget; and

(v) Note the transfer of the Capitalised Interest budget of £4.542m from funding to Central Expenses budget.

Reason(s)

As a matter of good financial practice, the Cabinet should be regularly informed about the Council's in-year financial position including 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.

Chapter 2 of Part 4 of the Council's Constitution requires regular reporting to Cabinet on the overall financial position of each service and the current projected year-end outturn together with corrective actions as necessary.

1. Introduction and Background

1.1 This budget monitoring report to Cabinet reflects the forecast position for the end of the 2023/24 financial year as at end of December 2023 (Period 9).

1.2 This financial year continues to see the high level of financial risk realised in 2022/23 outturn feeding into 2023/24 together with new financial pressures. Rising inflation and interest rates not only drives increases in demand for Council services and support as the cost living increases but also directly impacts the costs paid by the Council to staff and suppliers. The financial performance of the Council's companies has also been impacted which. in turn. impacts on their ability to pay dividends to the Council.

1.3 The overspend identified in this report is significant will contain both one-off and permanent budget pressures and will be factored into the Council's Budget and MTFS Planning process in terms of long-term financial implications on the Council. It is important that the Council begins to significantly reduce the forecast overspend in order to ensure the Council remains financially sustainable over the coming years.

1.4 Using reserves is only a temporary form of funding and permanent solutions will need to be found for ongoing budget pressures. Significant earmarked reserves were utilised in closing off the 2022/23 and the continued drawdown of reserves to support budget pressures is unsustainable. As using reserves is only a temporary funding source, viable solutions will still need to be identified to deliver permanent budget savings and in a relatively short space of time.

2. Overall Financial Position - General Fund

2.1 The 2023/24 budget was approved by the Assembly in March 2023 and was £199.002m – a net increase of £16m from the previous year. Growth funding was supplied to most services to meet known demand and cost pressures and a central provision was made for the expected Local Government pay award. In addition, there were £7.049m of savings included in the budget.

2.2 As **Appendix A** shows, the expenditure forecast is £203.796m, after planned transfers to and from reserves, resulting in a net overspend of £9.336m. Approved transfers to and from reserves are not normally considered to be overspends since they are planned and agreed spending for which funding sources has been identified – often grant income brought forward from previous years. The table below summarises the overall financial forecast for the Council followed by an explanation highlighting the key drivers behind the forecasts. More detail is given in Appendix A.

Table 1: Overall Financial Forecasted Position by Directorate

		This Years Budget	Actuals/Forecast		Reserves	Variances Inc Reserves		
	Outturn 2022/23	Revised Budget	YTD Actuals	Current Forecast	Net Movement in Reserves	Variance	Last Period Variance	Movement from Last Period
PEOPLE & RESILIENCE	117,190,113	116,957,652	91,116,843	130,687,789	(105,766)	13,624,371	14,479,288	(854,917)
LAW AND GOVERNANCE	(5,174,523)	6,513,089	3,167,249	4,759,932	1,376,000	(377,157)	(420,307)	43,150
STRATEGY	3,546,790	9,755,640	8,312,770	9,760,301	(497,510)	(492,849)	(518,027)	25,178
INCLUSIVE GROWTH	2,229,661	1,078,456	1,496,684	2,692,338	(1,660,350)	(46,468)	(10,621)	(35,847)
COMMUNITY SOLUTIONS	25,021,966	14,461,470	12,297,498	16,065,236	(4,065,772)	(2,462,006)	(2,044,132)	(417,873)
MY PLACE	15,247,563	4,448,439	35,299,708	2,654,579	383,000	(1,410,859)	(1,404,079)	(6,780)
CORPORATE MANAGEMENT	52,696,852	2,637,318	3,362,464	3,752,488	(161,574)	953,596	931,453	22,143
SUB-TOTAL DIRECTORATES	**210,758,420**	**155,852,064**	**155,053,217**	**170,372,664**	**(4,731,972)**	**9,788,628**	**11,013,575**	**(1,224,947)**
CENTRAL EXPENSES		13,566,066	1,761,603	13,846,170		280,104	(6,819,048)	7,099,152
INTEREST PAYABLE		14,681,085	3,039,642	3,624,000		(11,057,085)	(4,598,933)	(6,458,152)
INTEREST PAYABLE ON ST BORROWG			(490,661)	3,688,901		3,688,901	8,553,901	(4,865,000)
CAPITALISED INTEREST		(4,542,000)				4,542,000		4,542,000
INTEREST RECEIVED		(6,502,960)	(119,496)	(4,040,752)		2,462,208	2,462,208	
MRP		10,048,004		10,048,004				()
LEVIES PAID		15,445,900	15,244,137	15,445,900				
SUB-TOTAL CORPORATE EXPENSES		***42,696,094***	***19,435,224***	***42,612,223***		***(83,872)***	***(401,872)***	***318,000***
GENERAL FUND I&E (EXC. IAS)	**210,758,420**	**198,548,158**	**174,488,441**	**212,984,887**	**(4,731,972)**	**9,704,756**	**10,611,704**	**(906,947)**
IAS COMMERCIAL (NET OPERATING RETURN)		(2,445,905)	(3,430,639)	(3,196,569)		(750,664)	(772,029)	21,365
IAS RESIDENTIAL (RESIDE SCHEME SURPLUS)		(2,810,000)		(2,265,000)		545,000	545,000	
IAS OTHER				(1,127,000)		(1,127,000)	(1,127,000)	
IAS INTEREST PAYABLE				14,294,000		14,294,000	8,186,000	6,108,000
INTEREST PAYABLE ON ST BORROWG				4,865,000		4,865,000		4,865,000
CAPITALISED INTEREST				(11,291,000)		(11,291,000)		(11,291,000)
IAS INTEREST RECEIVED				(6,904,000)		(6,904,000)	(6,904,000)	
IAS MRP		1,168,000		1,168,000				
SUB-TOTAL IAS		***(4,087,905)***	***(3,430,639)***	***(4,456,569)***		***(368,664)***	***(72,029)***	***(296,635)***
GENERAL FUND I&E	**210,758,420**	**194,460,253**	**171,057,802**	**208,528,318**	**(4,731,972)**	**9,336,092**	**10,539,675**	**(1,203,582)**

Directorate key movements

2.2.1 **People and Resilience** has a positive movement of £0.9m from period 8. The movement is due to an increase in one-off income for Adult Services through the release of additional ICB Hospital Discharge Fund and an increase in overall income collection.

2.2.2 **Community Solutions** has had a positive movement of £0.4m from Period 8. This improvement is mainly due to reduction in staffing costs, increase in court cost income, and a reduction in PSL costs due to increased number of hand back requests for properties by landlords.

2.2.3 **Central expenses** has had a negative movement of £0.318m. We have split corporate budgets between General Fund and IAS to improve transparency of the performance of the IAS. This has resulted in a negative movement in Central Expenses. However, there is a corresponding positive movement in the IAS. Therefore, the cause of this variance is not new and simply as a result of breaking down the presentation.

2.2.4 **IAS** has had a positive movement of £0.297m from the previous month. We have split corporate budgets between General Fund and the IAS to improve transparency of the performance of the IAS. This has resulted in a positive movement in the IAS. However, there is a corresponding negative movement in Central Expenses. Overall, the IAS is underspending by £0.369m.

2.3 **Key Organisational Risks contained within the forecast are outline below**

2.3.1 Temporary Accommodation rental properties being available. We are currently at capacity within our own hostels and have received several hand-back requests for Private Sector Landlord's which may lead to the Council being forced to move tenants into more expensive accommodation such as into B&B's and Hotels.

Modelling is being carried out against various assumptions which will enable a more robust forecast. This is a national issue. This will also impact support for Social Care clients with the immigration status of No Recourse to Public Funds (NRPF)

2.3.2 Social Care budgets are highly dependent on demand for services and effects of price rises on provision of care packages. As costs of care are very high even small changes in numbers of people needing support can cause large swings in the overall forecast. The Adult's service was holding some health funding in reserve to offset against potential winter pressures, but this has now been released to offset budget pressures much earlier than anticipated, which carries significant risk.

2.3.3 My Place is the managing agent for Reside properties. It therefore attracts expenditure which in turn must be passed to the relevant reside company. There is currently an issue with the breakdown of the expenditure between HRA and Reside properties and this may impact on My Place being able to secure payment for invoices from the relevant company, leaving the service with an overspend.

2.3.4 Commercial Services – Leisure Income: Sports and Leisure Management has given notice that they will be terminating the Leisure contract from September 2024. It is assumed that SLM will continue to pay the concession fee up to the termination date. The assumed income is £665k in 2023/24. For the MTFS there is a risk that the new leisure provider will be able to provide the same level of management fee income to the Council as factored into the MTFS.

2.3.5 Contaminated Land by Eastbrookend Park. Although a provision was made for this issue at the end of 21/22 there remains a risk. Considerable progress has been made in implementing the decontamination Action Plan, and the immediate threat of prosecution by Thames Water has been withdrawn. However long-term arrangements for the future of the effluent treatment plant and alternative measures to prevent the discharge of landfill leachate to the Thames Water drainage asset are yet to be identified and investigated. If the plant and equipment fail the Council could potentially breach its consent to discharge which may result in fresh prosecution action.

2.3.6 HB subsidy and overpayments recovery, the forecasts are based on the current returns and are subject to change throughout the year. There are new players in the market that are claiming the Supported Exempt Status, this means they are exempt from Universal Credit and can claim HB. DWP will only pay the amount in rent to the LA that is advised by the rent officer. Where there are new entrants to the market there is no comparator for rent and therefore there are risks that the LA will be picking up the cost of the gap between the rent officer rate and the provider rate.

2.3.7 The Council continues to face increased risk of interest rate changes which are directly impacting on the UK gilt markets and subsequently impacts on Council's own borrowing costs. The Council has a significant amount of borrowing that will need to be refinanced over the next 12 months and this is likely to be at higher interest rates. The Treasury Strategy will manage these risks within the prudential indicators but will result in additional costs. The Council will need to consider wider operational matters to manage this risk.

2.3.8 The Council's IAS programme has invested heavily on asset acquisition and wider regeneration particularly on residential schemes. This has required significant amount of borrowing to support the investment. Over 2023/24 the performance of the IAS has reduced, and returns have dropped significantly both as a result of longer durations to let new properties and higher interest rates. As the IAS section 4 shows at the moment this is projected to generate a very small surplus but should interest rate increase or further delays in generating lease return are experienced this could result in a cost to the General Fund.

2.4 **Key assumptions made within the Organisational Forecast are outlined below**

2.4.1 Forecasts are provided by budget holders and service managers with Finance advice and support. based on existing data and information.

2.4.2 There is an inflation provision held centrally of £5.5m for energy and contract costs. £2.7m has been distributed to services and a further £0.7m is shown as an underspend against declared service pressures leaving c£2m which is earmarked to support the 2023/24 pay award.

2.4.3 Care and Support figures are based on known clients and care packages held on CONTROC and does not factor in clients going through the onboarding process. Any increases in clients or shifts in types of placements above this assumption will create variances. Since individual clients can require very expensive packages these budgets can be very volatile. Further work is now being picked up to better forecast for placement spend with a clear model being developed.

2.4.4 Quarter three debt monitoring does show a need to increase bad debt provision by £0.6m. However, there is £4m of unallocated cash which is being investigated and should reduce the bad debt provision movement. A forecast has not been included for bad debt provision movement and a final position will be provided at year end.

2.4.5 As highlighted above, it is assumed that the company dividends of £10.3m will be drawn down from reserves and this position is factored within Corporate Funding. Be First £10.3m will be covered from the IAS reserve using the Muller Profit. If these reserves were not drawn down the overspend would increase by £10.3m.

2.4.6 Parking Income has been forecast to include the current trend. Currently forecasting additional income of £1.4m of which £0.383m will be transferred to Reserves and c£1m additional off-street income is included in the outturn position.

3. Service Variances

3.1 People & Resilience – forecast overspend £13.6m

Income/Expenditure	Prior Year Outturn	Current Year Budget	Current Year Actual YTD	Current Year Forecast	Reserves Transfers To	Reserves Transfers From	Variance	Last Period Variance	Movement
Adult's Disabilities	20,056,478	19,878,126	18,706,696	22,972,298	0	0	3,094,172	3,157,369	(63,197)
Adult's Care and Support	22,025,777	23,488,264	15,836,953	26,668,356	0	0	3,180,092	4,299,391	(1,119,299)
Commissioning Care and Support	9,849,999	14,649,312	(4,318,450)	14,179,024	0	0	(470,288)	(422,769)	(47,519)
Public Health	(339,189)	(318,250)	707,286	(318,249)	0	0	1	1	0
Children's Care and Support	45,863,019	41,525,407	35,276,657	47,680,856	0	(105,766)	6,049,683	5,716,575	333,108
Education, Youth and Childcare	4,102,925	3,948,391	8,267,214	4,125,868	0	0	177,477	145,859	31,618
Early Help Service	2,876,729	3,198,355	697,529	2,512,256	0	0	(686,099)	(681,928)	(4,171)
Children's and Young People Disabilitie	13,913,317	10,588,047	8,828,895	12,867,380	0	0	2,279,333	2,264,790	14,543
Grand Total	**118,349,054**	**116,957,652**	**84,002,780**	**130,687,789**	**0**	**(105,766)**	**13,624,371**	**14,479,288**	**(854,917)**

3.1.1 Overall, there is an overspend of £13.624m across the whole of People and Resilience. This is a positive movement of £0.855m since last month.

3.1.2 This is largely due to an increase in one-off income for Adult Services through the release of additional ICB Hospital Discharge Fund and an overall improvement in income collection.

3.1.3 The underlying pressure is largely to the cost of implementing supplier uplifts and paying the London Living Wage to all providers, which had led to a pressure of £5.6m. The service is experiencing a significant rise in the number of Education, Health and Care plans, which has resulted in an increasing overspend on the Children with Disabilities budget. The impact of Young B&D is also significant. There are around 300 18-25s receiving care, who are causing a significant financial pressure as they transfer to Adults. The clients transferring are entering Adult care at far greater cost than those clients leaving. Given the numbers, this will have long-term financial implications for the authority.

3.1.4 Placement forecasts within Children's and Adults Services are based on actual client's full year costs as shown in the social care placements database (ContrOcc). The service intends to move towards a position where the forecast incorporates estimated future activity, which should lead to less volatility in the monthly forecast. The current estimated outturn moving to this methodology is a likely year end overspend of approximately £16m. This work has commenced and has been partially incorporated into the forecasts.

3.1.5 A review of Adult Social Care debt identified 210 clients for whom a financial assessment had not been undertaken due to non-engagement but bills were rightly issued as required under statute. £3.8m income has been forecast to be written off this financial year due to lack of oversight of those clients that were non-engaging. It has been assumed that £2.6m of this amount can be met from the existing bad debt provision, so the revenue impact is expected to be £1.2m.

3.2 Corporate Management – forecast overspend £0.953m

	This Years Budget		Actuals/Forecast		Transfers to/from Reserves	Variances Inc Reserves		
	Revised	Controlled	YTD Actuals	Current Forecast	Transfers from	Variance	Last Period Variance	Change
CORPORATE MANAGEMENT	2,637,318	2,637,318	3,362,464	3,752,488	(161,574)	953,596	931,453	22,144
STRATEGIC LEADERSHIP	425,369	425,369	394,281	509,731	(99,360)	(14,998)	(11,705)	(3,293)
FINANCE	13,534,062	13,534,062	12,910,831	13,632,380	(62,214)	36,104	11,613	24,491
WORKFORCE CHANGE / HR	1,917,111	1,917,111	3,309,731	2,801,102	0	883,991	883,045	946
LEADERS OFFICE	271,251	271,251	258,096	319,750	0	48,499	48,499	(0)
TECHNICAL - CORP MGMT	(13,510,475)	(13,510,475)	(13,510,475)	(13,510,475)	0	0	0	0

3.2.1 The overspend in Corporate Management has increased by £22k which is due to an adjustment to the salaries forecast within IT.

3.2.3 Workforce Change/HR is forecast to overspend by c£883k. The review of the HRA recharge has led to an income deficit of £437k. This change, along with ongoing challenges, has made it impractical for HR to meet the originally projected savings of £577k in the 2023/24 financial year. The delays in implementing the ERP system and the Self-Service Manager model are contributing factors to this setback. Furthermore, the Leader’s Office is grappling with a historical budget pressure of £50k.

3.2.4 The drawdown from reserves represents Invest to Save funding of £99k to finance consultancy work and a £62k drawdown of Cyber Security grant funding.

3.3 Central Expenses – forecast underspend (£0.1m)

	This Years Budget			Actuals/Forecast		Transfers to/from		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
CENTRAL EXPENSES	**42,696,094**	**42,759,094**	**(63,000)**	**19,435,224**	**42,612,223**			**(83,872)**	**(401,871)**
CORPORATE MANAGEMENT	(641,000)	(641,000)			(860,323)			(219,323)	(219,323)
GENERAL FINANCE	43,194,984	43,257,984	(63,000)	9,099,098	43,409,431			214,447	(103,553)
HOUSING BENEFIT SUBSIDY	142,110	142,110		10,336,126	63,115			(78,995)	(78,995)

3.3.1 Corporate Management – Recalculation of the HRA recharges has had a positive movement against budget.

3.3.2 There is a slight overspend in General Finance as a result of separating the General Fund and IAS borrowing costs. The key driver for the slight overspend is the addition of the Capitalised Interest Budget.

3.3.3 There is £79k underspend on HB Overpayment Recovery and Subsidy due to overpayment reclaims.

3.4 Law & Governance – forecast underspend (£0.377m)

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
LAW AND GOVERNANCE	6,875,485	6,875,485		3,167,249	4,759,932	1,406,000	(30,000)	(377,157)	(420,307)
LEGAL	3,610,122	3,610,122		3,906,672	3,571,549	0	(30,000)	(68,573)	(117,663)
ENFORCEMENT	3,265,363	3,265,363		(739,423)	1,188,383	1,406,000	0	(308,584)	(302,644)

3.4.1 There was a favourable movement of c£0.006m within Enforcement from P8 due to reduction in forecasted spend, however Legal had an adverse movement of c£0.061m from that reported in P8.

3.4.2 Legal and Democratic services are reporting an underspend of c£0.069m, an adverse movement of c£0.049m from P8. This is primarily due to an increase in staff cost.

3.4.3 It is worth noting that Legal are forecasting an overspend of c£0.073m, which is primarily due to the recalculation of the HRA recharge, resulting in an income shortfall of c£0.180m within Legal.

3.4.4 The Enforcement P9 outturn position reflects an underspend of c£0.309m following the transfer of £1.406m in Private Rented Property Landlord income to reserves. The favourable outturn position is due to the freeze in recruitment to vacant positions. Currently, there are 59 vacant positions within Enforcement, with 29 of them being temporarily filled by agency staff.

3.4.5 The Private Sector Property Licensing (PRPL) scheme income target will be met and c£1.406m will be transferred to reserves for future years.

3.5 Strategy – forecast underspend (£0.492m)

	This Years Budget		Actuals/Forecast		Transfers to/from Reserves	Variances Inc Reserves		Change
	Revised	Controlled	YTD Actuals	Current Forecast	Transfers from	Variance	Last Period Variance	
STRATEGY	9,755,640	9,755,640	8,312,770	9,760,301	(497,510)	(492,849)	(518,027)	25,178
STRATEGY & INSIGHT	8,392,400	8,392,400	7,114,066	8,275,718	(485,510)	(602,192)	(623,926)	21,734
COMMUNICATIONS	1,363,240	1,363,240	1,198,705	1,484,583	(12,000)	109,343	105,899	3,443

3.5.1 The Strategy Directorate is forecast to underspend by (£492k). This is an adverse movement of £25k and is attributable to recruitment costs for the Director of Strategy.

3.5.2 There are underspends across the following services, mainly due to vacancy savings: Customer Contact (£312k), Strategy (£146k), and Insight (£175k).

3.5.3 There are overspends within Communications and Events £109k and the PMO £32k. These overspends are in the main driven by a shortfall in HRA income: £112k in Comms and £116k in the PMO. These overspends are mitigated by holding vacant posts.

3.5.4 The following sums are being drawn down from reserves: £133k Shielding grant, £283k for Mobility Client Transport, £50k to Insight for One View, £19k for salaries carry forwards within Strategy and £12k Womens' Empowerment funding to Events.

3.6 Inclusive Growth – forecast underspend £0.046m

	This Years Budget				Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
INCLUSIVE GROWTH	1,078,456	1,078,456		2,692,338	145,898	(1,806,248)	(46,468)	(10,621)
COMMERCIAL	(1,366,836)	(1,366,836)		(1,773,397)	145,898	0	(260,663)	(201,994)
INCLUSIVE GROWTH	2,445,292	2,445,292		4,465,735	0	(1,806,248)	214,195	191,373

3.6.1 Inclusive Growth is forecast to underspend by £46k. The £500k soil importation income target and the £133k commercial income target within Parks Commissioning are unachievable. The Directorate has succeeded in mitigating these overspends through holding vacancies and other management action. The overspend has reduced by (£35k) from Period 8.

3.6.2 The main reason behind the movement is due to the inclusion in the forecast of £40k additional income from the insurance recharge for CR27 aparthotel.

3.6.3 The main risk within this service area is income from the leisure contract, although the risk is from September 2024/25 when the current leisure contract ends. The procurement process for a new leisure provider is underway, and it is not yet known what level of management fee income will be secured.

3.6.4 Drawdowns from reserves consist of £1m of grant income, £603k from the Welfare reserve, and £193k from the Made in Dagenham film reserve. The £145k transfer to reserves is the balance from the Leisure contract termination fee.

3.7 Community Solutions – forecast underspend of (£2.5m)

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
COMMUNITY SOLUTIONS	14,461,470	14,461,470		12,297,498	16,065,236	400,000	(4,465,772)	(2,462,005)	(2,044,132)
SUPPORT AND COLLECTIONS	7,017,112	7,017,112		7,322,773	6,993,162	0	(1,511,164)	(1,535,114)	(1,138,177)
COMMUNITY SOLUTIONS	1,069,410	1,069,410		780,722	898,530	0	(146,000)	(316,880)	(316,880)
COMMUNITY PARTICIPATION & PREV	7,679,948	7,679,948		5,499,004	9,478,545	400,000	(2,808,608)	(610,011)	(589,075)
TECHNICAL - COMSOLS	(1,305,000)	(1,305,000)		(1,305,000)	(1,305,000)	0	0	0	0

3.7.1 Within this forecast there is a financial pressure of £3.4m – mostly relating to services no longer being charged to the HRA. This is being managed in-year with a mitigation plan including holding vacancies and drawing heavily on reserves. The service has also been successful in increasing its income including grant income from the GLA, Health income and HRA recharges.

3.7.2 The key risks are Becontree Collection Service achieving the forecast income of £650k in 2023/24 and limiting the use of B&B's and Hostels for Temporary Accommodation.

3.7.3 The service has moved positively by £418k this period. Within Support & Collections there has been reduction in staffing costs and increase in court cost income (Revenues) and reduction in PSL costs due to increased number of hand back requests (Support Services). In Community Participation and Prevention there is an overall favourable movement of £21k from Healthy Lifestyles reduced programme spend and increased income and a rebate for NDR at Gascoigne Children's Centre.

3.8 My Place – forecast underspend of (£1.411m)

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
MY PLACE	**4,448,439**	**4,448,439**	**0**	**35,299,708**	**2,654,579**	**383,000**	**0**	**(1,410,859)**	**(1,404,079)**
HOMES AND ASSETS	(1,145,987)	(1,145,987)	0	17,223,524	(685,465)	0	0	460,522	735,837
PUBLIC REALM	5,594,426	5,594,426	0	18,076,184	3,340,045	383,000	0	(1,871,381)	(2,139,916)

3.8.1 The Directorate underspend of (£1.411m) comprises an underspend in Public Realm of (£1.871m) offset by a £0.461m overspend in Homes and Assets. The Homes and Assets pressure results from a reduced ability to charge to the HRA and a shortfall on Commercial Property income while the Public Realm underspend relates to an increased recharge to HRA of appropriate costs following reviews, staffing vacancies being held ahead of a restructure and due to recruitment pause and finally the Parking surplus (£1.08m) after an adjustment for £0.383m transfer to the Parking Reserve at year end.

3.8.2 Homes and Assets is currently forecasting a £0.478m overspend within the Commercial Portfolio, this is seen as an underlying pressure within the outturn. The Strategic Director has tasked the Commercial Lead with completing a full asset list and rent roll to determine the recoverability of the pressure.

3.8.3 One of the primary risks for Homes and Assets is its ability to recover costs in the role of the managing agent for the Reside group of entities. This raises several risks from identifying all Reside related expenditure, aggregating it between the different blocks and companies, raising service charge invoices and managing the debt position of this all within the General Fund. The risk is that the service is left holding the expenditure.

3.8.4 The position has slightly improved this month (£7,000).

3.9 Savings

Service Area	RED	AMBER	GREEN
Care and Support		(237)	(500)
Community Solutions	(130)	(220)	(1,122)
EYCC		(35)	
Finance & IT			(735)
HR	(577)		
Inclusive Growth	(500)		(370)
Law & Governance			(2,300)
My Place	(155)		(153)
P&P	(15)		
Grand Total	**(1,377)**	**(492)**	**(5,180)**

3.9.1 The MTFS savings target for 2023/24 is £7.049m and at P9:

- £1.377m (20%) are rated **red**, not being achieved; (HR £0.577m, Parks income £0.5m, My Place £0.15m, Valence library £0.13m)

- £0.492m (16%) are rated **amber/green**, forecast as uncertain and may only be part achieved
- £5.18m (64%) are rated **green**, fully achieved (either now or by year end) or expected to be achieved in year.

3.9.2 Red savings are reflected in the service forecasts and contribute towards the overspends. Unachieved savings in the current financial year increases the risk to the medium-term financial strategy moving forward and will increase the budget gap unless viable alternative savings can be found.

3.9.3 The table below is a list of the unachieved savings in 2023/24:

Service Area	Savings Proposal	2023/24 Target £'000
P&P	FPN income	(15)
Inclusive Growth	Parks Commissioning - Soil Importation	(500)
HR	Restructure	(577)
Community Solutions	Creation of Heritage site at Valence Library	(130)
My Place	No longer have a dedicated Graffiti team	(75)
My Place	Reduce the opening days and times of the Town Hall and other buildings	(50)
My Place	Increase the commercial income	(30)
		(1,377)

4. Investment and Acquisition Strategy and Treasury Management

4.1 The Council has an Investment and Acquisition Strategy (IAS) with the primary purpose of supporting the regeneration of the borough. The IAS was approved to be self-financing and potentially generate a 5% target return.

4.2 In previous year, the IAS Strategy has provided a significant return to the Council, both through IAS net returns but also dividends and income from Be First. The net return is after costs of borrowing have been taken into account. The IAS now has a significant amount of borrowing, forecast to be over £900m by the end of 2023/24 (currently at £868m as at P9). This is reported on in detail at regular intervals but a short summary of the current in-year forecast is provided in Appendix A (Pages 11 onwards). Further details were provided as part of the Mid-Year Treasury Management Strategy update to Cabinet in November 2023.

4.3 In addition to the current IAS borrowing of £868m the Council's general Treasury Management and Capital Borrowing has c £144.8m of borrowing. The Council is highly geared with debt, and this will create further risk particularly as the debt needs to be refinanced which will be at higher interest rates. Slides 11 and 12 of Appendix A details the total borrowing which is split across various funds and also details loan assets against housing companies such as Be First and Reside.

4.4 The IAS includes returns from commercial and residential assets but also requires a treasury management strategy to underpin the borrowing to fund the assets. In addition to the IAS, the Council has other borrowing requirements to fund capital expenditure on assets and these are reported as part of a General Fund treasury return. Net returns for each element are summarised below:

- £364k Surplus – General Fund Treasury Strategy
- £368k Surplus - Investment and Acquisition Strategy

4.5 Overall the IAS and Treasury strategy is forecast to provide a £732k surplus. This is significantly below the £7m+ surplus generated by the IAS over the past three years and there are no forecast additional surpluses, such as from the sale of the Film Studio or from the sale of Muller, forecast for 2023/24. The reduced return is due to several factors including:

i. Losses on Private Rental schemes due to delays in letting properties. Private rental schemes are still not fully let and income is significantly below hold costs.
ii. Delays in selling Shared Ownership schemes, leaving several properties vacant and not earning income, with borrowing costs on the full build cost for each unit.
iii. General delays in letting properties resulting in a loss of income but also additional security and hold costs.
iv. Increased management costs for commercial holdings and reduced income from several schemes, including Maritime House and Thames Road.
v. Increased interest costs, although these are contained through capitalising the interest against developments and through secured longer-term borrowing.

4.6 The above pressures largely remain and there are still a number of Private rental schemes (PRS) units that remain void and a number of SO schemes that are not sold. For PRS, which contain a significant amount of borrowing, lettings have been outsourced to estate agents but remain slow. A scheme of 92 units that completed in September 2023, Fifeshire and Cutter, remains vacant and costs over £100k per month in interest alone.

4.7 79 SO units for Ewars Marsh remain unsold and 12 units (from a total of 56 units) in Challingsworth remain unsold. Costs per month are also in excess of £100k.

4.8 Security costs for both Residential and Commercial units remain high as unlet schemes need to be secured. These costs were not forecast and remain a pressure.

4.9 Improvements in the lettings and sales of the properties will see a significant improvement in the IAS net returns but the delays and inefficiencies that currently remain, along with a lack of adequate performance reporting from Reside, will continue to have a negative impact on the IAS return.

5 Reserves

5.1 The Council has £147.29m in brought forward Reserves from 2022/23. The current projection is that the Council will drawdown £4.73m of reserves to support in year activity before taking into account the overspend of £9.336m. The current budget has a provision of £15.01m to be drawdown to cover costs of collection fund deficits and this was approved by Cabinet and Assembly as part of the 2023/24 Budget Setting. In addition, the budget expected that BeFirst will pay for the £10.3m of annual dividend budget, however BeFirst have indicated that they are unable to declare dividend this year and so this budget will require a further call of £10.3m from an existing BeFirst Muller Reserve.

5.2 The overspend of £9.36m should that remain at year end, will also need to be funded from a further call on the reserves. At P9 the overspend is a projection and a final overspend figure will be confirmed at year end,

5.3 Therefore, the total reserve drawdown for 23/24 could become £39.37m once all reserves identified in paragraphs 5.1 and 5.2 are accounted for. This is a significant drawdown and indicates that the Council's is overspending considerably more than its annual budget allocation and thus resource availability. Every, effort is being made to reduce the call on reserves and options to reduce the overspend are being looked as part of the monthly monitor.

6 Housing Revenue Account (HRA)

6.1 The HRA is forecasting to overspend by £5.0m compared to the nil balance budgeted for the year. The overspend will be covered by drawing on the HRA reserve balance of £18.4m, reducing the balance to an estimated £13.5m by end of current financial year, with a further £1m drawdown expected from 2022/23 Outturn when finalised. The final estimated balance of £12.5m is above the internal target of 10% of total income for 2023/24 of £11.8m.

6.2 The overspend falls mostly under the Repairs and Maintenance and the Supervision and Management budgets and relates to the significant increase in the BDMS contract for housing repairs, maintenance and its supervision which was increased from £15.7m to £25.5m but then offset by reduction in DLO expenditure and transfer of Reside costs from the HRA to the GF. The increase in the BDMS contract occurred after the HRA budget for 2023/24 had been set. Other significant overspends include additional disrepair provision of £2.2m to cover the more than anticipated current year disrepair payments and provide for estimated disrepair claims for 2024/25; rent and rates £2.2m overspend from mainly higher insurance costs (£1m) and Council tax paid on void properties (£385k) and a £1.5m under recovery of income from charges for services and facilities mainly from transferring Reside costs out of the HRA to the General Fund with a corresponding reduction in costs under the Supervision and Management budget of the HRA.

6.3 These costs are partly mitigated by slowing down the capital programme and reversing the budget plan to transfer (£6.680m) from revenue budgets to the Major Repairs Reserve Fund to finance capital expenditure in 2023/24. Additional underspends are reported under bad debt provision based on rent collection trends so far in the financial year (£1.309m) and (£380,000) better than expected improvement in dwelling rent income due to lower HRA property disposal from the Right-to-Buy scheme. It should be noted that reducing capital spending may result in a further increase in reactive costs in future years vs planned.

6.4 The HRA overspend projection has reduced from prior month by (£47,000). The movement is due to combination of positive and negative changes comprising of a reduction in the Bad Debt Provision requirement (£809,000), improved Leaseholder Service Charges (£594,000), lower than expected call on Compliance budgets (£508,000) mostly offset by increasing the Disrepair Provision by £1.7m.

6.5 The Council currently has 335 open claims with approximately two thirds of these being submitted before 1st April 2023. The opening balance of the provision on that date was (£1.7m) and it is estimated that payments for accepted legal fees and damages will reach £2.0m in 2023/24 with the majority of this expenditure relating to prior year claims. Given the number of open claims, it is deemed prudent to replenish the provision so that its opening balance on 1st April 2024 is (£2.0m). This means the total required from the HRA in 2023/24 is £2.226m. To put this in perspective, the total replenishment of the Bad Debt Provision in 2023/24 for unpaid rents and service charges from tenants is estimated to be £2.0m.

6.6 There are a range of quantifiable risks confronting the HRA totalling £1.840m together with at least 6 further areas that are non-quantified. The most significant quantified risk at this time is £1.6m relating to Fleet costs incurred within BDMS which they are seeking to recover outside of the contract price but is yet to be agreed by My Place. Further potential Council Tax on voids costs makes up the difference. In terms of opportunities, there is upwards of (£400,000) from compliance work included in revenue budgets but now expected to be completed through the capital programme.

7. Financial Implications

Implications completed by: Jo Moore, Section 151 Officer

7.1 This report is one of a series of regular updates to Cabinet about the Council's financial position and the main body of the report provides key financial implications.

8 Legal Implications

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

8.1 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.

8.2 In spite of inflationary pressures such as the Post covid and war in Eastern Europe shocks, the fiduciary duty to Council taxpayers and the Government for proper stewardship of funds entrusted to the Council together with ensuring value for money plus the legal duties to achieve best value still apply. Furthermore, there remains an obligation to ensure statutory services and care standards for the vulnerable are maintained.

8.3 We must continue careful tracking of all costs and itemise and document the reasoning for procurement choices to ensure expenditure is in line with the Local Government Act 1999 duty to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. If there should be need to make changes in services provision, then there is a duty to carry out proper consultation and have due regard to any impact on human rights and the Council's Public Sector Equality Duty under the Equality Act 2010 before finalising any decision.

9. Other Implications

9.1 **Risk Management –** Regular monitoring and reporting of the Council's budget position is a key management control to reduce the financial risks to the organisation and features on the Council's strategic risk register.

9.2 **Corporate Policy and Equality Impact –** Regular budget monitoring is key to the Council being a well-run organisation, which provides value for money for residents. It also ensures that the Council will be able to focus resources on delivering the priorities set out in the Corporate Plan 2023-26. Where any new savings proposals are put forward, or if there is need to make changes in services provision, the Council has a duty to carry out proper consultation and have due regard to any impact on people with protected characteristics, as part of the Council's Public Sector Equality Duty under the Equality Act 2010. The equality implications should be considered at the early stages of planning.

Public Background Papers used in preparation of this report:

- The Council's MTFS and budget setting report, Assembly 1 March 2023

Budget Framework 2023-24 Report (lbbd.gov.uk)

List of appendices:

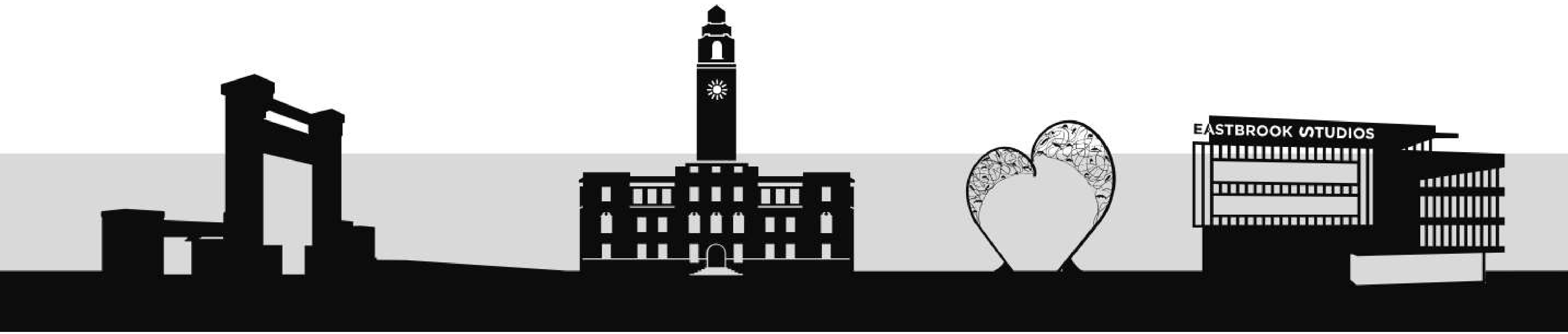
- Appendix A: Revenue Budget Monitoring Pack 2023/24 (Period 9)

Finance Budget Monitoring – General Fund

APPENDIX A

2023/24

P9 (December 2023)



Period 9: <u>Overspend</u> of £9.3m, a positive movement of £1.2m from previous period

		This Years Budget	Actuals/Forecast		Reserves	Variances Inc Reserves		
	Outturn 2022/23	Revised Budget	YTD Actuals	Current Forecast	Net Movement in Reserves	Variance	Last Period Variance	Movement from Last Period
PEOPLE & RESILIENCE	117,190,113	116,957,652	91,116,843	130,687,789	(105,766)	13,624,371	14,479,288	(854,917)
LAW AND GOVERNANCE	(5,174,523)	6,513,089	3,167,249	4,759,932	1,376,000	(377,157)	(420,307)	43,150
STRATEGY	3,546,790	9,755,640	8,312,770	9,760,301	(497,510)	(492,849)	(518,027)	25,178
INCLUSIVE GROWTH	2,229,661	1,078,456	1,496,684	2,692,338	(1,660,350)	(46,468)	(10,621)	(35,847)
COMMUNITY SOLUTIONS	25,021,966	14,461,470	12,297,498	16,065,236	(4,065,772)	(2,462,006)	(2,044,132)	(417,873)
MY PLACE	15,247,563	4,448,439	35,299,708	2,654,579	383,000	(1,410,859)	(1,404,079)	(6,780)
CORPORATE MANAGEMENT	52,696,852	2,637,318	3,362,464	3,752,488	(161,574)	953,596	931,453	22,143
SUB-TOTAL DIRECTORATES	**210,758,420**	**155,852,064**	**155,053,217**	**170,372,664**	**(4,731,972)**	**9,788,628**	**11,013,575**	**(1,224,947)**
CENTRAL EXPENSES		13,566,066	1,761,603	13,846,170		280,104	(6,819,048)	7,099,152
INTEREST PAYABLE		14,681,085	3,039,642	3,624,000		(11,057,085)	(4,598,933)	(6,458,152)
INTEREST PAYABLE ON ST BORROWG			(490,661)	3,688,901		3,688,901	8,553,901	(4,865,000)
CAPITALISED INTEREST		(4,542,000)				4,542,000		4,542,000
INTEREST RECEIVED		(6,502,960)	(119,496)	(4,040,752)		2,462,208	2,462,208	
MRP		10,048,004		10,048,004				()
LEVIES PAID		15,445,900	15,244,137	15,445,900				
SUB-TOTAL CORPORATE EXPENSES		***42,696,094***	***19,435,224***	***42,612,223***		***(83,872)***	***(401,872)***	***318,000***
GENERAL FUND I&E (EXC. IAS)	**210,758,420**	**198,548,158**	**174,488,441**	**212,984,887**	**(4,731,972)**	**9,704,756**	**10,611,704**	**(906,947)**
IAS COMMERCIAL (NET OPERATING RETURN)		(2,445,905)	(3,430,639)	(3,196,569)		(750,664)	(772,029)	21,365
IAS RESIDENTIAL (RESIDE SCHEME SURPLUS)		(2,810,000)		(2,265,000)		545,000	545,000	
IAS OTHER				(1,127,000)		(1,127,000)	(1,127,000)	
IAS INTEREST PAYABLE				14,294,000		14,294,000	8,186,000	6,108,000
INTEREST PAYABLE ON ST BORROWG				4,865,000		4,865,000		4,865,000
CAPITALISED INTEREST				(11,291,000)		(11,291,000)		(11,291,000)
IAS INTEREST RECEIVED				(6,904,000)		(6,904,000)	(6,904,000)	
IAS MRP		1,168,000		1,168,000				
SUB-TOTAL IAS		***(4,087,905)***	***(3,430,639)***	***(4,456,569)***		***(368,664)***	***(72,029)***	***(296,635)***
GENERAL FUND I&E	**210,758,420**	**194,460,253**	**171,057,802**	**208,528,318**	**(4,731,972)**	**9,336,092**	**10,539,675**	**(1,203,582)**

Period 9: <u>Overspend</u> of £9.3m, a positive movement of £1.2m from previous period

Key Drivers:

The most significant movement is from People and Resilience which moved positively by (£0.855m) and Community Solutions by (£0.418m). Inclusive Growth has had a positive movement of (£0.036m) and My Place has also moved in a positive direction by £0.007m. Law and Governance had a negative movement of £0.043m, Strategy £0.0.25m and Corporate Management by £0.022m.

People and Resilience: £0.855m decrease in forecast expenditure.
The positive movement is due to an increase in income for Adult Services through the release of additional ICB Hospital Discharge Fund and overall improvement in income collection.

Community Solutions: (£0.418m) decrease in forecast expenditure.
The service has moved positively by £418k this period. There has been reduction in staffing costs and increase in court cost income. Also, a reduction in PSL costs due to increased number of hand back requests for properties by landlords.

Central Expenses: £0.318m increase in forecast expenditure.
We have split corporate budgets between General Fund and IAS to improve transparency of the performance of the IAS. This has resulted in a negative movement in Central Expenses. However, there is a corresponding positive movement in the IAS.

IAS: (£0.297m) decrease in forecast expenditure.
We have split corporate budgets between General Fund and IAS to improve transparency of the performance of the IAS. This has resulted in a positive movement in IAS. However, there is a corresponding negative movement in Central Expenses.

Key assumptions

- Forecasts are provided by budget holders and service managers with Finance advice and support

- There is an inflation provision held centrally of £5.5m for energy and contract costs. £2.3m has been distributed to services and a further £0.7m is shown as an underspend against declared service pressures leaving c£2m earmarked to support the 2023/24 Pay Award.

- Care and Support figures are based on known clients and care packages held on ContrOcc and does not factor in clients going through the onboarding process . Any increases in clients or shifts in types of placement above this assumption will create variances. Since individual clients can require very expensive packages these budgets can be very volatile. Further work is now being picked up to better forecast for placement spend with a clear model being developed.

- Quarter three debt monitoring does show a need to increase bad debt provision by £0.6m. However, there is £4m of unallocated cash which is being investigated and should reduce the bad debt provision movement. A forecast has not been included for bad debt provision movement and a final position will be provided at year end.

- It is assumed that the company dividends total of £10.4m will be drawn down from reserves and this position is factored within the Corporate Management Directorate. Be First dividends of £10.4m will be covered from the IAS reserve using the Mueller Profit in part as the company are unlikely to deliver returns 23/24. Not drawing down these reserves will further add to the overspend by £10.4m.

- Parking Income has been forecast to include the current trend. Currently forecasting additional income of £1.4m of which £0.383m will be transferred to Reserves and c£1m additional off-street income is included in the outturn position.

Funding assumptions

- The Budget assumes funding from Subsidiaries of c£10.4m via dividends, however this seems unlikely as stated in this report. The non-achievement of dividend will now be funded from Reserves.

- There was a deficit on the 22/23 Collection Fund that will be brought into this year's General Fund (in accordance with regulations.) This will be covered by a drawdown from reserves as reported in the February 2023 budget and this was planned.

- The Market Sustainability Grant was given by Government to cover Adult Social Care costs but was given as part of our overall Spending Power. It is therefore shown as Corporate Funding and has been used to fund Adult's budget growth.

- There are currently no forecast variances on Corporate Funding. In previous years the Council has received additional in year section 31 grants – if this occurs again this year this will potentially be used to offset the overspend or to replenish reserves.

Period 9: Movement in Reserves

	Opening Balance	Budgeted Drawdown 23-24	In Year Inter Reserve Transactions 23-24	Pending In Year Inter Reserve Transactions 23-24	Planned Drawdowns 23-24 (P9)	Transfer to Reserve (P9)	BeFirst Dividend Reserve Drawdown	Drawdowns not in P9 - Outside forecast	Release to BSR - pending transfer	Closing Balance (before overspend)
	£'m	£'m	£'m		£'m	£'m		£'m	£'m	£'m
General Reserves	(17.03)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(17.03)
Budget Support Reserve	(16.84)	13.51	0.53	(3.68)	0.00	0.00		0.00	0.00	(6.48)
Sub total	**(33.87)**	**13.51**	**0.53**	**(3.68)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**(23.51)**
Ring-fenced Reserves	(28.91)	0.00	(0.53)	1.53	4.76	(2.33)		3.56	0.00	(21.92)
PFI Reserves	(14.28)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(14.28)
Levy Funding Reserve	(6.11)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(6.11)
Sub total	**(49.30)**	**0.00**	**(0.53)**	**1.53**	**4.76**	**(2.33)**	**0.00**	**3.56**	**0.00**	**(42.31)**
Non Ring-Fenced Reserves										
Corporate Reserves	(5.91)	0.00	0.00	0.00	0.16	0.00		1.37	0.00	(4.38)
People & Resilience	(0.54)	0.20	0.01	0.00	0.00	0.00		0.00	0.00	(0.33)
Legal, Governance & HR	(0.41)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(0.41)
Strategy	(0.05)	0.00	0.00	0.00	0.03	0.00		0.02	0.00	(0.00)
Inclusive Growth	(1.34)	0.00	0.00	0.00	0.11	0.00		0.00	0.00	(1.23)
Community Solutions	(12.64)	1.31	(0.01)	1.66	2.00	0.00		2.50	0.00	(5.18)
My Place	(0.29)	0.00	0.00	0.29	0.00	0.00		0.00	0.00	0.00
Collection Fund Reserves	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Sub total Non-ringfenced	**(21.18)**	**1.50**	**0.00**	**1.95**	**2.30**	**0.00**	**0.00**	**3.89**	**0.00**	**(11.53)**
IAS & Capital Reserves										
Investment Reserves	(16.17)	0.00	1.13	0.00	0.00	0.00		0.00	0.00	(15.03)
Mueller Reserve	(12.00)	0.00	0.00	0.00	0.00	0.00	10.39	0.00	0.00	(1.61)
CR27 Hotel Deal reserve	(5.50)	0.00	(0.57)	0.00	0.00	0.00		0.00	0.00	(6.07)
Isle of Dogs Travelodge Reserv	(5.50)	0.00	(0.57)	0.00	0.00	0.00		0.00	0.00	(6.07)
Capital Reserves	(3.78)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(3.78)
Sub total IAS Reserves	**(42.95)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**10.39**	**0.00**	**0.00**	**(32.56)**
Total	**(147.29)**	**15.01**	**0.00**	**(0.20)**	**7.07**	**(2.33)**	**10.39**	**7.44**	**0.00**	**(109.91)**

- A number of financial risks have materialised in 2023/24 resulting in the need to use reserves to cover the forecast overspend of £9.3m. The Budget Support Reserve has a balance of £6.48m. However, there is insufficient 'free' reserves to cover the 2023/24 forecast overspend and management action is required to bring spend in-line with budgets.
- It is to be borne in mind that the 2024/25 base budget, after savings, has a budget gap of £23m, as outlined in the Budget Strategy Report.

Key risks

- The Ethical Collection Service is forecasting income of £650k. The service is working towards a higher income collection. However, it is currently unable to cover its costs. Finance believe the income will range between £500k - £600k and this may increase the outturn variance.

- Temporary Accommodation rental properties available - We are currently at capacity within our own hostels and have received several hand backs requests for PSL's which may lead to an overspill into B&B's and Hotels. Modelling is being carried out against various assumptions which will enable a more robust forecast. This is a national issue. This will also impact support for Social Care clients with the immigration status of No Recourse to Public Funds (NRPF)

- Social Care budgets are highly dependent on demand for services which cannot be controlled at the point of need. As costs of care are very high even small changes in numbers of people needing support can cause large swings in the overall forecast. The Adult's service was holding some health funding in reserve to offset against potential winter pressures, but this has now been released, which carries significant risk.

- My Place is the managing agent for Reside properties. It therefore attracts expenditure which in turn must be passed to the relevant reside company. The risk if there is insufficient breakdown of the expenditure then My Place will not be able to secure invoices from the relevant company and will be left with an overspend.

- Commercial Services – Leisure Income: SLM has given notice that they will be terminating the Leisure contract from September 2024. It is assumed that SLM will continue to pay the concession fee up to the termination date. The assumed income is £665k in 2023/24. It is highly unlikely that the new leisure provider will be able to provide the same level of management fee income to the Council as factored into the MTFS.

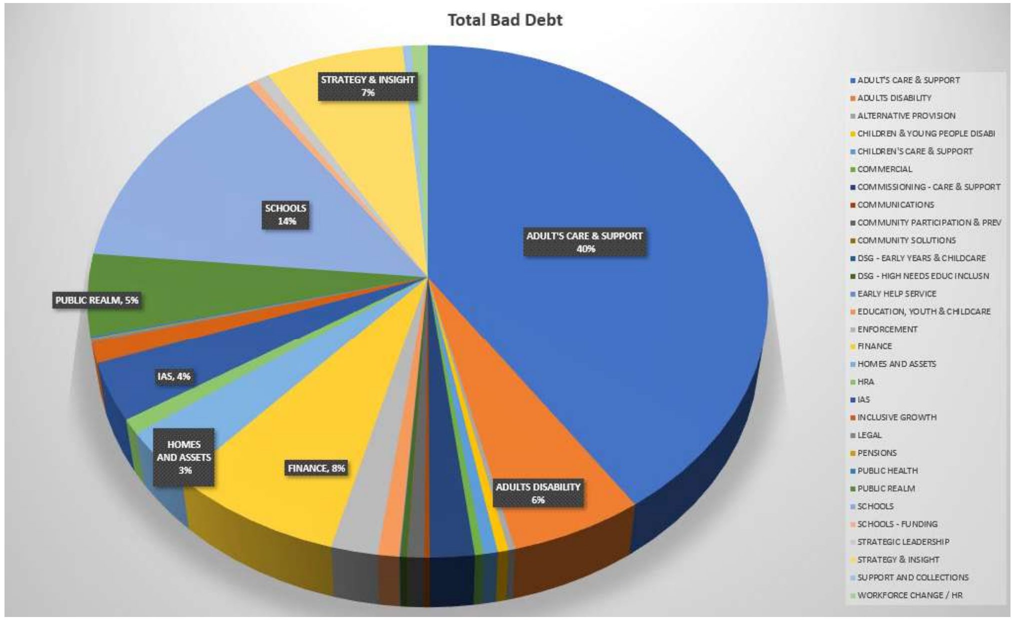
- Contaminated Land by Eastbrookend Park. Although a provision was made for this issue at the end of 21/22 there remains a risk. Considerable progress has been made in implementing the decontamination Action Plan, and the immediate threat of prosecution by Thames Water has been withdrawn. However long-term arrangements for the future of the effluent treatment plant and alternative measures to prevent the discharge of landfill leachate to the Thames Water drainage asset are yet to be identified and investigated. If the plant and equipment fail the Council could potentially breach its consent to discharge which may result in fresh prosecutory action.

- HB subsidy and overpayments recovery, the forecasts are based on the current returns and are subject to change throughout the year. There are new players in the market that are claiming the Supported Exempt Status, this means they are exempt from Universal Credit and can claim HB. DWP will only pay the amount in rent to the LA that is advised by the rent officer. Where there are new entrants to the market there is no comparator for rent and therefore there are risks that the LA will be picking up the cost of the gap between the rent officer rate and the provider rate.

- Based on current projections the reserve levels drop considerably, a reduction of over £50m in a single year.

Bad Debt – This is Updated Quarterly. Current Position P9

Row Labels	Sum of Overdue 0-12 months	Sum of Overdue 12-24 months	Sum of Overdue 24-36 months	Sum of Overdue 36 months +	Sum of TOTAL SUM
ADULT'S CARE & SUPPORT	5,772,982.31	3,559,728.90	2,619,167.88	3,937,928.12	15,889,807.21
ADULTS DISABILITY	908,895.44	502,509.18	355,226.55	499,467.18	2,266,098.35
ALTERNATIVE PROVISION	22,313.18	64,907.66	2,068.60	23,919.60	113,209.04
CHILDREN & YOUNG PEOPLE DISABI	50,470.66	59,661.98	36,210.00	35,352.30	181,694.94
CHILDREN'S CARE & SUPPORT	96,585.56	121,402.55	5,110.00	20,627.51	243,725.62
COMMERCIAL	146,238.44				146,238.44
COMMISSIONING - CARE & SUPPORT	482,920.00	103,028.00	154,830.52	14,411.94	755,190.46
COMMUNICATIONS	22,658.82	3,870.00	36,000.00	30,593.31	93,122.13
COMMUNITY PARTICIPATION & PREV	134,671.92	35,431.36	30,834.50	79,432.91	280,370.69
COMMUNITY SOLUTIONS	4,080.00		1,793.85		5,873.85
DSG - EARLY YEARS & CHILDCARE			100.00		100.00
DSG - HIGH NEEDS EDUC INCLUSN	21,631.00	89,892.58	5,570.51	1,106.00	118,200.09
EARLY HELP SERVICE	13,039.00				13,039.00
EDUCATION, YOUTH & CHILDCARE	152,225.42	66,829.10	113,204.79	28,123.96	360,383.27
ENFORCEMENT	268,022.92	175,693.86	311,014.60	46,126.89	800,858.27
FINANCE	1,297,575.57	783,521.56	612,304.83	287,682.28	2,981,084.24
HOMES AND ASSETS	833,134.78	205,144.68	165,674.45	97,071.83	1,301,025.74
HRA	155,073.77	206,076.59	1,062.33	881.00	363,093.69
IAS	1,182,802.87	133,712.01	48,600.00	64,800.00	1,429,914.88
INCLUSIVE GROWTH	125,225.18	328,437.24	9,943.90	52,404.84	516,011.16
LEGAL	12,245.20	25,809.02	12,108.60	19,251.82	69,414.64
PENSIONS	2,382.00	3,010.84		15,507.21	20,900.05
PUBLIC HEALTH			49,200.00		49,200.00
PUBLIC REALM	706,610.49	898,993.54	319,182.89	106,185.92	2,030,972.84
SCHOOLS	4,529,541.55	543,319.92	36,666.79	293,124.59	5,402,652.85
SCHOOLS - FUNDING		150,000.00	2,603.95	57,521.31	210,125.26
STRATEGIC LEADERSHIP				281,213.48	281,213.48
STRATEGY & INSIGHT	959,665.64	1,217,674.48	646,209.20	3,645.60	2,827,194.92
SUPPORT AND COLLECTIONS	40,687.39	103,356.60		26,000.00	170,043.99
WORKFORCE CHANGE / HR	81,475.43	117,434.16	132,266.71	9,041.99	340,218.29
Grand Total	**18,023,154.54**	**9,499,445.81**	**5,706,955.45**	**6,031,421.59**	**39,260,977.39**



The above data comes from the 'All Invoices' report run from E5 and has been split out by Directorate based on the cost centre linked to the invoice.

The data shows total invoices outstanding as at 31st December 2023 and has been sorted into aging buckets.

Total Bad Debt above includes LBBD schools and companies which would normally be excluded when calculating the bad debt provision.

At end of quarter three the total level of debt had increased since quarter 2.

At Q3 the BDP calculation shows a negative movement of £0.6m. However, there is £4m of unallocated cash which is being investigated and should reduce the BDP movement. A forecast has not been included for BDP movement.

2023-24 Savings Progress Overview

There were several savings targets identified as part of the MTFS process. The table opposite shows the performance in relation to those savings by area.

It is crucial that savings proposals are met, or alternatives found.

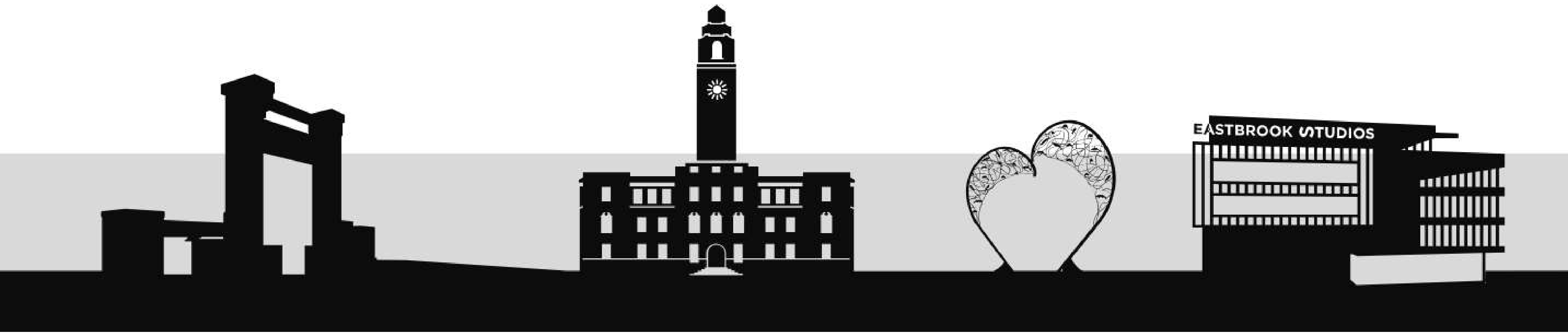
More detail on the specific savings can be found in the appendices.

Service Area	RED	AMBER	GREEN
Care and Support		(237)	(500)
Community Solutions	(130)	(220)	(1,122)
EYCC		(35)	
Finance & IT			(735)
HR	(577)		
Inclusive Growth	(500)		(370)
Law & Governance			(2,300)
My Place	(155)		(153)
P&P	(15)		
Grand Total	**(1,377)**	**(492)**	**(5,180)**

Finance Budget Monitoring – HRA,DSG and Investment Strategy

2023/24

P9 (December 2023)



General Fund Treasury Strategy (P9)

Type of Income / Expense	P8 30/11/2023 Holdings	P8 Rate	P8 2023/24 Forecast	P8 2023/24 Budget	P8 Variance	P9 31/12/2023 Holdings	P9 Rate	P9 2023/24 Forecast	P9 2023/24 Budget	P9 Variance	Comments
GF Capital Borrowing	**£'000**	**%**	**£'000**	**£'000**	£'000	**£'000**	**%**	**£'000**	**£'000**	£'000	
GF - Market	16,711	3.71%	631	14,681	-14,050	16,711	3.71%	631	14,681	-14,050	Budget based on external borrowing requirement
Budget Adjusted for Captialised Interest			0	-4,542	4,542			0	-4,542	4,542	Budget adjusted for the £4.542m capitalised interest
GF – ST Borrowing	104,417	4.77%	3,620	0	3,620	128,079	4.92%	3,689	0	3,689	ST borrowing average rate increasing
LEUK Loan Provision			2,140		2,140			2,140		2,140	Likely write-off of interest from LEUK
Interest Pressure Provision			100		100			0		0	Part of provision used for interest pressure
Provision for Loss on Studio 3 Arts			224		224			224		224	Provision of loss againts Studio 3 Arts
HRA Interest			77		77			77		77	Interest owed to the HRA for net balance
WC Loan Be First			0		0			0		0	Provision for Be First Interest
WC Loan BDTP			553	0	553			553	0	553	Provision for BDTP Interest
Total GF Borrowing	**121,128**	**3.51%**	**7,345**	**10,139**	**-2,794**	**144,790**	**2.98%**	**7,313**	**10,139**	**-2,826**	Net forecast for General Fund
General Fund Investments											
WC Loan Be First	-5,046	**8.75%**	**-431**			-5,046	**8.75%**	-431			Working Capital loan interest - Be First
WC Loan BDTP	-5,000	**11.25%**	**-553**			-5,000	**11.25%**	-553			Working Capital loan interest -BDTP
Energy Company Loan	-7,259	**7.00%**	**-436**			-7,259	**7.00%**	-436			Loans to the Energy Company
LEUK Loan	-26,476	**8.06%**	**-2,140**			-26,476	**8.06%**	-2,140			LEUK Interest Charge
Other Loans	-6,643	**4.53%**	**-481**			-6,231	**4.53%**	-481			Small loans, generally fixed rate
Total GF Investments	**-50,424**	**8.01%**	**-4,041**	**-6,503**	2,462	**-50,012**	**-8.08%**	**-4,041**	**-6,503**	2,462	
Net General Fund	**70,705**		**3,304**	**3,636**	**-332**	**94,777**		**3,272**	**3,636**	**-364**	Small Sumplus against net budget cost of £3m

Key issues:

- Investment strategy income and expenditure removed but budget remains. Forecast is for a small surplus to the General Fund of £364k after several provisions.
- Holdings reflect the month end position and not the average holding amount.
- Forecast under pressure from interest rate increases on short-term borrowing provision largely used up.
- Interest payable budget adjusted for £4.542m virement for capitalised interest and £638k Temporary Accommodation virement.
- ST borrowing allocated to variable rate loans to reduce risk but variable rate loans include working capital loans and LEUK loans are under pressure.
- ST borrowing also used to replace internal borrowing, with remaining ST borrowing used to fund IAS commercial.
- Provisions for loans to companies remains as there is a lack of clear strategy around dealing with subsidiary loans.
- ST borrowing costs increased in P9 with rates over 5% and average rate at 4.92%, although have reduced in December 2023.

Investment and Acquisition Strategy Funding (P9)

Type of Income / Expense	P8 30/11/2023 Holdings	P8 Rate	P8 2023/24 Forecast	P8 2023/24 Budget	P8 Variance	P9 31/12/2023 Holdings	P9 Rate	P9 2023/24 Forecast	P9 2023/24 Budget	P9 Variance	Comments
IAS Borrowing	£'000	%	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000	
IAS - Market	71,563	2.21%	1,584		1,584	71,563	2.21%	1,584		1,584	European Investment Bank and Green Bank Loans
IAS – PWLB	313,249	1.96%	5,818		5,818	312,079	1.96%	5,818		5,818	Borrowed for IAS schemes
PWLB Affordable Rent	141,303	1.96%	2,855		2,855	141,303	1.96%	2,855		2,855	Borrowed for Operational Affodable Rent Schemes
PWLB LAR / TR	42,249	1.96%	866		866	42,249	1.96%	866		866	Borrowed for Operational LAR/TR Schemes
PWLB PRS / SO	104,291	1.96%	2,043		2,043	104,291	1.96%	2,043		2,043	Borrowed for Operational PRS / SO Schemes
IAS - ST Borrowing	142,283	4.65%	4,933		4,933	168,921	4.92%	4,865		4,865	Potentially will increase by mitigated by provision
Capitalised Interest			-11,291		-11,291			-11,291		-11,291	Based on AUC and average borrowing cost - updated quarterly
Interest Pressure Provision			250		250			0		0	Provision used for Interest Pressure - now in ST forecast
Muller Equity	28,032	5.34%	1,127		1,127	28,032	5.34%	1,127		1,127	No return
Total IAS Borrowing	**842,970**	**2.13%**	**8,186**	**0**	**8,186**	**868,439**	**2.13%**	**7,868**	**0**	**7,868**	Overspend due to delays in letting and commercial returns
Reside Loans											
Reside Loans - B&D Homes	-42,249	2.26%	**-1,001**	**0**	-1,001	-42,249	**2.26%**	-1,001	0	-1,001	Current Loans to B&D Homes
Reside Loans - Weavers	-141,303	2.65%	**-3,867**		-3,867	-141,303	**2.65%**	-3,867		-3,867	Current Loans to Weavers
Reside Loans - other	-6,756	3.08%	**-168**		-168	-6,756	**3.08%**	-168		-168	Current Other Reside Loans
Reside Loans to be completed	-77,202	2.64%	**-589**		-589	-77,202	**2.64%**	-589		-589	Schemes that will complete in second half of 2023/24
Treasury Investments	-18,200	3.84%	**-1,279**		-1,279	-30,900	**3.83%**	**-1,279**		-1,279	Current Treasury Cash Holdings
Reside Leases Interest expected	-104,291				0	-104,291				0	Leases to Reside for PRS and SO
Total IAS / Treasury Returns	**-390,000**	**14.48%**	**-6,904**	**0**	**-6,904**	**-402,700**	**0**	**-6,904**	**0**	**-6,904**	Surplus return
Net IAS Treasury Return			**1,282**	**0**	**1,282**			**963**	**0**	**963**	**IAS return on Treasury part of developments**

Key issues:

- Investment strategy income and expenditure separated from General Fund and HRA and now has no budget allocated as needs to cover costs with no Council funding.
- Interest payable is netted off against capitalised interest. Interest from internal borrowing for commercial schemes now removed and is reported as part of the IAS Investment Return.
- Lease income is currently forecast as a net nil position due to continued delays in letting PRS properties and slow sales for shared ownership schemes and is paid via Reside surpluses.
- ST borrowing allocated to commercial schemes has put pressure on the net return from commercial that gets allocated to Be First and a provision has been included.
- Interest margin on loans provides an additional return to the strategy, although this has been reduced by the poor lettings of PRS and sales of Shared Ownership.
- The net deficit from treasury management for the IAS is £963K and largely reflects the impact of moving the internal interest charge to the IAS reporting.
- Total IAS borrowing is £868.4m at an average cost of 2.13%. Residential average on-lending rate is 2.65%.

Investment and Acquisition Strategy Returns (P9)

Type of Income / Expense	P8 2023/24 Forecast	P8 2023/24 Budget	P8 Variance	P9 2023/24 Forecast	P9 2023/24 Budget	P9 Variance	Comments
IAS Return	**£'000**	**£'000**	£'000	**£'000**	**£'000**	£'000	
Net Commercial Income	-5,598	-2,446	-3,152	-5,597	-2,446	-3,151	Gross Rent from Commercial holdings
Asset Management Costs	398	0	398	398	0	398	Mainly Industria - reduces return to Be First
Other Costs	524	0	524	524	0	835	Legal and Security Costs
MRP	1,458	0	1,458	1,168	0	1,168	Charged as assets have no firm plan for redevelopment
Total Commercial	**-3,218**	**-2,446**	**-772**	**-3,507**	**-2,446**	**-750**	
IAS Residential Income	0	-2,810	2,810	0	-2,810	2,810	Forecast net surplus from Reside inc;luding PRS and SO lease income
Reside Ltd	640		640	640		640	Estimate from Reside P7
Abbey Roding	-472		-472	-472		-472	Estimate from Reside P7
Weavers LLP	-1,981		-1,981	-1,981		-1,981	Estimate from Reside P7
Regen LLP	-812		-812	-812		-812	Estimate from Reside P7
Regen Ltd	-1,141		-1,141	-1,141		-1,141	Estimate from Reside P7
Provision	1,500		1,500	1,500		1,500	Reside and Muller Surpluses
Total Residential	**-2,265**	**-2,810**	**545**	**-2,265**	**-2,810**	**545**	
Muller Interest	- 1,127	0	-1,127	-1,127		-1,127	To be used to cover interest costs
Net IAS Position	**-6,610**	**-5,256**	**-1,354**	**-6,899**	**-5,256**	**-1,332**	
Net IAS & Interest Cost	**-5,328**	**-5,256**	**-72**	**-5,935**	**-5,256**	**-368**	IAS and Treasury Forecast is £207k surplus
Abbey Road Contribution	-600	-600	0	-600	-600	0	Abbey Road 2 Contribution
CR27 Lease and Leasback	-862	-862	0	-862	-862	0	Travelodge and CR27 Hotel deals - lease surplus
Leases and Reserves	-314	-314	0	-314	-314	0	Travelodge and CR27 Hotel deals - lease surplus
Total IAS	**-7,104**	**-7,032**	**-72**	**-7,711**	**-7,032**	**-368**	

Key issues:

- The interest charge on commercial has been moved and is reported as part of Treasury returns. This change improves the IAS return, but the net position remains the same.
- The strategy includes the two-hotel lease and lease back deals (CR27 and Travelodge). Both hotels have reserves that have been inflated each year but will not be inflated for 2023/24 as there is sufficient current reserves of £12.1m for both hotels.
- **Returns from Reside are currently estimates based on P7 and a provisions of £1.5m has been included until the returns have been fully analysed.**
- **Further work is required with Reside to confirm the returns are net of all costs. This is an urgent action as there is currently limited visibility over returns for 2023/24.**
- **D**ebt repayment (MRP) is allocated to the commercial portfolio and is a cost of £1.598m but this will reduce the cost of the commercial assets.
- **Commercial income is forecast before interest costs.**

Investment and Acquisition Reserves forecast 2023/24 – P9

Reserves	2022/23	2023/24
CAPITAL INVESTMENT RESERVE	3,779	3,779
INVESTMENT RESERVE	15,067	15,436
CR27 Hotel Inflation	720	720
Travelodge Hotel Interest	381	381
CR27 Reserve	5,500	5,500
Travelodge Reserve	5,500	5,500
Total Reserves	30,947	31,315

Key issues:

- The value of the reserves is forecast to increase from £30.95m to £31.3m.
- The IAS reserve is used to protect the IAS from significant market fluctuations, including interest rates and losses.
- Each individual scheme within the IAS has several assumptions that include some contingency and it is only as a last resort that this reserve will be required.
- However, there are pressure from losses incurred at handover, with significant delays from Private Rental lets.
- Pressures on the strategy is also from interest rate increases, with short-term borrowing increasing from near zero in 2021 to 5.25% currently. This has reduced the surplus return from commercial, but rates potentially could decrease into 2024.
- Interest rate increases and build costs have put pressure on the pipeline of schemes, with many schemes now unviable based on the current assumptions used to calculate the viability of schemes.
- The reserve is significant but is against a strategy of a billion and includes some protection against any accounting issues that may need adjustments for the four years of accounts still to be audited, but also from interest pressures, commercial losses and other investment pressures.

Minimum Revenue Provision 2023/24 – P9

Type of Income / Expense	31/12/2023 Holdings	2023/24 Forecast	2023/24 Budget	Variance
MRP	**£'000**	**£'000**	**£'000**	**£'000**
Core Council Borrowing	**213,964**	10,034	10,048	14
IAS Commercial	**170,007**	1,168	1,168	0
Completed Reside Schemes - Community/Public Realm	**5,507**	0	0	0
PRS	**82,897**	0	0	0
Reside schemes (AUC)	**435,605**	14	0	-14
Loans/Equity on completed schemes	**179,799**	0	0	0
IAS Writeoff	**244**	0	0	0
HRA	**343,858**	0	0	0
MRP excluding PFI and Finance Leases	**1,431,880**	11,216	11,216	0
Finance Leases and PFI	**275,360**	4,492	4,492	0
Grand Total	**1,707,241**	15,754	15,708	0

Key issues:

- Minimum Revenue Provision (MRP) is a revenue cost to repay capital spend within the General Fund (it is not charged for the HRA).
- MRP is split into General Fund schemes, IAS Commercial, IAS Residential (PRS, loans and Assets under construction).
- The total spend, including leases such as the Hotel income strips, Reside Limited and PFI schemes contribute to the Council's Capital Financing Requirement (CFR), which is currently £1.7 billion. This will increase to over £2 billion as additional spend the IAS is accounted.
- MRP will increase significantly over the next few years as the IAS properties become operational and MRP is charged on the loans to Reside.
- MRP between the IAS and General Fund will be reported separately.

Investment and Acquisition Assets Under Construction

Scheme Name	No. of homes	Tenure Type	Company	Practical Completion Date	Loan Value	Fixed Rate
Gascoigne East Block F1	79	Shared Ownership	BDHL	01/09/2023	£34,029,641	2.75%
Gascoigne East Block F1/F2	48	Affordable Rent	B&D Reside Weavers LLP	01/09/2023	£13,715,272	2.75%
Gascoigne East Block F2	4	London Affordable Rent	BDHL	30/10/2023	£1,932,181	2.20%
Gascoigne East Block J	*66*	London Affordable Rent	*BDHL*	11/01/2024	*£14,608,712*	*2.25%*
Gascoigne East Block J	*58*	Affordable Rent	*B&D Reside Weavers LLP*	11/01/2024	*12915764*	*2.75%*
Oxlow Lane	*22*	London Affordable Rent	*BDHL*	01/03/2024	*£9,352,184*	2.75%
Oxlow Lane	*41*	Affordable Rent	*B&D Reside Weavers LLP*	01/03/2024	*£4,534,382*	2.25%
Gascoigne West Phase 2	*122*	Affordable Rent	*B&D Reside Weavers LLP*	11/03/2024	*£36,225,408*	2.75%
Gascoigne West Phase 2	*46*	London Affordable Rent	*BDHL*	11/03/2024	*£12,295,941*	2.25%
Gascoigne West Phase 2	*60*	Target Rent	*BDHL*	11/03/2024	*£15,964,858*	2.25%
Gascoigne East Phase 3A	*102*	Affordable Rent	*B&D Reside Weavers LLP*	01/05/2024	*£29,014,154*	2.75%
Woodward Road	*1*	London Affordable Rent	*BDHL*	07/06/2024	*£455,681*	2.25%
Woodward Road	*55*	Affordable Rent	*B&D Reside Weavers LLP*	07/06/2024	*£15,006,756*	2.75%
12 Thames Road	*77*	London Affordable Rent	*BDHL*	28/06/2024	*£20,043,020*	2.25%
12 Thames Road	*79*	Affordable Rent	*B&D Reside Weavers LLP*	28/06/2024	*£18,133,463*	2.75%
Padnall Lake Phase 2	*13*	London Affordable Rent	*BDHL*	01/05/2024	*£6,037,036*	2.25%
Padnall Lake Phase 2	*57*	Affordable Rent	*B&D Reside Weavers LLP*	01/05/2024	*£13,175,955*	2.75%
Town Quay Wharf	*29*	Target Rent	*BDHL*	01/05/2025	*£4,619,827*	2.50%
Town Quay Wharf	*33*	Shared Ownership	*BDHL*	01/05/2025	*£3,644,885*	3.00%
Roxwell Road	*25*	London Affordable Rent	*BDHL*	01/07/2025	*£4,755,542*	2.25%
Roxwell Road	*62*	Affordable Rent	*B&D Reside Weavers LLP*	01/07/2025	*£13,303,341*	2.75%
Transport House	*31*	London Affordable Rent	*BDHL*	01/12/2025	*£4,872,865*	2.25%
Transport House	*47*	Affordable Rent	*B&D Reside Weavers LLP*	01/12/2025	*£8,180,634*	2.75%
Beam Park Phase 6	*62*	London Affordable Rent	*BDHL*	01/05/2026	*£16,603,970*	4.50%
Beam Park Phase 6	*265*	Affordable Rent	*B&D Reside Weavers LLP*	01/05/2026	*£53,612,591*	5.00%
Beam Park Phase 6	*134*	Shared Ownership	*BDHL*	01/05/2026	*£28,677,663*	5.00%
Beam Park Phase 6	*59*	London Living Rent	*BDHL*	01/05/2026	*£13,654,378*	5.00%
Gascoigne East Phase 3B	*90*	London Affordable Rent	*BDHL*	01/05/2026	*£20,913,031*	3.00%
Gascoigne East Phase 3B	*244*	Affordable Rent	*B&D Reside Weavers LLP*	01/06/2026	*£75,170,844*	3.50%
Homes Total	**2,011**		**Estimated Loan Total**		**£505,449,979**	

Key issues:

- The table shows schemes agreed schemes that still need to complete and are under construction.
- Loan rate is fixed but the loan value may vary based on the final outturn position for each build.
- Loans and leases will be agreed with Reside and B&D Homes.
- A total of 2,011 homes are still to be completed (excluding Trocoll House) over the next three years.
- Interest rate pressure is impacting on the IAS but mainly in commercial with most of the borrowing required already secured for schemes up to Beam Park.
- Interest rate pressure will impact returns for Shared Ownership as sales are currently slow.
- Practical completion dates do change and these reflect the current position for the completion of the first phase on any scheme.
- Gascoigne East 3b and Beam Park 6 have higher interest rates to reflect the future borrowing requirement.

Commercial Subsidiaries

Be First

- In FY23/24 budget, we have the annual target return of £10.3m which is made up of the following components:
    - **New Homes Bonus** - £1.9m forecast for the year
    - **Commercial Income** – Expected to be at least the same level as FY23/24 - £300k
    - **Dividend** – the remaining balance to be made up from dividend
        - Be First did not declare a dividend in FY22/23 which means no dividend will be received in FY23/24
        - The gap will be filled by the Muller earmarked reserve

- **BD Group**
    - No dividend expected this year
    - Significant work underway to return to breakeven position

HRA: Period 9

The HRA is projecting **£5.0m** **overspend** at Period 9, a minor improvement of **(£47,000)**. The movement can largely be attributed to a reduction in the Bad Debt Provision requirement (£809,000), improved Leaseholder Service Charges (£594,000), reduced Compliance works (£508,000) mostly offset by increasing the Disrepair Provision by £1.7m.

The primary cause of the overspend is the significant increase of the BDMS R&M Contract which has gone from a budget of £15.670m to £26.472m. **The contract was agreed after the budget was set.** Adjusting for DLO expenditure, the net impact is **£9.7m.** The voluntary MRR allocation has been released as part mitigation (£6,680m).

P8	2023/24 FORECAST OUTTURN				
VARIANCE	REPORT LEVEL	BUDGET	FORECAST	VARIANCE	CHANGE
		£'000	£'000	£'000	£'000
£1,686	SUPERVISION & MANAGEMENT	48,394	50,191	£1,797	£111
£5,751	REPAIRS & MAINTENANCE	24,473	29,756	£5,284	(£467)
£1,442	RENTS, RATES ETC	1,587	3,029	£1,442	£0
(£290)	INTEREST PAYABLE	11,300	11,010	(£290)	£0
£500	DISREPAIR PROVISION	0	2,226	£2,226	£1,726
(£500)	BAD DEBT PROVISION (BDP)	3,309	2,000	(£1,309)	(£809)
(£252)	CDC RECHARGE	1,102	849	(£252)	£0
£8,336	**TOTAL EXPENDITURE**	**90,164**	**99,062**	**£8,897**	**£561**
(£380)	DWELLING RENTS	(£90,432)	(90,812)	(£380)	£0
£14	NON-DWELLING RENTS	(£765)	(751)	£14	£0
£2,076	CHARGES FOR SERVICES & FACILITIES	(£26,158)	(24,690)	£1,468	(£608)
(£183)	INTEREST & INVESTMENT INCOME	(£400)	(583)	(£183)	£0
£1,527	**TOTAL INCOME**	**(£117,755)**	**(£116,836)**	**£919**	**(£608)**
£9,864	**NET TOTAL BEFORE CAPITAL**	**(£27,591)**	**(£17,774)**	**£9,816**	**(£47)**
£1,555	DEPRECIATION	19,210	20,765	£1,555	£0
(£6,680)	TRANSFER TO MAJOR REPAIR RESERVE (MRR)	6,680	0	(£6,680)	£0
(£5,126)	**CAPITAL PROGRAMME FUNDING**	**£25,891**	**£20,765**	**(£5,126)**	**£0**
£4,738	**NET TOTAL AFTER CAPITAL**	**(£1,700)**	**£2,991**	**£4,691**	**(£47)**
£314	TRANSFER TO HRA LEASEHOLDER RESERVE	£1,700	2,014	£314	£0
£5,052	**TRANSFER FROM/(TO) HRA RESERVE**	**(£0)**	**£5,005**	**£5,005**	**(£47)**

Key Drivers of the Position (Summary):

- **Supervision & Management: £1.797m** **overspend**
  BDMS Contract £3.565m relating to Management of We Fix and agency mostly offset by the removal of reside related costs from the HRA position in 2023/24 and Recharges into the HRA from the GF. The adverse movement is mainly due to £90,000 delayed Becontree Estate Design costs from Be First.

- **Repairs and Maintenance: £5.284m** **overspend**
  We Fix activity is the driving cause, **BDMS Contract £7.238m** relating to service costs (materials, subcontractors, contact centre etc) and Fleet costs **£500,000** are slightly offset by **Direct Labour Organisation (DLO)** **(£1.118m)** and **Compliance** **(£1.339m)** underspend**.** Positive movement as per summary paragraph on Compliance.

- **Other Expenditure Lines: £899,000** **overspend**
  Insurance £1.058m reflects higher 2023/24 premiums on Building Insurance together with a recognition that the HRA will likely have to pay **Council Tax** for its void properties **£385,000**. This is offset in part by a reduction in the projected **CDC recharge** **(£252,000)** which was also reviewed alongside other recharges. **Interest Payable** **(£290,000)** has largely reduced due to HRA debt balances reducing slightly.

- **Income: £919,000** **under recovery**
  Services & Facilities £1.468m is reflecting the removal of Reside income from the HRA position in 2023/24. **Dwelling Rents** is partially mitigating this **(£380,000)** due to reduced RTB sales and likely slippage in Estate Regeneration timetable. Improved **Interest Rates** means a positive outlook for cash balances **(£183,000).** Positive movement mainly down to improved outlook on Leaseholder Service Charges.

- **Capital Programme & Financing: (£5,126m)** **underspend**
  This essentially finances the HRA element of the Capital Programme alongside the Transfer to MRR (Major Repairs Reserve). **Depreciation** is expected to increase by **£1.555m** compared to budget and is mandatory. The **MRR** budget allocation has been released **(£6.680m)** to offer partial mitigation to the in-year overspend but capital borrowing costs could rise in future years for the HRA.

  As the HRA in year position must balance at Outturn, should mitigation not be identified, then this would require funding from the HRA Reserve (£18.4m).

  Risks: £1.840m + 6 unquantified risks - Main risk is £1.6m dispute on Fleet costs between BDMS and My Place.

  Opportunities: (£400,000) +1 unquantified opportunity.

Dedicated Schools Grant (DSG)

Estimated DSG forecast for 23/24 is an overspend of **£3.5m,** this is mainly due to pressures within High Needs Block. The main drivers are combination of the following factors:

- Out of borough non-maintained **fees & top-up payments**
- **Revised HN funding allocation** announced in July by DfE reduced our HN funding by **£1.1m** from £50.9m to £49.8m due to import & export adjustments and recoupment for academies.
- **One-off exceptional payment**s to schools to help alleviate the financial pressures schools are facing due to the ongoing demand and complex cases of children with SEND
- **The overspend will be funded from DSG reserves.**
- **There's no impact on the councils General Fund.**

Dedicated Schools Grant {DSG} Forecast	2023-24 Budget	2023-24 Projected Outturn	Surplus / (Deficit) Outturn March 2024
	£'000	£'000	£'000
Schools Block – ISB	188,955	188,955	0
Central Block	2,162	2,162	0
High Needs Block	49,837	53,337	(3,500)
Early Years Block	23,174	23,174	0
Total	**264,128**	**267,628**	**(3,500)**
DSG Surplus B/F			10,073
Revised DSG Reserve			**6,573**
add EY refund			264
23/24 DSG Reserve			**6,837**
Of which:			
SFFD retained		963	
Growth & Falling Fund B/F		309	
Net DSG Reserve			**5,565**

Capital Programme to P8

Strategic Function		Budget £000s	Actuals to P08 £000s	Forecast £000s	Forecast Variance £000s	Change in Variance £000s	Budget 2024/25 £000s	Budget 2025/26 £000s	Budget 2026/27 £000s	Borrowing £000s	Other Sources £000s
GF - CARE & SUPPORT	CAP01	3,719	1,225	3,557	(162)	(162)	2,918	0	0	0	3,719
GF - INCLUSIVE GROWTH	CAP02	6,373	1,078	5,897	(476)	0	611	0	0	3,158	3,216
GF - CIL	CAP03	761	35	726	(35)	0	0	0	0	300	461
GF - TFL	CAP04	3,314	930	3,221	(93)	362	0	0	0	0	3,314
GF - ICT	CAP06	3,485	2,508	3,561	77	(155)	200	200	200	2,615	870
GF - COMMUNITY SOLUTIONS	CAP05	6	(4)	6	(0)	0	0	0	0	6	0
GF - CULTURE & HERITAGE	CAP07	1,121	51	527	(594)	0	294	294	0	362	759
GF - PARKS COMMISSIONING	CAP11	12,925	5,633	10,921	(2,004)	0	0	0	0	6,679	6,246
GF - ENFORCEMENT	CAP08	173	2	173	(0)	0	0	0	0	173	0
GF - MY PLACE	CAP09	3,919	1,206	2,398	(1,521)	(54)	9	0	0	3,578	341
GF - PUBLIC REALM	CAP10	8,510	4,269	5,680	(2,830)	(27)	200	0	0	7,774	735
GF - EDUCATION, YOUTH & CHI	CAP20	15,254	10,733	16,567	1,313	307	8,559	11,466	0	0	15,254
GF - SALIX	CAP55	130	40	130	0	0	0	0	0	0	130
General Fund		59,690	27,705	53,365	-6,325	270	12,791	11,959	200	24,645	35,045
HRA STOCK INVESTMENT	CAP30	14,000	5,447	14,000	0	0	14,000	14,000	0	0	14,000
HRA ESTATE RENEWAL	CAP31	4,000	1,523	4,000	(0)	0	4,400	0	0	0	4,000
HRA NEW BUILD SCHEMES	CAP32	544	135	820	276	0	0	0	0	0	544
HRA Total		18,544	7,105	18,820	276	0	18,400	14,000	0	0	18,544
IAS RESIDENTIAL	CAP40	242,297	138,516	258,058	15,761	15,591	115,427	50,642	0	242,097	200
IAS COMMERCIAL	CAP42	17,450	13,988	16,431	(1,019)	(12)	36	0	0	17,450	0
Investments Total		259,747	152,504	274,489	14,742	15,579	115,463	50,642	0	259,547	200
Total		337,981	187,315	346,674	8,692	15,850	146,653	76,602	200	284,192	53,790

One borough; one community;
London's growth opportunity

Capital programme 2023/24 (P8)

The capital programme is funded from various sources including, grants, s106, CIL (Community Infrastructure Levy), revenue resources, HRA resources and borrowing. The value of schemes in the 2023/24 programme which are funded from borrowing is £284.192m . This is a reduction of £153m in the amount of borrowing that was approved in the Budget Report to February Cabinet.

Capital Programme Monitoring P8

Forecast outturn expenditure for 2023/24 is £346.674m which results in an in-year variance of £8.692m more than budget. This is an increase in the forecast position from P7 of £12.931m (P7 showed forecast of £7.157m more than the in-year budget).

The IAS is reporting a variance against current year budget of £14.742m which is a significant increase in forecast compared to P7). The budgets will be updated in P9 to reflect an accelerated spend for Gascoigne West 2, inclusion of Gascoigne East 3b and to reflect a revised cashflow for Transport House.

The General Fund programme is reporting a forecast of £6.325m below in-year budget which is a slight increase in the forecast spend with the P7 forecast variance of £6.596m below budget, though with some differences between service areas. The main changes in variance are due to the following:

- Education: Increased costs due to general building cost inflation and also accelerated spend compared to original budget profiling. All Education spend is funded from grants which have already been received but are profiled into future year budgets. Total expenditure will be contained within the available grant balances.
- The previous overspend forecast on Bridges and Structures was due to Choats Road culvert essential works which are now forecast to be within 24/25. This is reflected within commitments on E5.
- My Place – stock condition survey forecast revised down by £500k to reflect delays in procuring the Frizlands fuel tanks and CCTV works.

It should also be noted that highways projects have moved from My Place to Public Realm and CPZ works moved from Enforcement to Public Realm to reflect a recent restructure.

Appendices:

Directorate Detail Budget Monitoring

2023/24

Barking & Dagenham

one borough; one community; no one left behind

People and Resilience: Period 9

People and Resilience									
Income/Expenditure	Prior Year	Current Year			Reserves		Variances inc Reserves		
	Outturn	Budget	Actual YTD	Forecast	Transfers To	Transfers From	Variance	Last Period Variance	Movement
Adult's Disabilities	20,056,478	19,878,126	18,706,696	22,972,298	0	0	3,094,172	3,157,369	(63,197)
Adult's Care and Support	22,025,777	23,488,264	15,836,953	26,668,356	0	0	3,180,092	4,299,391	(1,119,299)
Commissioning Care and Support	9,849,999	14,649,312	(4,318,450)	14,179,024	0	0	(470,288)	(422,769)	(47,519)
Public Health	(339,189)	(318,250)	707,286	(318,249)	0	0	1	1	0
Children's Care and Support	45,863,019	41,525,407	35,276,657	47,680,856	0	(105,766)	6,049,683	5,716,575	333,108
Education, Youth and Childcare	4,102,925	3,948,391	8,267,214	4,125,868	0	0	177,477	145,859	31,618
Early Help Service	2,876,729	3,198,355	697,529	2,512,256	0	0	(686,099)	(681,928)	(4,171)
Children's and Young People Disabilitie	13,913,317	10,588,047	8,828,895	12,867,380	0	0	2,279,333	2,264,790	14,543
Grand Total	**118,349,054**	**116,957,652**	**84,002,780**	**130,687,789**	**0**	**(105,766)**	**13,624,371**	**14,479,288**	**(854,917)**

<u>Overall Summary</u>

Overall, there is an overspend of £13,624m across the whole of People and Resilience. This is a positive movement of £0.854m since last month

The positive movement is due to an increase in one-off income for Adult Services through the release of additional ICB Hospital Discharge Fund and overall improvement in income collection.

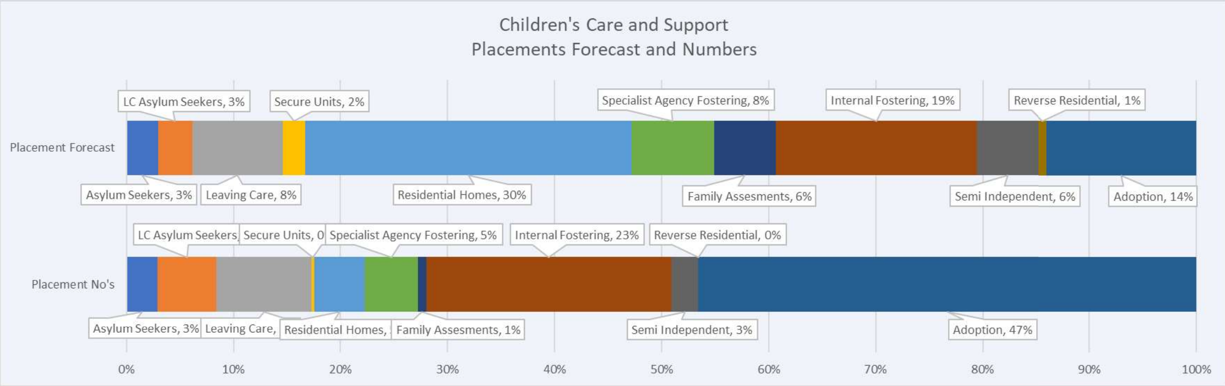
The underlying pressure is largely to the cost of implementing the council policy of London Living Wage through it's providers contracts and uplifts, which had led to a pressure of £5.6m. The service is experiencing a significant rise in the number of Education, Health and Care plans, which has resulted in an increasing overspend, and reflective of the increasing demand of Children with complex needs as showing in the disabilities budget. The impact of Young B&D is also significant, the growing number of young and younger working age population in the borough, which has seen steady increases in the number of young working age adults, predominantly with the LD and mental health service, totalling approximately 300 residents, and requiring life long care, replacing older residents with more medium and shorter term care. The clients transferring are entering Adult care at far greater cost than those clients leaving.   Given the numbers, this will have long-term financial implications for the authority. It should be noted, that a significant number of those clients were not known to children's services in the borough.

<u>Key assumptions & Risks</u>

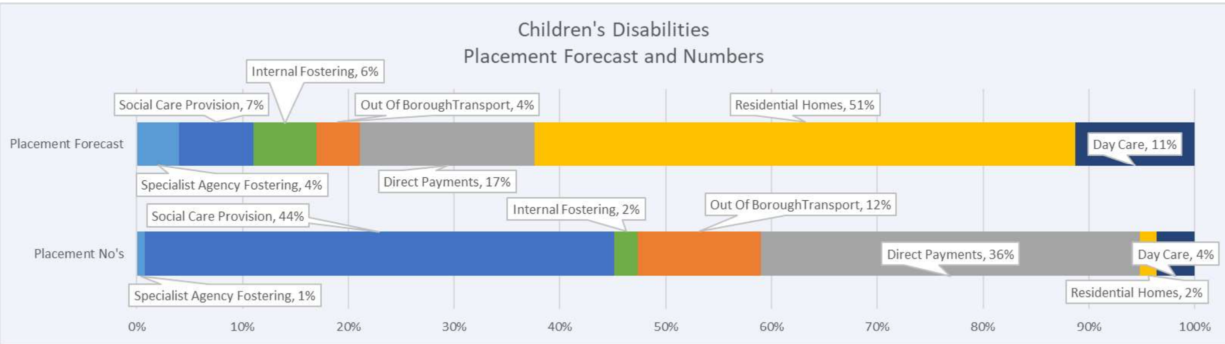
Placement forecasts within Children's and Adults Services are based on actual client's full year costs as shown in the social care placements database (ContrOcc). The service intends to move towards a position where the forecast incorporates estimated future activity, which should lead to less volatility in the monthly forecast. The current estimated outturn moving to this methodology is a likely year end overspend of approximately £16m. As this is work in progress, the forecast has not yet been updated to reflect this likely increase.

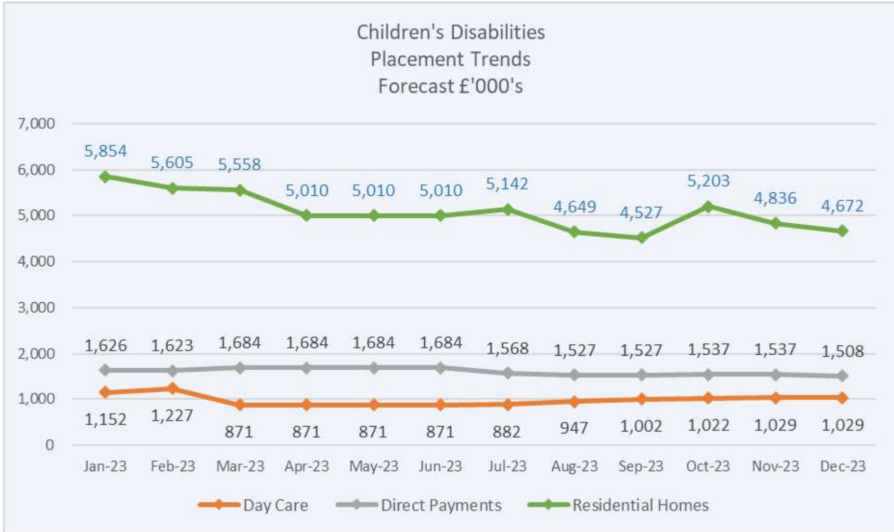
A review of Adult Social Care debt identified 210 clients for whom a financial assessment had not been undertaken due to non-engagement or capability issues. £3.8m income has been forecast to be written off this financial year. It has been assumed that £2.6m of this amount can be met from the existing bad debt provision, so the revenue impact is expected to be £1.2m.

People and Resilience: Period 9 Children's Data



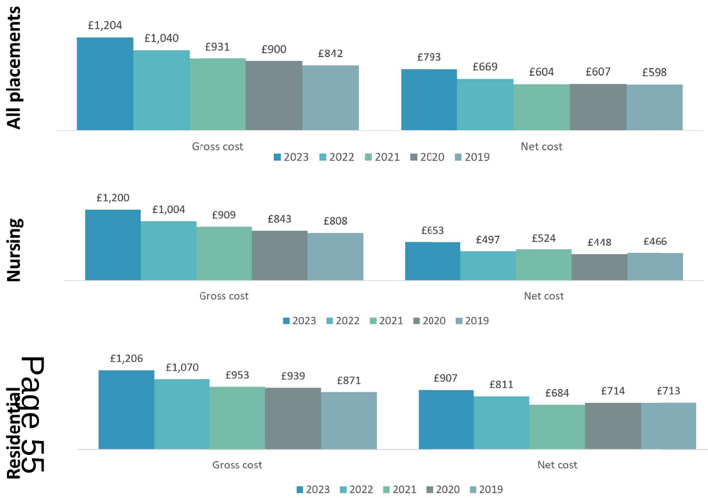
Page 54



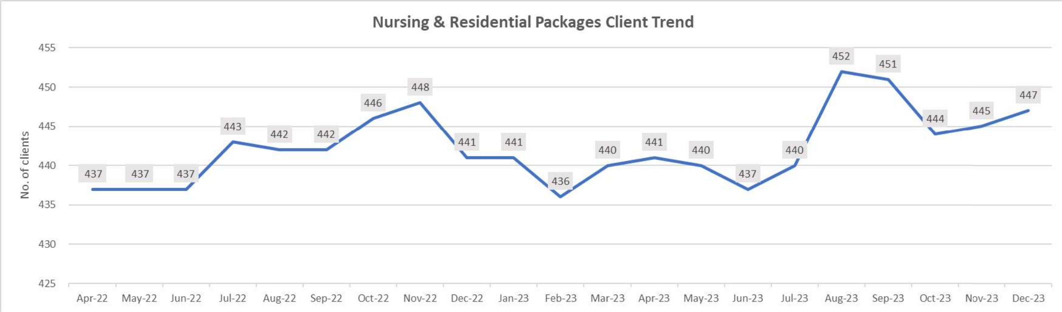


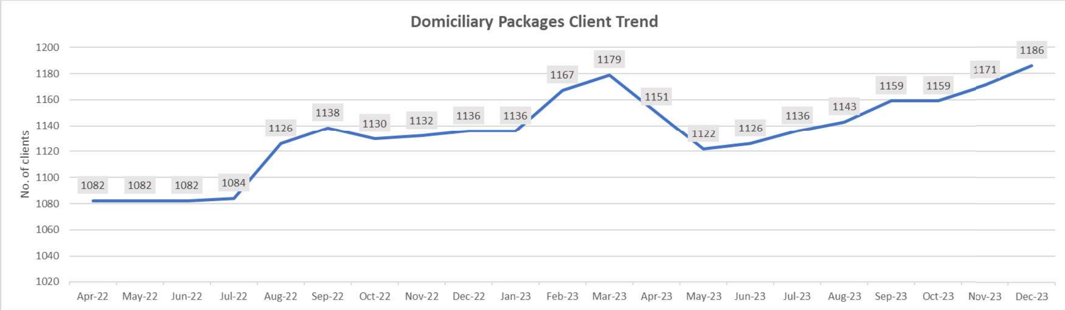
People and Resilience: Period 8 Adults Data

All Placements – Average Cost



- Average gross placement prices, the market price of placements, have risen year on year. There was a 16% increase between 2022 to 2023.
- Average net costs to the council (the gross price minus contributions from others) had been relatively stable from 2019 to 2021 but increased by 11% between 2021 and 2022 and has further increased by 18.5% in 2023.
- Gross cost of a residential care placement is approximately £6 more than a nursing placement but costs the council £254 more (higher net cost).
- Net cost of average nursing care is nearly half that of the gross cost due to high rate of contributions for this placement type, which reduces cost to the council. Overall nursing placements have higher rates of client contributions and other contributions and greater proportion of full cost clients.





People and Resilience: Period 9 – Adults with Disabilities

Adult's Disabilities										
Income/Expenditure	Prior Year	Current Year			Reserves		Variances inc Reserves			Notes
	Outturn	Budget	Actual YTD	Forecast	Transfers To	Transfers From	Variance	Last Period Variance	Movement	£250k deminimus
Income	(3,445,678)	(3,337,300)	(2,675,186)	(4,984,539)	0	0	(1,647,239)	(1,707,140)	59,901	1
Staffing	1,913,592	2,998,618	1,782,329	2,464,698	0	0	(533,920)	(601,313)	67,393	2
Agency	468,468	0	208,704	268,490	0	0	268,490	414,829	(146,339)	
Premises	73,874	31,600	34,069	120,117	0	0	88,517	88,517	0	
Transport	5,781	22,600	10,954	7,301	0	0	(15,299)	(15,299)	0	
Supplies & Services	116,672	328,800	30,089	103,713	0	0	(225,087)	(225,087)	0	
Third Party Payments	20,923,769	19,833,808	19,315,737	24,992,518	0	0	5,158,710	5,202,862	(44,152)	3
Grand Total	**20,056,478**	**19,878,126**	**18,706,696**	**22,972,298**	**0**	**0**	**3,094,172**	**3,157,369**	**(63,197)**	

1. **Income - Variance (£1.6m), Movement (£0.06m)**

   The variance is largely due to the receipt of and £1.1m additional Market Sustainability and Improvement fund from central government to support the workforce and inflationary pressures incurred by providers, £0.186m from ICB Discharge fund and Client's contribution improvement.

   £0.059m movement is due to client contribution invoice cancellation.

2. **Staffing and Agency- Variance (£0.26m), Movement (£0.079m)**

   Variance is attributable to specialist vacant posts which were difficult to recruit to. The positive movement is because of replacing agency social workers with permanent social workers.

3. **Third Party Payments- Variance £5.1m, Movement (£0.04m)**

   Variance is made up of an uplift of £2.9m (16.17%) which was applied to all disability placements in 23-24 and £2.2m historical pressures from prior year 22-23. Market Sustainability Grant, £1.1m was applied to mitigate some of the pressure. Additionally, cheaper placements are ending and being replaced with comparatively expensive ones.

   The positive movement is due an ended placement.

People and Resilience: Period 9 – Adults Care & Support

Adult's Care and Support											
Income/Expenditure	Prior Year	Current Year			Reserves		Variances inc Reserves			Notes
	Outturn	Budget	Actual YTD	Forecast	Transfers To	Transfers From	Variance	Last Period Variance	Movement	£250k deminimus
Income	(45,031,421)	(42,649,757)	(37,597,970)	(45,552,858)	0	0	(2,903,101)	(2,027,095)	(876,006)	1
Staffing	8,665,541	10,887,963	6,798,597	8,984,471	0	0	(1,903,492)	(1,857,158)	(46,334)	2
Agency	696,896	0	816,078	1,240,192	0	0	1,240,192	1,625,217	(385,025)	
Premises	225,553	110,580	220,977	189,967	0	0	79,387	79,387	0	
Transport	48,628	36,100	39,268	46,404	0	0	10,304	10,304	0	
Supplies & Services	2,982,059	601,403	(487,447)	(120,841)	0	0	(722,244)	(721,118)	(1,126)	3
Third Party Payments	54,438,521	54,501,975	46,047,451	61,881,021	0	0	7,379,046	7,189,854	189,192	4
Grand Total	**22,025,777**	**23,488,264**	**15,836,953**	**26,668,356**	**0**	**0**	**3,180,092**	**4,299,391**	**(1,119,299)**	

1. Income - Variance (£2.9m), Movement (£0.87m)

The variance is due to receipt of additional Discharge Funding of £1.6m, £0.264m Market Sustainability Improvement and improved client contribution.

The positive movement is due to a reduction in the client contribution invoice cancellation run rate, releasing additional ICB Hospital Discharge funding and improvement in income collection.

2. Staffing an Agency- Variance (£0.7m), Movement (£0.4m)

Variance and movement are attributable to posts in the CQC Inspection Ready team remaining unfilled.

3. Supplies and Service – Variance (£0.7m), Movement (£0.0m)

Variance is due to in year bad debt provision improvement.

4. Third Party Payments- Variance £7.4m, Movement £0.19

Variance is largely attributable to the 16.17% uplift across all care types, which has caused an increased cost of £5.6m and the ongoing pressure of £2.9m in Mental Health, which overall has been part mitigated by the growth allocation of £3m. Additionally, cheaper placements are ending and being replaced with comparatively expensive ones.

Movement is due to new placements, especially Crisis intervention.

People and Resilience: Period 9
– Commissioning Care & Support

Commissioning Care and Support										
Income/Expenditure	Prior Year	Current Year			Reserves		Variances inc Reserves			Notes
	Outturn	Budget	Actual YTD	Forecast	Transfers To	Transfers From	Variance	Last Period Variance	Period Movement	£250k deminimus
Income	(13,578,742)	(11,423,670)	(12,608,052)	(12,768,654)	0	0	(1,344,984)	(1,395,698)	50,714	1
Staffing	6,206,405	7,772,221	4,966,651	6,756,038	0	0	(1,016,183)	(1,025,897)	9,714	2
Agency	1,787,606	0	1,935,252	2,330,635	0	0	2,330,635	2,472,039	(141,404)	
Premises	2,678	0	4,267	0	0	0	0	0	0	
Transport	10,447	11,600	7,485	6,920	0	0	(4,680)	(6,521)	1,841	
Supplies & Services	198,750	1,702,027	(7,061,728)	1,540,989	0	0	(161,038)	(194,645)	33,607	
Third Party Payments	15,222,854	16,587,134	8,437,675	16,313,096	0	0	(274,038)	(272,046)	(1,992)	3
Grand Total	**9,849,999**	**14,649,312**	**(4,318,450)**	**14,179,024**	**0**	**0**	**(470,288)**	**(422,769)**	**(47,519)**	

1. Income – Variance (£1.3m), Movement £0.0m

This variance is largely due to additional income from supporting families grant, public health grant and departmental reserve of £147,442 which will be shown as transfer from reserve at P10.

2. Staffing and Agency – Variance £1.3m, Movement (£0.13m)

This is due to service agency staff costs mainly for Early Help and Start for Life projects. The service has vacancies filled by agency staff, due to delays in recruiting to vacant posts. Movement is due to reviews of some agency contract end dates.

3. Supplies and Services – Variance (£0.16m), Movement £0.03m

This variance is due to underspend meant to fund agency staff costs.

4. Third Party Payments – Variance (£0.3m), Movement (£0.0m)

The variance is due to savings from renewal of a major contract.

People and Resilience: Period 9
– Public Health Grant

Public Health										
Income/Expenditure	Prior Year	Current Year			Reserves		Variances inc Reserves			Notes
	Outturn	Budget	Actual YTD	Forecast	Transfers To	Transfers From	Variance	Last Period Variance	Movement	£250k deminimus
Income	(19,381,114)	(18,367,693)	(14,241,876)	(18,367,243)	0	0	450	450	0	
Staffing	737,863	1,209,740	746,623	997,449	0	0	(212,291)	20,219	(232,510)	
Agency	425,327	0	386,264	570,270	0	0	570,270	337,760	232,510	
Premises	73	0	0	0	0	0	0	0	0	
Transport	216	0	676	0	0	0	0	0	0	
Supplies & Services	603,868	13,781,953	150,821	6,054,102	0	0	(7,727,851)	(7,727,851)	0	
Third Party Payments	4,001,161	2,994,750	1,129,548	2,756,750	0	0	(238,000)	(238,000)	0	
Recharges	13,273,418	63,000	12,535,232	7,670,423	0	0	7,607,423	7,607,423	0	
Grand Total	**(339,189)**	**(318,250)**	**707,286**	**(318,249)**	**0**	**0**	**1**	**1**	**0**	**1**

•Public Health (PH) is grant funded by Office for Health Improvement and Disparities (OHID), forecast includes reserve movement resulting in a net nil overall variance.

•Even though PH is reporting a breakeven, the Senior Procurement and Contracts Manager has identified a potential underspend of £0.550m and is looking at re-prioritising budgets towards services permitted within the terms of the grant.

•It should be noted that the service has £3.94m in reserves, which has been raised as a concern by OHID. A 3-year business plan has been developed and the expenditure against allocations is being closely monitored.

•The service will continue to review allocations for levels of spend, with the objective of re-prioritising where underspends are identified.

People and Resilience: Period 9 – Children with Disabilities

Children's and Young People Disabilities										
Income/Expenditure	Prior Year	Current Year			Reserves		Variances inc Reserves			Notes
	Outturn	Budget	Actual YTD	Forecast	Transfers To	Transfers From	Variance	Last Period Variance	Movement	£250k deminimus
Income	(902,139)	(757,600)	(602,956)	(1,279,938)	0	0	(522,338)	(672,338)	150,000	1
Staffing	939,002	1,621,081	1,266,226	1,279,053	0	0	(342,028)	(360,994)	18,966	2
Agency	1,088,694	0	221,215	408,899	0	0	408,899	414,997	(6,098)	
Premises	12,307	50,000	13,016	12,558	0	0	(37,442)	(37,442)	0	
Transport	2,167,617	1,498,988	1,702,792	2,493,624	0	0	994,636	1,009,636	(15,000)	3
Supplies & Services	1,329,250	510,860	170,753	590,284	0	0	79,424	123,423	(43,999)	
Third Party Payments	9,278,586	7,664,718	6,057,849	9,362,900	0	0	1,698,182	1,787,508	(89,326)	4
Grand Total	**13,913,317**	**10,588,047**	**8,828,895**	**12,867,380**	**0**	**0**	**2,279,333**	**2,264,790**	**14,543**	

1. **Income – Variance (£0.5m), Movement £0.15m**

   Variance is due to an expected DP clawback for unused payments within Children's Disabilities.

2. **Staffing and Agency – Variance £0.06m, Movement £0.012m**

   We are currently expected to come in on budget for staffing costs.

3. **Transport – Variance £1.0m, Movement (£0.015m)**

   The variance for this service is driven by the demand for transport services. Although we have seen an increase in transport requests we have been able to accommodate those within existing services with no additional cost.

4. **Third Party Payments – Variance £1.7m, Movement (£0.1m)**

   The variance of £1.8m is pressure from residential placements, demand led service currently with 19 clients at an average cost of £0.3m per annum. Movement was due to step of down of placements for a couple of children.

People and Resilience: Period 9 – Childrens Care & Support

Children's Care and Support										
Income/Expenditure	Prior Year	Current Year			Reserves		Variances inc Reserves			Notes
	Outturn	Budget	Actual YTD	Forecast	Transfers To	Transfers From	Variance	Last Period Variance	Movement	£250k deminimus
Income	(6,625,992)	(5,258,300)	(3,555,581)	(6,368,348)	0	0	(1,110,048)	(1,090,612)	(19,436)	1
Staffing	16,535,939	20,034,874	12,560,204	16,216,469	0	(105,766)	(3,924,171)	(3,927,543)	3,371	2
Agency	4,199,453	522,000	3,347,672	3,799,503	0	0	3,277,503	3,326,058	(48,555)	
Premises	223,932	239,700	28,064	181,100	0	0	(58,600)	(58,600)	0	
Transport	274,443	286,900	195,949	225,001	0	0	(61,899)	(61,899)	0	
Supplies & Services	2,605,859	1,771,530	1,015,381	2,716,033	0	0	944,503	944,503	0	3
Third Party Payments	28,649,385	23,928,703	21,684,968	30,911,098	0	0	6,982,395	6,584,667	397,728	4
Grand Total	**45,863,019**	**41,525,407**	**35,276,657**	**47,680,856**	**0**	**(105,766)**	**6,049,683**	**5,716,575**	**333,108**	

Income – Variance (£1.1m), Movement (£0.02m)

This variance is due to additional income from Trading Standards, Youth Justice Board, Public Health, and HM Prisons and Probation, the movement this month is due to additional funding being secured from DfE and Public Health.

Staffing and Agency – Variance (£0.6m), Movement (£0.05m)

This variance is due to the service carrying 60fte vacancies, currently covered by 60fte agency staff, along with an underspend on recruitment budget which had been used for overseas recruitment last year.

Currently Public Health have agreed to provide funding of circa £0.4m to cover staffing costs for PAUSE and other roles within the service. With additional income from Health, MoJ, and other bodies funding a number of other roles within the service.

Supplies and Services – Variance £0.9m, Movement £0.0m

This variance is being driven by legal costs for cases being presented at court.

The movement reflects the reduced recharge for legal advocacy work over and above the standard corporate legal recharge.

A contingency fund of £0.5m was added to cover costs for children we expect to be placed in care before the end of the year, with placements for them currently being sourced.

Third Party Payments – Variance £7m, Movement £0.4m

- Looked After Children – Variance is driven by number of residential placements, currently 38 active clients,
- with 3 placements in excess of £10k per week.
- Non-Looked After Children – Variance relatively small, movement due to an increase in number of Leaving Care clients
- Other – Variance is due to high-cost placements within the safeguarding service.

	Clients	Budget £'000	Forecast £'000	Variance £'000	Movement £'000
LAC	307	15,512	21,563	6,051	121
Non LAC	479	7,252	7,450	198	241
Other	-	1,165	1,898	733	36
Total	**786**	**23,929**	**30,911**	**6,982**	**398**

People and Resilience: Period 9 – Early Help

Early Help Service										
	Prior Year	Current Year			Reserves		Variances inc Reserves			Notes
Income/Expenditure	**Outturn**	**Budget**	**Actual YTD**	**Forecast**	**Transfers To**	**Transfers From**	**Variance**	**Last Period Variance**	**Movement**	**£250k deminimus**
Income	(1,909,529)	(1,462,330)	(2,158,333)	(1,412,333)	0	0	49,997	49,997	0	
Staffing	2,741,402	4,545,660	2,757,266	3,777,074	0	0	(768,586)	(764,416)	(4,170)	1
Agency	1,056,302	0	66,076	32,490	0	0	32,490	32,491	(1)	
Premises	0	0	0	0	0	0	0	0	0	
Transport	6,848	0	8,506	0	0	0	0	0	0	
Supplies & Services	965,301	0	24,013	0	0	0	0	0	0	
Third Party Payments	16,405	115,025	0	115,025	0	0	0	0	0	
Grand Total	**2,876,729**	**3,198,355**	**697,529**	**2,512,256**	**0**	**0**	**(686,099)**	**(681,928)**	**(4,171)**	

1. **Staffing and Agency – Variance (£0.6m), Movement (£0.0m)**

   This is due to the services inability to fill all vacancies, partly due to recruitment freeze. The movement is due to review of start dates for vacant positions and postponing them to later dates.

Corporate Management: Period 9

Forecast Position: £3.7m (Overspend £0.9m)

	This Years Budget		Actuals/Forecast		Transfers to/from Reserves	Variances Inc Reserves		
	Revised	Controlled	YTD Actuals	Current Forecast	Transfers from	Variance	Last Period Variance	Change
CORPORATE MANAGEMENT	2,637,318	2,637,318	3,362,464	3,752,488	(161,574)	953,596	931,453	22,144
STRATEGIC LEADERSHIP	425,369	425,369	394,281	509,731	(99,360)	(14,998)	(11,705)	(3,293)
FINANCE	13,534,062	13,534,062	12,910,831	13,632,380	(62,214)	36,104	11,613	24,491
WORKFORCE CHANGE / HR	1,917,111	1,917,111	3,309,731	2,801,102	0	883,991	883,045	946
LEADERS OFFICE	271,251	271,251	258,096	319,750	0	48,499	48,499	(0)
TECHNICAL - CORP MGMT	(13,510,475)	(13,510,475)	(13,510,475)	(13,510,475)	0	0	0	0

Key Drivers of the Position:

There is a forecast overspend of £0.9m in Corporate Management, an adverse movement of £22k from P8 which is due to the correction of a salary forecast.

- **Strategic Leadership (Chief Executive)** is forecast to underspend by (£15,000) due to holding a vacancy offset by PA agency costs. A virement of PA budgets is pending - this will net off the agency spend.
- **Finance** (inc. IT and Procurement) is forecast to **overspend by £36,000,** an adverse movement of £24,000:

-IT is reporting an underspend of (£1.297m) which is due to vacancy savings. There has been a net adverse movement of £16k which is due to an adjustment to the Digital Print salaries forecast.

-This is offset by a corresponding **£1.307m overspend within Finance** which is attributable to the use of agency staff and the increased cost of audit fees.

-**Procurement and Accounts Payable are forecast to overspend by £25,000** as the service are not able to mitigate in full a shortfall of £180k in HRA recharges income.

Corporate Management: Period 9

Forecast Position: £3.7m (Overspend £0.9m)

Key Drivers of the Position: Continued:

- Workforce Change/HR is forecast to be overspent by c£884k, an unfavourable movement of £1k from P8. There is no change in the Leader's Office position from P8. Therefore, Workforce Change/HR and Leaders Office are expected to be overspent by c£932k. Within the HR department, re-evaluation of the Housing Revenue Account (HRA) recharge has led to an income deficit of £437k. This change, along with ongoing challenges, has made it impractical for HR to meet the originally projected savings of £577k in the 2023/24 financial year. The delays in implementing the ERP system and the Self-Service Manager model are contributing factors to this setback. Furthermore, the Leader's Office is grappling with a historical budget pressure of £50k.

- The 161,574 transfer from reserves covers a £99,300 drawdown from Invest to Save reserves to fund a diagnostic social care service review and £62,200 IT Cyber Security grant brought forward

Central Expenses: Period 9

Forecast Position: £42.6m (Underspend £0.1m)

	This Years Budget			Actuals/Forecast		Transfers to/from		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
CENTRAL EXPENSES	**42,696,094**	**42,759,094**	**(63,000)**	**19,435,224**	**42,612,223**			**(83,872)**	**(401,871)**
CORPORATE MANAGEMENT	(641,000)	(641,000)			(860,323)			(219,323)	(219,323)
GENERAL FINANCE	43,194,984	43,257,984	(63,000)	9,099,098	43,409,431			214,447	(103,553)
HOUSING BENEFIT SUBSIDY	142,110	142,110		10,336,126	63,115			(78,995)	(78,995)

Key Drivers of the Position:

- Corporate Management – Recalculation of the HRA recharges has had a positive movement against budget.
- There is a slight overspend in General Finance as a result of separating the General Fund and IAS borrowing costs. The key driver for the slight overspend is the addition of the Capitalised Interest Budget.
- There is £79k underspend on HB Overpayment Recovery and Subsidy due to overpayment reclaims.

Law and Governance: Period 9

Forecast Position: Underspend of c£0.377m after transfer of c£1.406m PRPL income to reserve.

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
LAW AND GOVERNANCE	6,875,485	6,875,485		3,167,249	4,759,932	1,406,000	(30,000)	(377,157)	(420,307)
LEGAL	3,610,122	3,610,122		3,906,672	3,571,549	0	(30,000)	(68,573)	(117,663)
ENFORCEMENT	3,265,363	3,265,363		(739,423)	1,188,383	1,406,000	0	(308,584)	(302,644)

Key Drivers of the Position (Summary):

There was a favourable movement of c£0.006m within Enforcement from P8 due to reduction in forecasted spend, however Legal had an adverse movement of c£0.061m from that reported in P8.

LEGAL

Legal and Democratic services are reporting an underspend of c£0.069m, an adverse movement of c£0.049m from P8. This is primarily due to an increase in staff cost.

It is worth noting Legal are forecasting an overspend of c£0.073m, which is primarily due to the recalculation of the HRA recharge, resulting in an income shortfall of c£0.180m within Legal.

In summary, while Legal and Democratic Services have experienced a favourable financial outcome due to the conversion of agency staff and staff resignations, Legal's overspend is partially offset by the ongoing vacancies in both departments.

ENFORCEMENT

The Enforcement P9 outturn position reflects an underspend of c£0.309m following the transfer of £1.406m in PRPL income to reserves. The favourable outturn position is due to the freeze in recruitment to vacant positions. Currently, there are 59 vacant positions within Enforcement, with 29 of them being temporarily filled by agency staff.

The Private Sector Property Licensing (PRPL) scheme income target will be met and C£1.406m will be transferred to reserves for future years.

Law and Enforcement: Period 9 Risk and Opportunities

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- The Barking Market - there is no budget provision for Security in the Market c£0.045m. Traders Parking is now covered by the Markets Team which has created a budget gap of £0.024m. The Waste Collection SLA is currently being agreed which is likely to cause a further gap of c£0.080m.
- Discussion are being held re: Street Cleaning in Barking Market. Public Realm are proposing to charge the cost of £0.360m to the Markets which is not reflected in the forecast.
- The potential end of the SLA with Thurrock Council would mean a net decrease in Legal's income of c£0.080m. The current value of the contract with Thurrock Council is £0.320m, the cost to deliver the council is c£0.240m (5 FTE's). This will not impact this financial year as there is a notice period of 6 months.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

Strategy: Period 9

Forecast Position: £9.9m (Underspend of £0.5m)

	This Years Budget		Actuals/Forecast		Transfers to/from Reserves	Variances Inc Reserves		
	Revised	Controlled	YTD Actuals	Current Forecast	Transfers from	Variance	Last Period Variance	Change
STRATEGY	9,755,640	9,755,640	8,312,770	9,760,301	(497,510)	(492,849)	(518,027)	25,178
STRATEGY & INSIGHT	8,392,400	8,392,400	7,114,066	8,275,718	(485,510)	(602,192)	(623,926)	21,734
COMMUNICATIONS	1,363,240	1,363,240	1,198,705	1,484,583	(12,000)	109,343	105,899	3,443

Key Drivers of the Position:

- The Strategy directorate is forecast to underspend by (£492,000) at the end of Period 9 - an adverse movement of **£25,000**.

Strategy & Insight – Forecast Position **(£602,00) underspend,** an **adverse movement of £21,000.**

Insight and Innovation:

- **The Advertising contract** is expected to exceed the income target by (£50,000) .
- **Insight hub** is forecast to underspend by (£125,000) attributable to vacancy savings.

Strategy: The following 3 cost centres (PMO, Corporate Strategy Team and Director of Strategy) net result will be an underspend of (£114,000).

- **The PMO** main contributing factor to the **£32,000 overspend**, is the removal of the HRA income (the net result of which is a shortfall of £116,643).
- **The Corporate Strategy team** is forecast to underspend by (£154,000) due to vacancy savings. This underspend is needed to directly support the overspend in PMO.
- **Director of Strategy** is forecasting an **overspend of £**7k which is attributable to recruitment costs**.**

Customer Contact:

- **Customer Contact**: With a budget of £6,368m has a forecast underspend of (£311,830) mainly due to delayed recruitment of vacant roles. Movement from P8 is an adverse £1.5k for Registrars.

Forecast Position: £9.6m (Underspend of £0.5m)

Key Drivers of the Position: (Continued)

Communications (Campaigns and Events) – Forecast Position: **£109,000 overspend**, a **£3,000 adverse movement** from P8 due to additional expenditure within Events. The **HRA income shortfall of £112,000** is the main contributing factor to the overspend.

- **Community Events** are forecast to underspend by (£52,000) a adverse shift in the variance from P8 due to increased overtime and events costs. The overall underspend is due to scaling back the WEM and BMAC events (£21,000), and reduced salaries costs from secondments terminating early (£26,000).

- **Civic Events** are reflecting **£25,000 over budget** due to overspend on salaries by £14,000 and £15,000 on overtime offset by a small reduction in the cost of events.

- **Marketing & Communications** is forecast to **overspend by £137,000** owing to £112,500 reduced HRA income and £17,000 of cancelled duplicate invoices in relation to previous years. The favourable shift from P8 of (£5,000) is primarily due to reductions in agency expenditure.

The £497,000 transfer from Reserves represents a drawdown of £134,000 of Shielding grant, £50,000 from the Supporting Families grant for the One View programme, £19,000 towards the salaries cost of the WRES post in the Director of Strategy service, £282,662 for Customer Experience Team Growth bid and £12,000 towards the Women Empowerment event.

Strategy: Period 9 Mitigations Table

Forecast Position: Forecast £9.9m (underspend of £0.5m)

Service	Pressure	RAG/ Mitigation Amount	In Year Mitigation Comment
PMO	32,231		Pressure relates to £116,643 HRA shortfall, mitigated by managed underspend in Corporate Strategy Team
Civic Events	24,655		Mitigation : Purchase cards spend - Team are working hard to keep spends to an absolute minimum. Members Allowance- A spending cap has been introduced on the engagements that the Mayor and her guests attend to ensure budget is not exceeded to gather different quotes and choose the cheapest option for all events to ensure value for money. The Mayors Fundraising events - now solely funded from the Mayors Charity Account from which overtime for these events will be funded
Marketing & Communication	136,672		The Pressure largely due to HRA income shortfall of £112,491
Customer Services	418,268		The Pressure due to HRA Fixed Recharge income shortfall of £434,728, offset by other underspends within Customer Contact
Registrars	33,932		Pressure is due to building maintenance costs of a Grade 2 listed building, offset by other underspends within Customer Contact
Other underspends	(1,138,607)		
Total	**(492,849)**		

Strategy : Period 9 Risk and Opportunities

Risks: (These are risks that are NOT in the forecast that we are monitoring)

- A potential additional pressure of 10K for ongoing maintenance works at Registrars - Woodland house has arisen as the property requires significant Capital investment.

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

Inclusive Growth: Period 9

Forecast Position: £2.7m (Underspend of £46k)

	This Years Budget				Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
INCLUSIVE GROWTH	1,078,456	1,078,456		2,692,338	145,898	(1,806,248)	(46,468)	(10,621)
COMMERCIAL	(1,366,836)	(1,366,836)		(1,773,397)	145,898	0	(260,663)	(201,994)
INCLUSIVE GROWTH	2,445,292	2,445,292		4,465,735	0	(1,806,248)	214,195	191,373

Key Drivers of the Position (Summary):

The Inclusive Growth Directorate is forecast to underspend by **(£46,000)** at the end of Period 9, an improvement of (£35,000) from P8 mainly due to the insurance recharge to Tenants for CR27 and increasing salary underspends including the Commercial Director vacancy saving. The main budget pressure in Inclusive Growth is the 23/24 one-off (£500,000) MTFS Soil importation income target and (£133,000) commercialisation income target, both unachievable in 23/24 and in future years. As a result, the £133K income Target is being deleted from financial year 24/25.

Commercial Services – Forecast an underspend of (£260,000) an improvement of (£59,000)

- **The Core Commercial Team** is projecting a **(£147,000)** underspend**,** attributable to the Director vacancy and another senior post vacancy.

- **The CR27** Investment is forecasting a **(£107,000)** a favourable movement of (£40,000) relating to an estimated Insurance Recharge to Tenants. Further work is underway with our Real Estate advisors and Aviva to determine the 22/23 Financial year backdated rent increase payable, which is anticipated to favourably alter this position if the amount payable is less than expected.

- **The Isle of Dogs TL** investment is forecast to **overachieve by (£6,500).**

- **Leisure** is forecasting a breakeven position after incorporating part of the £200,000 leisure contract termination fee income to cover re-procurement costs and historic leisure centre invoice write offs. The balance of £145,898 is to be held in reserves to cover part of the 24/25 income shortfall.

Key Drivers of the Position (continued):

Inclusive Growth – Forecast an **overspend of £214,000** an **increase of £23,000** from P8 mainly due to the Adult College and Employment and Skills pay award costs - to be funded through grant.

- **Parks Commissioning** is forecasting £531,000 overspend. Parks Commissioning main cost driver is the one off £500,000 income generation target from the soil importation that cannot be achieved in year and £133,000 income generation from Parks commercialisation projects as the income is credited to the events Team. In the absence of these income targets, the service would be significantly underspending.

- **Culture and Heritage** is forecast to achieve a balanced budget through stringent controls which have been implemented to contain costs.

- The **Inclusive growth core teams** (Inclusive Economy, place and development, Sustainability and core IG) forecast a combined **(£331,000)** underspend**,** a favourable movement of (£29,000) mainly due to spending reductions.
  The Film Office is projecting £67,000 net income underachievement due to the recent Actors Strike . This has impacted the film service to generate income from larger budget productions. However, as the strike has now finished, production enquiries are increasing and the service is forecast to cover all costs. The Film Office forecast position includes a drawdown of £40,000.

- **Development Planning** is projecting a pressure of £40,600 driven by Added Years Compensatory pension payments to ex – employees. There is no existing budget allocation to cover these costs.

- **Adult College, Apprenticeships and Employment & skills** are projecting an **overspend of £14,000** an adverse movement of £47,600 from P8 due pay award salaries funded through grant. The apprenticeships service alone is forecast to overspend by £150,000. Following a review of its financial sustainability, the winding down process of apprenticeship delivery has been formally initiated and may potentially increase the overspend once actual lost income and payments to providers is finalised.

  The £1.8m transfer from Reserves, represents a drawdown from Inclusive Growth and other reserves: Made in Dagenham Endowment programme (£185,300), Welfare reserve (£603,728) and (£1m) from grants brought forward.

Inclusive Growth: Period 9 Mitigations Table

Forecast Position: £2.7m (£46,000 underspend)

Service	Pressure	RAG/ Mitigation Amount	In Year Mitigation Comment
Film	67,644		Industry strikes have completed. The film service will be covering costs and still bring in a small surplus to the council although not meeting the income target. £40k Reserve Drawdown is being used to reduce the £111k overspend down to £67k
Commissioning & programmes	40,626		No planned mitigation. Pressure relates to Added Years Compensatory pension costs with no supporting budget
Employment Team (**Apprenticeships)**	150,629		Although the Employment Team service is now forecasting an underspend as a whole,the apprenticeships service is now formally winding down delivery to mitigate the cost pressure in the long run. The winding down process could potentially increase the overspend once actual lost income and payments to providers is finalised. The underspend will be absorbed within the overall underspends and Employment & Skills departmental reserve if necessary. Full year effect of cost avoidance to be achieved in the coming financial years.
Parks Commissioning	531,092		Parks Commissioning main cost driver is the one-off £500,000 income generation target from soil importation which cannot be achieved. A further pressure of £133,000 income generation from Parks commercial projects which will not be achieved. The £133k income target will be removed from the 24/25 budget.
Net underspends	(836,459)		
Total	**(46,468)**		

Inclusive Growth: Period 9 Opportunities

Opportunities: (These are opportunities that are NOT in the forecast that we are monitoring)

Inclusive Growth Bad Debt Provision:

- Inclusive growth (IG and Commercial) have had to date a combined bad debt provision Credit of £356,300. This has not been reflected in the forecast as two more Bad debt provision postings are pending. There is a high possibility for the provision to remain as a credit which will further increase the overall underspend for the service.

Food Sector, Make it Here, Adult College

- The food and film sector endowments from the City of London and MBS/Hackman are used to leverage additional funding from external funders – including a potential grant from Film London – and establish sustainable training programmes that do not require significant ongoing funding from the Council/key partners.

- There is an opportunity for the Adult College to maximise their assets to generate more income

Heritage and Culture

- Valence House Museum is awaiting a response to the legal challenge on the rates currently being charged to the site. Our expectation based on legal advice is we will receive a significant reimbursement; however, we have just encountered a setback from the VO who have queried whether different rates should be charged to different buildings across the broader site, which could mean another year-long delay in their formal response and the reimbursement.

Inclusive Growth: Period 9 Risks

Risks: (These are risks that are NOT in the forecast that we are monitoring)

Food Sector, Make it Here

- There are long term risks to economic development funding, as the food, film and care sector projects are all funded by temporary grants/endowments. We are working with key partners to secure ongoing funding.

Heritage and Culture

- There is a risk The Arts Council grant for Archivist is not guaranteed for future years – net £41k.

- The Women's Museum project is currently being funded through the Cultural Commissioning budget, with additional funds being granted through SCIL. Currently there is a future budget pressure expected next financial year as the site is opened and operational costs will need to be covered into the long term. The Service is looking into fundraising significantly into the coming months to meet this pressure, and in the interim period will continue to support the project through CC

Commercial Risk:

- There is an inherent risk that external market factors may make it more difficult for tenants of the Council's hotel investments to meet their rent payments

Parks Commissioning - Contaminated land adjacent to Eastbrookend Country Park – risks:

- Remaining risk of prosecution from Thames Water – if LBBD fails to deliver the agreed Contaminated Land Action Plan.
- Lack of clarity about the future management and maintenance of the contaminated land, and especially the Effluent Treatment Plan, and where this responsibility sits within the Council.
- Vehicular access – the planning application is now ready and will be submitted once the planning application fee has been processed.
- Electricity supply – a permanent electricity supply is essential to avoid future dependency on generator use and diesel deliveries. We are currently waiting for a fee proposal from Arcadis to prepare tender documents and administer the terms of the engineering contract in relation to the contestable works.
- Drainage proposal – work commenced on site on Monday 25th September. However, as reported to ACB on 8th November work had to be suspended as a large area of contaminated land was encountered whilst installing the new drainage pipe. Arcadis is investigating an alternative route, but this will be subject to a topographical survey and further ground investigations (e.g., trial pits). Inevitably this will add costs and introduce time delays.

Community Solutions: Period 9

Forecast Position: £16m (underspend of £2.5m, -17% Variance)

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
COMMUNITY SOLUTIONS	**14,461,470**	**14,461,470**		**12,297,498**	**16,065,236**	**400,000**	**(4,465,772)**	**(2,462,005)**	**(2,044,132)**
SUPPORT AND COLLECTIONS	7,017,112	7,017,112		7,322,773	6,993,162	0	(1,511,164)	(1,535,114)	(1,138,177)
COMMUNITY SOLUTIONS	1,069,410	1,069,410		780,722	898,530	0	(146,000)	(316,880)	(316,880)
COMMUNITY PARTICIPATION & PREV	7,679,948	7,679,948		5,499,004	9,478,545	400,000	(2,808,608)	(610,011)	(589,075)
TECHNICAL - COMSOLS	(1,305,000)	(1,305,000)		(1,305,000)	(1,305,000)	0	0	0	0

Key Drivers of the Position:

The total overspend pressure for Community Solutions is **c£3.7m**

The recalculation of the HRA recharge has resulted in an income shortfall of **c£3.1m** across Community Solutions. There are delays in delivering MTFS savings across Community Participation & Prevention of **£0.3m** which is being closely monitored. The MTFS savings for transfer of buildings to VCS has been paused due to the emerging locality model proposals from Adults.

The Ethical Collection Service is forecasting an overspend of **£0.2m.** The service is working towards a higher income collection. However, it is currently unable to cover its costs. Finance still believe the overspend will range from **£0.2m - £0.4m** and this may increase the outturn variance.

Community Solutions have taken a number of difficult decisions and identified one-off mitigations of **c£3.9m** to reduce the outturn variance, which are listed in the mitigations table. It is to be noted that these mitigations come with their own level of risk/impact and this will be closely monitored.

Refugee Client Allowance applications have reduced significantly, **£0.4m** of the **£0.9m** grant will be moved to reserves for 2024/25.

The service has moved positively by **£418k** this period. Within Support & Collections there has been reduction in staffing costs and increase in court cost income (Revenues) and reduction in PSL costs due to increased number of hand back requests (Support Services).

Community Solutions: Period 9

Key Drivers of the Position (Continued):

In Community Participation and Prevention there is an overall favourable movement of **£21k** in Period 9.

Triage have an adverse movement of **£38k** due to a reduction in reserves drawdown from £80k to £42k for an ICB grant funded post.

Universal Services have an overall Favourable movement of **£59k**, as follows:

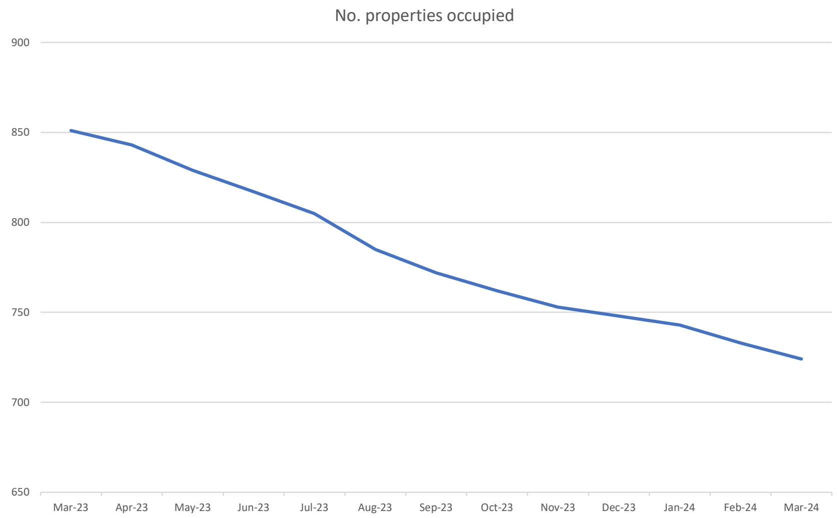
Healthy Lifestyles improvement of **£45k** is £11k Reduction in programmes spend, +£6.5 additional funding for increase in Stop Smoking take up and increased sport & recreation income has increased by £28k.

Libraries overall adverse movement of **£22k**, is mitigated within Universal Services; Specialist Libraries :+£10k reduction in buybacks, Universal Libraries: -£10k reduction in books & resources, +£8k income in sale of publications. Barking Central Library: -£2.2k spend on events, £+1k landlines, -£500 equipment. Dagenham Library: +£1.2k increase in premisses insurance, +£430 stationery, and Barking Learning Centre :+£40k for 1 FTE funding from within Universal and - £10k overtime.

Universal Services have a favourable movement of **£36k**: £29k Business Rates rebate adj for Gascoigne, £7k reduction in Agency staff for Abbey Nursery.

Community Solutions: Period 9 Data

Forecast Position: £16m (underspend of £2.5m, -17% Variance)



My Place Summary: Period 9

Forecast Position: (£1.411m) underspend

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
MY PLACE	**4,448,439**	**4,448,439**	**0**	**35,299,708**	**2,654,579**	**383,000**	**0**	**(1,410,859)**	**(1,404,079)**
HOMES AND ASSETS	(1,145,987)	(1,145,987)	0	17,223,524	(685,465)	0	0	460,522	735,837
PUBLIC REALM	5,594,426	5,594,426	0	18,076,184	3,340,045	383,000	0	(1,871,381)	(2,139,916)

Executive Summary

My Place is projecting a (£1.411m) underspend, an overall favourable movement of (£7,000).

It should be noted that the service is carrying significant risks of £1.5m, mainly related to risk of recovery from Reside Group of costs incurred as the managing agent, with (£50,000) Opportunities.

The variance is driven by:

- **Parking (£1.079m)** surplus**, HRA Fixed Recharges (£999,000), Employee Expenses (£731,000)** across Public Realm mainly and areas of Homes and Assets **(£721,000)**. Offset by **Commercial Portfolio £478,000, My Place Recharge £656,000 and £264,000** mainly on contributions to the provision for **bad debt**.

Homes & Assets: Period 9 £461,000 overspend, a favourable movement of (£275,000)

Commercial Portfolio is reflecting **£478,000 overspend**, an improvement of (£95,000) due to increased income projection**.**

- £423,000 income under recovery. The service continues to work with General Income on producing the underlying asset list and rent roll to support forecast and future budget assumptions.
- £55,000 expenditure budgets, mainly from insurance of premises.

My Place Recharge Budget: £656,000 overspend, is caused by the net impact of changes to the corporate support recharges on the My Place Recharge budget. The pressure element of £1.051m will not change, as this activity has ceased. The mitigating element is a forecast based in 2022/23 activity.

Continued next slide.

Property Assets is **underspending** by **(£100,000)**, an adverse movement of £20,000
Asset Management is forecasting a **(£55,000) underspend**:

- (£168,000) due to vacancies being held pending restructure.
- £320,000 on premises costs.
- (£207,000) forecast income for ELWA use of depot and increased staff capitalisation.

Major Works is forecasting a **(45,000) underspend** due to increased income projection from Education recharges.
Homes & Assets (Other Areas): (£573,000) underspend offering partial mitigation to the Commercial Portfolio and Recharge pressure. This is mainly from Compliance Services but also staffing in areas like Business Development and Contract Management.

Public Realm: Period 9 (£1.871m) underspend, an adverse movement of £268,000

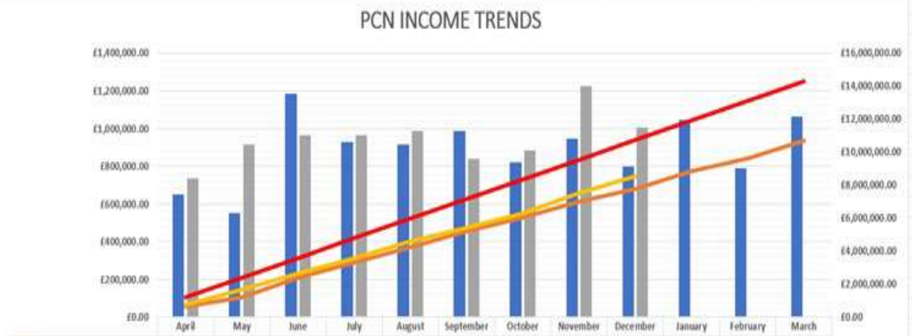
The Forecast variance relates to:

- **Parking is (£1.079m)** underspent after the transfer of **(£0.173m)** surplus to Parking reserves (ring fenced) in P9**.** The Traffic Management Order income is also overachieving by **(£0.250m).**
- **Public Realm Commercial and Admin** is forecasting an **underspend** of **(£764,000),** due to income over-recovery in areas such as Trade Waste and Pest Control.
- **Parks and Environment** are forecasting an underspend of **(£499,000),** largely due to a surplus on the fixed recharge to the HRA, plus salary underspends.
- **Waste Operations** are forecast to underspend by **(£123,000)** due to a **(£57,000)** underspend on management salaries and a **(£66,000)** over-recovery on Bulky Waste income.
- Other services within Public Realm are in total forecast to overspend by **£595,000**, mainly within **Fleet**, where the Fleet Workshop is forecasting a shortfall on recharge income.

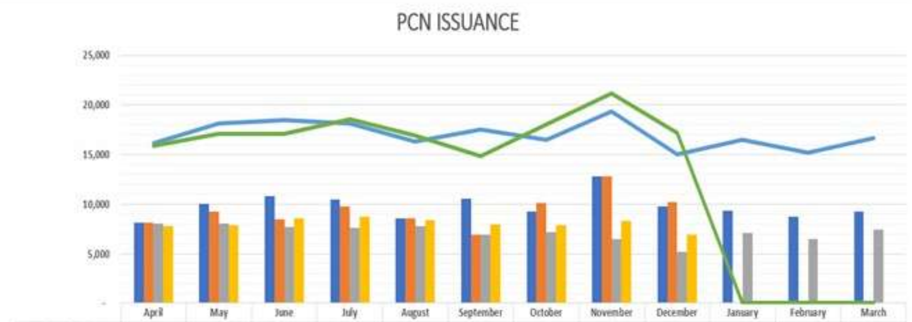
There has been an adverse movement since Period 8 of **£268,000:**

- Fleet expenditure projections have increased £213,000 due to increased costs caused by damaged vehicles.
- The remaining adverse movement can be attributed to Street Cleansing where an invoice has been written off.

Parking Income Data: Period 9

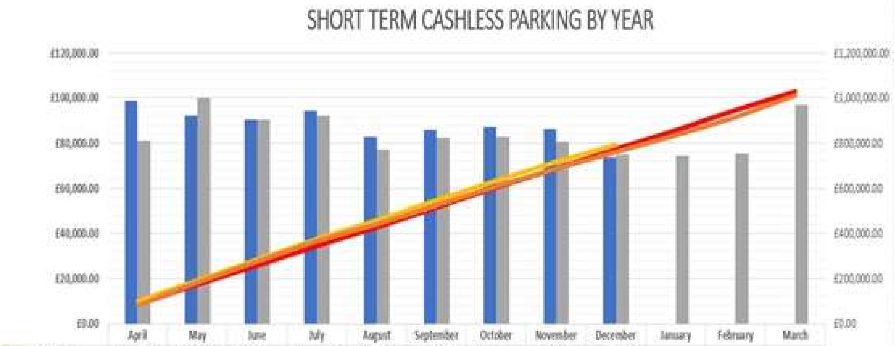


	April	May	June	July	August	September	October	November	December	January	February	March
PCN Income 2022/23	£650,301.97	£550,177.18	£1,182,723.26	£929,569.94	£915,542.51	£988,402.36	£819,307.52	£945,128.81	£796,812.75	£1,043,746.91	£788,280.99	£1,064,134.14
PCN Income 2023/24	£737,140.43	£915,310.07	£966,711.11	£966,057.47	£986,141.01	£838,285.50	£884,232.36	£1,223,851.54	£1,003,238.43			
Cumulative Income 2022/23	£650,301.97	£1,200,479.15	£2,383,202.41	£3,312,772.35	£4,228,314.86	£5,216,717.22	£6,036,024.74	£6,981,153.55	£7,777,966.30	£8,821,713.21	£9,609,994.20	£10,674,128.3
Cumulative Income 2023/24	£737,140.43	£1,652,450.50	£2,619,161.61	£3,585,219.08	£4,571,360.09	£5,409,645.59	£6,293,877.95	£7,517,729.49	£8,520,967.92			
2023/24 PCN Expectation Line	£1,192,269.00	£2,384,538.00	£3,576,807.00	£4,769,076.00	£5,961,345.00	£7,153,614.00	£8,345,883.00	£9,538,152.00	£10,730,421.0	£11,922,690.0	£13,114,959.0	£14,307,228.0

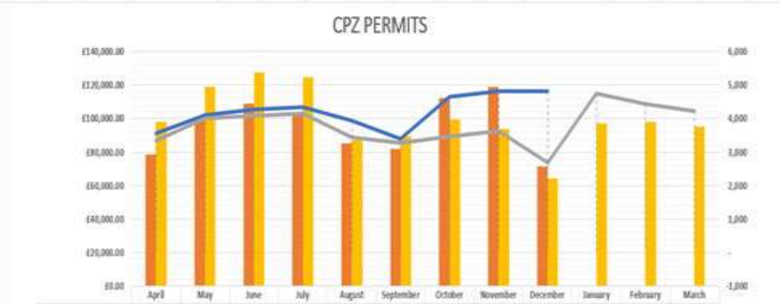


	April	May	June	July	August	September	October	November	December	January	February	March
2022/23 CCTV	8,133	10,067	10,770	10,505	8,538	10,570	9,231	12,839	9,794	9,371	8,707	9,213
2023/24 CCTV	8,097	9,278	8,449	9,759	8,529	6,897	10,120	12,827	10,232			
2022/23 ONSTREET	7,999	8,052	7,677	7,599	7,800	6,938	7,208	6,456	5,214	7,071	6,454	7,410
2023/24 ONSTREET	7,818	7,846	8,594	8,756	8,353	7,916	7,885	8,306	6,900			
2022/23 TOTAL	16,132	18,119	18,447	18,104	16,338	17,508	16,439	19,295	15,008	16,442	15,161	16,623
2023/24 TOTAL	15,915	17,124	17,043	18,515	16,882	14,813	18,005	21,133	17,132	-	-	-

Page 82



	April	May	June	July	August	September	October	November	December	January	February	March
PBP 2023/24	£98,453.10	£92,092.20	£90,270.90	£94,402.20	£82,793.10	£85,786.70	£87,388.10	£86,229.13	£73,662.00			
PBP 2022/23	£81,278.30	£99,764.30	£90,440.57	£92,176.60	£77,216.43	£82,409.70	£82,788.60	£80,542.50	£75,036.50	£74,436.30	£75,525.99	£96,991.18
Budget 2023/24	£85,798.00	£171,596.00	£257,394.00	£343,192.00	£428,990.00	£514,788.00	£600,586.00	£686,384.00	£772,182.00	£857,980.00	£943,778.00	£1,029,576.0
Cumulative 2023/24	£98,453.10	£190,545.30	£280,816.20	£375,218.40	£458,011.50	£543,798.20	£631,186.30	£717,415.43	£791,077.43			
Cumulative 2022/23	£81,278.30	£181,042.60	£271,483.17	£363,659.77	£440,876.20	£523,285.90	£606,074.50	£686,617.00	£761,653.50	£836,089.80	£911,615.79	£1,008,606.9



	April	May	June	July	August	September	October	November	December	January	February	March
Parking Fee 2023/24	£78,642.25	£99,678.00	£108,844.50	£102,035.00	£85,172.50	£81,980.00	£112,157.75	£119,107.75	£71,446.30			
Parking Fee 2022/23	£98,159.25	£118,841.00	£127,389.75	£124,796.50	£87,347.25	£89,321.00	£99,495.30	£93,881.75	£64,469.00	£97,025.00	£98,211.75	£95,251.25
Qty 2023/24	3,562	4,113	4,271	4,342	3,938	3,405	4,656	4,825	4,809			
Qty 2022/23	3,354	4,007	4,089	4,342	3,439	3,266	3,460	3,618	2,676	4,740	4,432	4,231
% GROWTH IN SALES	-20%	-16%	-15%	-18%	-2%	-8%	13%	27%	11%	-100%	-100%	-100%

2023-24 Savings

		2023/24 Target £k	RAG RATING
*negative values (in brackets) are savings			
Service Area	Saving Proposal		
Finance & IT	WAN bill reduction £80K	(80)	
Finance & IT	ICT Consultancy £40K	(40)	
Finance & IT	Staff Dev & train £28K	(28)	
Finance & IT	Staff other expenses £10K	(10)	
Finance & IT	Entity recharges + 10% £48K (income)	(48)	
Finance & IT	Ezitracker £24K	(24)	
Finance & IT	One Trust £10K	(10)	
Finance & IT	Jontek £17K	(17)	
Finance & IT	Oracle Saving	(409)	
Law & Governance	Parking Services Income	(2,300)	
My Place	Property Management & Capital Delivery	(66)	
Finance & IT	Digital Identity Verification (requires £100k Capital)	(25)	
Finance & IT	Streamline IT Procurement	(44)	
EYCC	Staff Savings and DSG recharge	(35)	
P&P	FPN income	(15)	
Community Solutions	Everyone Everyday	(100)	
Inclusive Growth	Parks Commissioning - Soil Importation	(500)	
HR	Restructure	(577)	
Total		**(7,049)**	

GREEN	4548
AMBER/G	1124
RED	1377
	7049

2023-24 Savings

*negative values (in brackets) are savings		2023/24 Target £k	RAG RATING
Service Area	Saving Proposal		
Care and Support	Finance Review Officer	(57)	
Care and Support	Early Help Investment deferral into 2024-25	(500)	
Care and Support	Early Years & Childcare	(180)	
Community Solutior	Fund HAM Hub through collection fund surplus 40% - reserve transfer (Non-HRA)	(390)	
Community Solutior	Delete x5 FTE vacancy from Welfare	(230)	
Community Solutior	Service Development - Delete x2 FTE and x1 FTE recharge to Supporting Families Grant	(197)	
Community Solutior	Customer Services - Delete X1 CSO	(34)	
Community Solutior	Customer Experience team - Delete Internet Officer	(51)	
Community Solutior	Delete x3 FTE Vacancy from Triage	(120)	
Community Solutior	Stop Play and Comm Service (4.5FTE). Transfer to Family Hubs to be funded by Grant	(160)	
Community Solutior	Transfer to VCS - WILLIAM BELLAMY CHILDREN'S CENTRE	(30)	
Community Solutior	Transfer to VCS - LEYS CHILDREN'S CENTRE	(15)	
Community Solutior	Transfer to VCS - SUE BRAMLEY CHILDREN'S CENTRE/ LIBRARY	(15)	
Community Solutior	Creation of Heritage site at VALENCE LIBRARY + 2.5FTE Sc5	(130)	
My Place	NRSWA Income Stream Opportunities - Public Highway	(52)	
My Place	No longer have a dedicated Graffiti team.	(75)	
My Place	Security of vacant land.	(10)	
My Place	Reduce the opening days and times of the Town Hall and other buildings.	(50)	
My Place	Closure of Pondfield depot	(25)	
My Place	Increase the commercial income	(30)	
Inclusive Growth	New Town Culture	(260)	
Inclusive Growth	Line by Line Budget Review	(110)	

CABINET

19 February 2024

Title: Budget Framework 2024/25 and Medium Term Financial Strategy 2024/25 to 2026/27	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
Report Authors: Nurul Alom – Finance Manager Jo Moore – Strategic Director, Resources	**Contact Details:** Nurul.Alom@lbbd.gov.uk Jo.Moore@lbbd.gov.uk
Accountable Executive Team Director: Jo Moore, Strategic Director Resources (Chief Financial Officer / S151 Officer)	

Summary

This report presents to Cabinet the Council's proposed budgets for 2024/25 for recommendation for approval to Assembly, together with the latest Medium Term Financial Strategy forecasts to 2026/27.

The annual budget process is the formal allocation that enables the delivery of the Council's policies and priorities but also complies with the Council's statutory obligations in setting the Council Tax for the following financial year.

The delivery of the Council's priorities of value-for-money and living within our means are key themes which underpin the proposed budgets.

In line with statutory requirements, Members are required to approve the proposed Band D Council Tax for 2024/25 and to note the Mayor's GLA precept which will be added to this amount.

Members should note that the proposed budget includes decisions already taken in relation to the Council Tax Support Scheme 2024/25 and the Fees and Charges 2024 report presented to Cabinet on 23 January 2024 (Assembly 31 January 2024) and 14 November 2023 respectively.

Members are also presented with the revised three-year Capital Programme to 2026/27 for recommendation for approval to Assembly together with the Council's proposed Capital Budget for 2024/25.

The budget proposals have been developed alongside the Council's revised Capital Strategy and Treasury Management Strategy which are presented as separate agenda items.

Cabinet is also to recommend to Assembly the approval of the HRA revenue and capital budgets for 2024/25 as well as the Dedicated Schools Budget for 2024/25.

Cabinet should note that the proposed General Fund budget requires a drawdown from reserves of £8.809m to balance the 2024/25 budget after including £15.595m of savings and £54.129m of growth from the 2023/24 revised budget. This report includes the Council's Section 151 Officer (CFO) opinion on the robustness of the budget proposals and the adequacy of reserves given the financial risks that the Council is facing. Members should have due regard for this Section 25 statement, attached at Appendix H, when making their decision.

Cabinet is asked to note the feedback from the budget consultation on savings proposals and that no changes have been made as a result.

Approval is also sought to delegate authority to the Council's Section 151 Officer, in conjunction with the Cabinet Member for Finance, to make amendments to the budget up to £1m, prior to submission to Assembly, for any changes arising from the publication of the final Local Government Financial Settlement.

Cabinet is also asked to note that the proposed budgets include the impact of Barking & Dagenham joining a new tri-borough Business Rates pool with Havering and Thurrock which is now a formally approved arrangement under the Provisional Local Government Settlement.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to:

(i) Agree that the basic amount of Council Tax (Band D equivalent) shall increase by 2.99%, and by a further 2% for the Adult Social Care precept, bringing the total increase to 4.99%;

(ii) Agree that the Council Tax to be set for 2024/25 shall be £1,531.35 for a Band D property, which comprises £1,310.70 for core Council Tax and £220.65 for the Adult Social Care precept, an increase of £43.61 and £29.17 per year respectively;

(iii) Note that the Council shall levy an additional £471.40 on the Band D amount above on behalf of the Greater London Authority which represented an increase of 8.6%;

(iv) Note the amount of 54,916.54 as the Council Tax Base for Barking and Dagenham for 2024/25, an increase of 1,589.69 on the previous year, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under the Local Government Finance Act 1992 (as amended);

(v) Agree, in setting the Council's General Fund revenue budget, to set the Council Tax requirement at £84.096m for 2024/25;

(vi) Consider and have due regard to budget consultation feedback with residents and businesses as set out in Section 20 to the report and note that no changes were recommended as a result;

(vii) Agree the Statutory Budget Determination for 2024/25 as set out at Appendix D to the report;

(viii) Approve the proposed General Fund Revenue Budget for 2024/25 as set out in Appendix A to the report, subject to any changes required from the final Local Government Finance Settlement;

(ix) Delegate authority to the Strategic Director, Resources, in consultation with the Cabinet Member for Finance, Growth and Core Services, to make further changes to the 2024/25 budget proposals prior to the Assembly meeting up to a maximum amount of £1.0m or as determined by the final Local Government Finance Settlement;

(x) Agree the new savings and growth proposals as set out in Appendix B to the report;

(xi) Agree that the current budget gap of £8.809m shall be funded from use of reserves for 2024/25 and to note that additional permanent savings proposals shall need to be identified;

(xii) Approve the latest General Fund Medium Term Financial Strategy 2024/25 to 2026/27 as set out in section 4 and Appendix A to the report;

(xiii) Note that the proposals maintain a General Fund balance of £12m in line with the Council's approved Reserves Policy (July 2023);

(xiv) Note the projected reserve balances at 31 March 2025 following the planned use of £8.809m to achieve a balanced budget as set out in Section 19;

(xv) Approve the Council's provisional Capital Programme, including Investment and Acquisition Strategy (IAS) schemes, for 2024/25 to 2026/27 as detailed section 8 and Appendix G to the report;

(xvi) Agree to set a Capital Budget for 2024/25 at £209.462m, as detailed in Appendix G to the report;

(xvii) Approve the Strategy for the Flexible Use of Capital Receipts at Appendix I to the report, in line with the regulatory requirements to facilitate the delivery of efficiency savings including capitalisation of redundancy costs; and

(xviii) Note the Chief Financial Officer's Statutory Finance Report (Section 25 Statement) as set out in Appendix H and, in particular, their determination of "the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves".

Reason(s)

The Council has a legal obligation to set its Council Tax for the following financial year and approve an annual, balanced budget on the advice of the Council's Section 151 Officer. The relevant legal provisions are set out in the Local Government Finance Act

1992. The setting of the budget is a function reserved to Full Council (Assembly) following recommendation for approval by Cabinet.

The Local Government Act 2003 Section 25 sets a specific duty on a local authority's Chief Financial Officer (S151 Officer) to make a statement on their opinion on the robustness of the budget proposals and the adequacy of reserves factoring in the financial risks that the Council will be facing over the next 12 months.

The Council's constitution requires the Assembly to be responsible for the adoption of the Council's Budget and Policy Framework including the level of Council Tax, Revenue Budget and Capital Budget and Programme. Once a Budget or a Policy Framework is in place, it will be the responsibility of the Cabinet to implement it.

1. Introduction

1.1. This report sets out the final proposed General Fund Revenue Budget for 2024/25 together with the proposed Council Tax band amounts calculated in line with the Council's council tax requirement. The proposed revenue budget is based on the maximum increase of 2.99% to core council tax being applied as well as the 2% Adult Social Care Precept.

1.2. It should be noted that council tax support is a local responsibility and the Council's support scheme is subject to a separate report presented to Cabinet and Assembly in January 2024. This scheme continues to provide a similar level of enhanced support that was given in 2023/24 and will reduce the amount of council tax income. From 2025/26 onwards the Council need to consider the affordability of this enhanced scheme.

1.3. As the proposed General Fund expenditure budgets are in excess of income and funding, it has only been possible to achieve a balanced General Fund budget for 2024/25 from a drawdown of reserves of £8.809m to bridge the budget gap.

1.4. However, the budget gap has reduced by £14.526m from the £23.33m set out in the Budget Strategy Report presented to Cabinet in December 2023 and details of the key movements between that report and the final budget now proposed are set out below.

1.5. This further draw down of reserves is follows significant utilisation of reserves in balancing 2022/23 and the potential need to use general fund reserves to fund the forecast overspend of £9.33m (Period 9). A forecast of the remaining reserves is set out in the relevant section below and Members should have regard to the Section 151 Officer's consideration of the adequacy of those reserves in their Section 25 statement attached.

1.6. To underpin its financial sustainability the Council is also required to consider the financial forecasts for following years and approve a Medium-Term Financial Strategy (MTFS). This sets out the Council's approach to the management of its financial resources to meet its Corporate Priorities and assesses any future budget gaps. This allows time for remedial actions to be put in place to address any forecast gap. This report presents that strategy together with a revised three-year MTFS financial plan (MTFP) to 2026/27.

1.7. This report also presents the proposed three-year capital programme to 2026/27 together with the final capital budget for 2024/25. The Council is also required to publish a Capital Strategy which outlines the Council's strategic approach to investment in its assets and demonstrates how proposed investment is aligned with Council priorities as well as how it is both affordable and sustainable. The Capital Strategy underpins the proposed three-year capital programme and budget and is presented as a separate agenda item.

1.8. Within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. This is subject to a separate agenda item.

1.9. This report also recommends approval to Full Council of the final HRA Revenue and Capital budgets for 2024/25. It should be noted that the sustainability of the HRA is assessed through the formulation of a 30-year business plan. A draft Business Plan was submitted to Cabinet in January 2024, but a final plan will be presented back to Cabinet in March 2024.

1.10. The HRA in recent years has come under significant costs pressures from below inflation rent caps mandated by the government, with the cost of the investment required to repair and renew housing rising significantly.

1.11. These factors have also been compounded by shortages in the labour force and supply chain difficulties in the building and maintenance industry. Compliance with enhanced fire regulations and new requirements of the consumer standards introduced by the government, are also expected to lead to considerable costs for the HRA as is the need to decarbonize the stock to meet new green targets.

1.12. Approval is also sought to recommend to Full Council the Dedicated Schools Budgets for 2024/25 which should be noted has now been formally accepted by the Schools' Forum.

2. Background

2.1. The proposed final budgets have been prepared under considerable financial and operational challenges faced by the Council during 2023/24. Macro-economic factors have impacted the Council's finances considerably, with inflation leading to significant cost rises and increases in interest rates slowing down development activity. This in turn has an impact on the Council's subsidiaries.

2.2. The wider context within which this Budget and MTFS has been prepared is one of continued uncertainty. The financial sustainability of the Local Government sector continues to be extremely challenging. There have been significant cuts over several years to the Revenue Support Grant from the Department for Levelling Up, Homes and Communities (DLUHC) and whilst headline core spending power has increased, in real terms, funding is still far below what it was over a decade ago.

2.3. Local government funding needs urgent reform with formulas for allocation of funding which accurately reflect current and forecast local need. The borough's demographics have changed significantly over recent years with an increasingly younger population but with a working age population that requires greater support across all our services especially social care. Through its Investment and Acquisition Strategy, the Council has significantly increased affordable housing supply within the borough but – as a result of the impact of the pandemic, downturn in the economy including historically higher levels of inflation and a consequent cost of living crisis - more residents require access to council services.

2.4. The financial sustainability of the whole of Local Government is under stress and this has been seen by a number of Local Authorities issuing a Section 114 notice, effectively signifying their inability to deliver a balanced budget, and many others warning that they are close to that position.

2.5. As is the case across the country, social care funding, particularly adult social care funding and its escalating costs, is a significant challenge for all local authorities, and we continue to see rises in requests for support and assessments, and significant changes in the nature of needs within that ASC care, from older to working age adults, and complexity of that care has increased over the last five years. For example, the number of residents within the learning disabilities service has doubled over 7 years, mostly across younger adults, those 18-30 years old.

2.6. For this reason, Barking and Dagenham has faced significant financial pressures during 2023/24 with new, permanent pressures for social care of around £18m in the People & Resilience (PIR) Directorate despite additional funding of c£11m being applied. This pressure has been addressed through the proposed 2024/25 General Fund budget.

2.7. However, the Strategic Director for PIR has formulated a robust plan of financial mitigations in place as part of the savings proposals to address key cost drivers including reviewing of care packages, strengthening pathways for increased health funding relating to continuing health care and identifying lesser cost alternatives to care, and an enhanced reablement offer.

2.8. A review of General Fund charges to the HRA was undertaken and this has led to a significant reduction in income to the General Fund although conversely will have benefitted the HRA.

2.9. Whilst inflation is slowly reducing, the Council is still facing the impact of the recent years' high inflation with a pay award of £7.5m in 2023/24 and significant contract indexation. In summary, delivering key services is costing significantly more due to the high levels of inflation but also because the borough has seen a considerable change in its demographics with much greater complexity of need for users of council services, particularly social care. Whilst, in general the demand for social care is increasing moderately, the level of need and associated costs for existing and new service users is much higher and much more complex.

2.10. The combination of these factors has led to significant challenges for the Council in setting a balanced budget for 2024/25 and this report highlights the need to utilise a drawdown of £8.809m of earmarked reserves to achieve a balanced budget.

2.11. In total, £46m of General Fund reserves will have been utilised since 2022/23 to balance the Council's budgets to March 2024. This has significantly reduced the reserves available to assist the Council in managing its MTFS and the inherent financial risks. Details of the forecast remaining reserves can be found in the reserves section. Members should also note the Section 151 Officer's statement on the adequacy of reserves at Appendix H.

2.12. Looking at next year and the remainder of the MTFS the Council is likely to be facing further inflationary pressures and has expectations of rising demand for services and/or changes in complexity of need, particularly for social care and housing provision. These financial risks are set out in the relevant section below.

2.13. The Budget Strategy Report presented to Cabinet in December 2023 highlighted a potential budget gap of £23m after savings of £10.618m had been identified. There has therefore been a need to identify further savings to reduce the budget gap, but fundamental transformation will be needed to deliver significantly sustainable savings to find permanent solutions for the £8.809m budget gap and underpin the long-term viability of the MTFS.

2.14. To facilitate regeneration in the borough and the provision of much needed housing, the Council approved an Investment and Acquisition Strategy (IAS) in 2016. The IAS Strategy was established to be self-financing and had a target ambition of delivering a 5% revenue return to the Council both of which are now at risk.

2.15. Rising interest rates impacts on the Council's borrowing costs and in particular on the ambitions of the Council's Investment and Acquisition (IAS) Strategy. Since 2016 the Council has delivered 1,465 units of housing in the borough and a further 2,336 units are also under construction and due to complete over the MTFS period.

2.16. An inherent aspect of the IAS, and regeneration more generally, is the length of time it takes from a decision being taken by Cabinet to proceed with a regeneration scheme and the actual delivery of that scheme which exposes the Council to the inherent risks of housing development. Unfortunately, global events in recent years have meant that both these risks have crystallised with significant increases in both construction costs and interest rates.

2.17. The rise in interest rates and the high inflation costs within the construction sector have led to a number of schemes costing more than originally planned and new schemes unable to pass the viability assessments. Whilst this has led to a pause on new schemes, there will still be a requirement for the Council to borrow an additional £300m over the MTFS period to fund those schemes which are currently under construction.

2.18. As a result of delivering this increased housing supply, the Council holds one of the highest levels of debt compared to other local authorities in the country. Including the additional £300m of borrowing highlighted above is forecast to have peak debt of £1.8bn over the MTFS period. However, whilst this level of debt is not without financial risks to the Council (see risk section below) the debt is serviced by the Council's subsidiary Reside through formal loan agreements and or net rental income streams direct to the Council.

2.19. Under the IAS the Council holds a commercial investment portfolio, predominantly acquired by way of land assembly for regeneration schemes. This portfolio is currently not performing adequately financially, and the Council will be undertaking a strategic review this calendar year.

2.20. This review will be carried out in conjunction with external advisors and subsidiaries who will be ensuring that longer term financial forecasting is robust and that early warning triggers of the inability to service debt are in place to allow the Council to take necessary corrective action where needed.

2.21. The assets do have a market value and these values are regularly subject to external valuation to ensure that in the event of disposal, the capital receipts are sufficient to cover the cost of borrowing.

2.22. The Treasury Management Strategy Statement (TMSS), also provided as part of the same agenda as this report, details the impact of the Council's debt and forecast interest rates together with the proposed borrowing strategy over the MTFS period. The Council's external treasury advisors provide expert support in the development of the strategy.

2.23. The adverse conditions in the economy are resulting in more people needing housing support particularly within Temporary Accommodation. Unlike most of the other London Boroughs, the Council is not currently facing a core budget pressure in relation to this and no increase in budget is assumed in the 2024/25 budget due to the Council's housing supply. However, this situation could change and is a significant risk which will need to continue to be closely monitored and managed.

2.24. The Council has also established a complex group subsidiary structure, for specific purposes, and services are provided both to and from those subsidiaries. The reduction in activity under the IAS has had a direct impact on BeFirst, the Council's regeneration vehicle. High costs have also impacted on other subsidiary members.

2.25. The financial performance of the subsidiaries impacts on the Council's budgets, both in terms of the services provided but also meeting dividend income targets in the General Fund budget and servicing indebtedness. The Council has made a commercial loan to fund an asset in the BDTP group and has made working capital loans to two of its subsidiaries. The financial performance of those subsidiaries impacts on servicing related debt interest costs and being able to repay the capital amounts advanced. There are associated financial risks which are set out in the risk section below.

2.26. The proposed General Fund budget will include estimates based on assumptions on factors beyond the Council's control such e.g. pay award and Members should have regard to these assumptions in making their decision. Sensitivity analysis has been modelled on some of these key assumptions and these are included.

2.27. In considering their decision to approve the budget, Members should have due consideration to the level of reserves remaining after the proposed budget has been set together with the financial risks that the Council is facing which are also set out below.

2.28. Appendix H is the Council's S151 Officer's Section 25 statement which sets out their opinion on both the robustness of the budget proposals and the adequacy of the Council's usable reserves to cover potential financial risks. Members should have particular regard to this statement in their decision.

2.29. For 2024/25, the Council has also applied to join a new Business Rates Pool with Thurrock and Havering Councils, and this has now been confirmed through the Provisional Local Government Settlement. The purpose of the pool is to enable the tariff that would otherwise be payable by Thurrock to central government to be retained locally and shared with Barking & Dagenham and Havering.

3. Economic Context

3.1. On 22nd November 2023, the UK Chancellor's Autumn Statement alongside the Office for Budget Responsibility's (OBR) key economic forecasts which indicated a reduction in inflation projections. The table below sets out CPI forecasts and indicates that inflation peaked at 10% in 22/23 but is expected to reduce to 3% in 2024/25 and then be an average of 1.6% in the following three years:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	10.0%	6.1%	3.0%	1.6%	1.5%	1.8%
Spring Budget 2023	9.9%	4.1%	0.6%	0.0%	0.8%	1.7%
Autumn Statement 2022	10.1%	5.5%	0.0%	-1.0%	0.8%	1.8%
Spring Statement 2022	8.0%	2.4%	1.7%	2.0%	2.0%	

3.2. Whilst CPI is the most relevant measure of inflation for local authorities (e.g. HRA rents often linked to this index as well as citizen benefits) a number of the Council's contracts will also include indexation clauses based on RPI. Forecasts of RPI underpinning the Autumn Statement are set out below:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	12.9%	8.3%	4.3%	2.4%	2.6%	2.8%
Spring Budget 2023	12.7%	6.4%	1.2%	1.0%	2.1%	2.9%
Autumn Statement 2022	13.0%	8.3%	0.5%	-0.5%	1.6%	2.7%
Spring Statement 2022	10.3%	3.6%	2.4%	2.6%	2.7%	

3.3. The Autumn Statement also outlined certain factors which were relevant to local authorities in England, and these are set out below.

3.4. Planned departmental resource spending for the years beyond the current Spending Review period (2025/26 to 2028/29) will continue to grow at 1% a year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year Retail, Hospitality, and Leisure relief scheme.

3.5. Departmental capital spending will follow the cash profile agreed at Spring Budget 2023, with new commitments funded in addition to this, including further support for levelling up programmes and business access to finance.

3.6. For 2024-25, the Business Rates small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be uprated by September CPI to 54.6p.

3.7. The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is being extended for 2024-25, a tax cut worth £2.4 billion. Around 230,000 RHL properties in England will be eligible to receive support up to a cash cap of £110,000 per business.

3.8. Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

3.9. The government confirmed that Local Government Pension Scheme (LGPS) guidance will be revised to implement a 10% allocation ambition for investments in private equity, which is estimated to unlock £25bn, as well as a March 2025 deadline for the accelerated consolidation of LGPS assets into pools and setting a direction towards fewer pools exceeding £50bn of assets under management. The Statement confirmed certain other measures:

- From April 2024, Local Housing Allowance rates in Great Britain will be raised to the 30th percentile of local market rents;
- A £5 million extension to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023;
- An extension to 'thank you' payments into a third year for Homes for Ukraine sponsors across the UK, remaining at £500 per month;
- The provision of £120 million funding for the devolved administrations and local authorities in England to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship.

3.10. As highlighted above, the Council will need to undertake significant borrowing over the MTFS period. Latest interest rate forecasts are set out below in 4.23

4. MTFS 2024/25 to 2026/27 principles and assumptions

4.1. The Medium-Term Financial Strategy (MTFS) sets out the Council's high-level approach to financial planning and the management of its financial resources to underpin its continued financial sustainability but also to ensure that its financial resources are aligned with the Council's Strategic plans. The MTFS should highlight all matters affecting its financial position and sustainability over the medium term as well as consider strategic objectives and constraints in finances which may impact on decision making.

4.2. To do this effectively, a Council needs to be fully aware of its financial position, and to be successful the Strategy must be owned by the wider organisation and those responsible for decision-making.

4.3. The Council's assets should be a key feature of financial planning ensuring any value from those assets is maximised. The financial strategy should consider every opportunity to rationalise its asset base and/or improve returns on capital invested in those assets. For this reason, the Council's Capital Strategy should sit alongside the Medium-Term Financial Strategy and consider future asset investment requirements and/or identify where required investment is not affordable and there is potentially a gap.

4.4. Annual budgets, by definition, are short term in nature and so the MTFS provides financial forecasts over the medium term but the further out these forecasts project, the greater the uncertainty with the financial estimates due to the number of factors which are beyond the Council's direct control.

4.5. This is particularly true in relation to government funding and without multi-year settlements it is difficult to forecast how government funding will be increased in line with increases in the Council's costs or demand for services. With the impending General Election in 2024, even if there was a change in government, it is unlikely that a new government will be in a position to consider a multi-year settlement in time for 2025/26.

4.6. For this reason, although it would be more beneficial to have a 5-year MTFS, the Council's proposed MTFS and financial plan is only for three years (including 2024/25) although there is still inherent uncertainty in the estimates beyond the next financial year.

4.7. Due to the inherent risk and uncertainty, the Council's financial strategy should also include sensitivity analysis whereby the impact of changes to the key variables e.g. funding is assessed. This scenario testing allows the Council to make a judgement as to the most likely scenario to underpin its financial planning assumptions and assess the financial impact of different scenarios.

4.8. It should be remembered that the Council has finite resources within which to deliver services and meet strategic objectives. Inevitably a decision needs to be made and this decision will need to strike a balance between the relevant service priorities, statutory obligations and funding envelope within the Council must operate.

4.9. Whilst the Council exists for the benefit of providing services to residents, balancing the respective needs of those has always been challenging but never more so than now.

4.10. Continuing to assess and consider how best to meet the needs of its service users' is a continual process and understanding changing demographics is an important part of this assessment. Changes can impact not just on demand but also the way that users want to access or use Council Services.

4.11. For Barking & Dagenham, the Council demographics have changed significantly over the last decade, and this has had a particular impact on the nature of the demand for social care services alongside the significant national challenges regarding the cost of social care placements. The cost of children's residential placements has increased by 69% in five years according to local analysis of placements across this period. A greater proportion of the borough's population is now much younger, but the Council has seen a significant increase in demand and complexity of support needs for its working age population and this has led to significant financial pressures for the Council.

4.12. Funding for social care is based on the adult relative needs formula which does not take account of children's need or use latest relevant data. For the reasons highlighted above, this is unlikely to be addressed over the medium term and therefore the delivery models for these services must be assessed to see how need can be met but within the financial constraints that the Council faces. The census shows that the council has 20,000 more children than 10 years ago, with approximately 50% living in poverty, both factors increasing the numbers requiring additional support across social care, education and SEND.

4.13. The latest Barking & Dagenham Corporate Plan 2023-26 sets out the vision of the Council to make Barking and Dagenham a place that people are proud of and where they want to live, work, study and stay, whilst ensuring that no-one is left behind.

- 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

4.14. However, as highlighted above, objectives over the medium term will need to be prioritised to ensure that service delivery is achieved through the approved financial framework. The key principles underpinning the Barking & Dagenham Medium Term Financial Strategy are set out below:

a) Growth for People & Resources (PIR) Directorate – 2022/23 base budget pressures addressed in full for 2024/25, limited to additional ring-fenced funding thereafter.

b) Contingency of an additional £4m to be retained centrally and released to offset unavoidable overspends in PIR during the year but subject to approval by the Council's S151 Officer. If arising, likely to be as a result of rising demand and/or increase in third party providers.

c) Planned transformation programme for people services including PIR and Community Solutions as part of the council's emerging Localities model, focusing on prevention activity and assisting residents including social care clients to require less intensive support (details below).

d) A council-wide approach to support addressing the drivers and solutions for social care demand. For example, how the council's Housing Strategy can better support older people and those with learning disabilities. Improvements to the digitalisation advice and guidance offer, so people are supported earlier and easier when they need help.

e) Fundamental review of core structures, operating models and budgets supported by an outcomes-based approach:

- Co-design with users of services – how do people want to use and access our services? Has this changed and are services fit for the population that we have and how they want to interact with us;
- What is the best way to meet those needs? Is there another way to meet that need aside from Council direct service delivery;
- What are the modern and most effective operating models to deliver the service? How do these need to change?
- Do we need to invest to deliver changes and, if so, what investment will bring us maximum benefit?
- What staffing structures do we need to deliver those new operating models; and finally;
- How do the net expenditure budgets need to change and how can we reduce our cost base or increase our income?

f) Fundamental review of the Council's subsidiary structures, taking stock and looking at why those structures were established, their purpose and benefit? Has anything changed and the objectives been achieved? If not, how do we need to change?

g) Fundamental review of the Council's Investment & Acquisition Strategy (IAS) with the same principles as in (e) above but with an additional objective of de-risking the IAS Asset Portfolio should that be required. Also reviewing financial forecasting ensuring that it is robust and gives assurances over the ability for IAS schemes to meet the Council's borrowing costs and then any corrective action can be taken where necessary.

h) Strong focus on the Council's borrowing strategy to underpin the IAS borrowing, working closely with Council advisors, to ensure that future required borrowing to complete existing schemes is affordable and any risk to increased General Fund costs is mitigated.

i) Comprehensive Asset Management Strategy is developed to ensure that the Council is using its assets in a way that brings maximum benefit to the Council as a whole. This will include rationalising the asset base as appropriate or repurposing assets for alternative use and underpinned by up-to-date, independent stock condition surveys.

j) Future reductions in the local Council Tax Support Scheme (CTRS) - to help with the cost-of-living crisis, the Council agreed to an enhanced council tax support scheme to help its residents cope with this crisis. It is proposed that this level of support will continue in 2024/25 but will need to be reduced for the remainder of the MTFS.

k) Fees & Charges income – the Council will seek to ensure that it achieves full-cost recovery on the services that it provides whilst remaining competitive where relevant.

l) Lobbying for funding – central government funding methodologies have different impacts for individual local authorities. Barking and Dagenham has residents with a high level of need for council services and with less financial means to pay for services. Funding methodologies do not currently take into account current or changing local need. It is vital that any new government understands this, and that Barking & Dagenham continue to undertake proactive lobbying. Together with having a fast-changing population, Barking and Dagenham has the highest proportion of deprived households in the country; the second highest proportion of multi-family households; and the third highest proportion of households renting their home from a Registered Social Landlord. It also has the highest rate of excess weight amongst children; is in the worst quintile for excess weight amongst adults and life expectancy; and the 7th highest level of unemployment (2021 Census). And when compared with the 47 poorest northern metropolitan councils (represented by SIGOMA, the special interest group in the Local Government Association) Barking and Dagenham has a higher percentage of employed residents in receipt of Universal Credit and a significantly higher percentage & of older residents in receipt of pension credit and Housing Benefits. All of this makes Barking and Dagenham more like a bit of the north in the south combined with being part of a fast-changing and young East End (of London).

m) Evidence & Insight – having and using robust evidence and insight will be fundamental over the medium term. From robust in-year budget monitoring, identifying, and managing core cost drivers, to understanding how our costs compare to the level of services, evidence and insight will be key to managing the Council finances.

n) Supply chain and partners – the Council works with many commercial suppliers and trusted partners, such as the NHS. It is important the Council continues to maintain strong relationships with those that support us in meeting the needs of our citizens and residents and that they understand our financial position and constraints.

o) For suppliers, the Council's policy to support alignment with the London living Wage will be considered on a contract-by-contract basis, in consultation with the relevant Strategic Director and Portfolio Holder.

4.15. The table below sets out a summary of the medium-term financial plan (MTFP) to accompany the MTFS.

Medium Term Financial Plan (MTFP) Summary 2024-27	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
Net Cost of Services	**194.460**	**221.745**	**233.989**
Changes to Prior Year Budget			
Savings - Existing (Feb 20233)	(0.571)	(0.272)	(0.150)
Pre-agreed Growth (Feb 2023)	6.549	3.872	4.386
Savings- New	(15.024)	(0.826)	(0.834)
Growth - New	39.708	0.770	0.834
Inflation	7.872	8.700	8.800
Budget Re-allocation*	(11.249)		
Net Budget Requirement	**221.745**	**233.989**	**247.025**
Core Funding			
Revenue Support Grant	(22.258)	(22.926)	(23.293)
NDR	(22.872)	(23.302)	(23.675)
NDR Top Up & S31 Grants	(38.575)	(62.421)	(63.420)
S31 Grants and Other Admin Grants	(15.796)		
BRR Pooling	(1.000)	(1.000)	(1.000)
2023/24 Top Adjustment	(0.072)		
Council Tax	(84.096)	(88.462)	(94.135)
(Surplus)/Deficit on Collection Fund	(0.042)		
Market Sustainability & Fair Cost of Care Grant	(3.995)	(3.995)	(3.995)
Services Grant	(0.367)	(0.367)	(0.367)
Social Care Support Grant	(19.823)	(19.823)	(19.823)
Additional Social Care Support Grant	(1.900)		
New Homes Bonus	(2.140)		
Total Core Funding	**(212.936)**	**(222.296)**	**(229.708)**
Cumulative Budget Deficit/(Surplus) Before Reserve	**8.809**	**11.693**	**17.317**
Contribution To Reserve / (Drawdown From Reserve)	(8.809)		
Cumulative Budget Deficit/(Surplus) After Use of Reserve	**0.000**	**11.693**	**17.317**

**Budget Movement - Movement of HB Admin Grant & subsidiary dividend income from core funding to net cost of service*

4.16. As can be seen from the table the gap for 2024/25 is £8.809m and this increases cumulatively to £17.317m in 2026/27. At current service and cost levels the Council's budget will be unsustainable and new robust savings will need to be identified with urgency to deliver a longer-term sustainable budget. The proposed actions are as set out in the Medium Term Financial Strategy principles and in the savings section below.

4.17. In Barking & Dagenham the highest proportions of its net revenue expenditure budget allocated to the People and Resources (Adults and Childrens) Directorate (59% for 2023/24 and 60% now proposed for 2024/25). The planned increases for

2024/25 are not currently affordable and are dependent on finding significant additional Council savings to fund these budgets on a permanent basis.

4.18. Going forward, any further increase to these budgets, over and above the additional funding provided within the Local Government Financial Settlement, will simply not be affordable and therefore no additional growth in the MTFP has been included above the increased in ring-fenced funding levels.

4.19. Although Council Tax provides much-needed additional income it is insufficient to bridge the funding gap beyond requiring a referendum as laid down in legislation. At the same time, we have seen a growing number of Councils issuing Section 114 notices or seeking Capitalisation Directions from the Department for Levelling Up, Housing and Communities, or publicly stating that they are heading towards one of these. These are not normal times.

4.20. As highlighted below, the Council is looking at an asset rationalisation programme but would need to be satisfied that this would generate sufficient capital receipts otherwise the Council would need to borrow to fund the Capital Directive.

4.21. Whilst the budget for next year and MTFS is based on known available information at the time of setting the budget, there are inherently a number of estimations and assumptions which are applied in the financial forecasts. Examples are estimates of inflation and base interest rates.

4.22. There will always be an element of judgement in the estimation of these variables and the Council uses the services of professional advisors where expert skills are needed and/or historic trend analysis. It is possible that these estimates may prove to be inaccurate, but this is an inherent risk in financial forecasting.

4.23. The table below provides details of these assumptions and estimations that have been used in formulating the Council's budget for next year and the overarching MTFS.

Item	24/25	25/26	26/27	Explanation
Expenditure				
Pay award	3.00%	2.00%	2.00%	This reflects the net agreed average increase across all pay grades in 2023/24 with similar pressure on pay expected in future years. This allocation will be under review with further economic data being released over coming months
Employers National Insurance	13.80%	13.80%	13.80%	Assumed will remain consistent with 2023/24, subject to Chancellor's Budget.
Employers Pension Contributions (payroll rate)	22.00%	22.00%	22.00%	2026/27 may change as a result of the triennial valuation.
Interest Cost	5.0%	4.3%	4.1%	This reflects the current 25-year PWLB rates, provided by Link Group.
Funding				
Council taxbase (after council tax reduction scheme)	84,096	88,462	94,135	
Increase in CT Base	3.0%	1.5%	1.4%	

Budgeted collection rate (%)	97.5%	98.0%	98.0%	
Band D (standard) (%)	2.99%	2.99%	2.99%	
Band D (adult social care precept)%	2.00%	2.00%	2.00%	
Council Tax Bad Debt Provision	5.00%	4.00%	4.00%	Considered reasonable with the projected balance of arrears

5. Sensitivity analysis

5.1. As highlighted in the MTFS, where estimates are used in financial forecasting it is deemed good practice to carry out sensitivity analysis of the key variables within the proposed budgets to understand what the financial impact could be of different scenarios in reality. The table below demonstrates shows what the impact of alternative scenarios would be on the Council's budget gap for 2024/25.

Risk	Financial Impact	Likelihood
Pay Inflation – Whilst inflation has reduced considerably over the past few months there level of inflation is still above Bank of England's target of 2%. High inflation, particular more than those assumed in Council's budgets, would result in higher costs that could remain unfunded.	Total provision in the Council's budget for pay is £3.7m. This represents an estimate of a 3% pay award for 2023/24. If this were to increase or decrease by 1% the financial impact would be an increase in budget requirement of £1.2m and a decrease in budget requirement of £1.2m based on known staffing structures at this time.	It is difficult to predict with certainty where inflation will end up during 2024/25. However, over the past 12 months it has reduced considerably, and the government's target is for this to be c2%
Council's borrowing costs -	A 1% increase in assumed borrowing costs could lead to £3.3m of additional costs and a 1% decrease could lead to £3m reduction in costs.	This risk is being managed through a revised Borrowing Strategy formulated in collaboration with the Council's external treasury advisors.
Council tax	A 1% increase in Council Tax would generate an additional £840k and a 1% decrease would reduce funding by £840k.	

6. Funding

6.1. The Council has five main sources of funding although only the last two sources are within the Council's direct control:

- Central Government and other grants
- Council Tax
- Business Rates
- Fees & Charges
- Reserves

6.2. Each year the Local Government Finance Settlement is announced with the provisional settlement usually announced after the Autumn Statement before Christmas (to allow for consultation) and the final settlement towards the end of January or early February.

6.3. The final settlement was announced on 5th of February 2024 and the impact is currently being worked through. There will not be any significant changes to the budget proposals. There will be a small increase in funding which will be taken into account in the final report to Assembly.

6.4. This report seeks approval to delegate authority to the Council's Section 151 Officer (in consultation with the Cabinet Member for Finance) to amend the proposed budget by up to a £1m prior to submission to Assembly for approval.

7. Local Government Finance Settlement

7.1. It is widely acknowledged that the funding of local authorities needs radical, urgent reform. As part of this, fair funding is also needed to reflect the borough's significantly higher population and increased needs. Recent trends have been for one year only settlements and the Provisional Local Government Finance Settlement (PLGFS) for 2024/25 which was announced on 18th December 2023 is again for one year only.

7.2. With a general election due to take place in 2024 and no certainty of funding beyond next year, it makes it extremely difficult for the Council to financially plan for the medium term.

7.3. The provisional 2024/25 Local Government Finance Settlement was published on Monday, 18th December 2023 and the Final Settlement was issued on 5th February 2024. Overall Core Spending Power (CSP) will increase by 7.5% across England.

7.4. This compares to a real terms funding increase for Local Government of 9.2% in 2023/24 Settlement. However, despite the overall increase, CSP for London Boroughs will remain c18% below 2010 levels in real terms.

7.5. PLGFS provided detailed draft allocations of funding which had been provided in the Autumn Statement at a national level. Key highlights from the PLGFS for local authorities are:

Core Funding:

a) **Council Tax** - Council tax referendum limit will be 2.99% for local authorities, with social care authorities allowed an additional 2% social care precept.
b) **Settlement Funding Assessment** - The September CPI figure of 6.7% has been applied to increase the local government funding amount within the business rates retention scheme and Revenue Support Grant.
c) **Local Government Funding Reform** - No announcements were made regarding funding reform

Specific Grants:

a) **Social Care Grant** - increased in line with December 2023 Policy Statement by £692m to £4,544m
b) **Improved Better Care Fund** - funding remains at £2,140m
c) **ASC Market Sustainability and Improvement Fund** - funding increase of £283m (from £562m to £845m)
d) **ASC Discharge Fund** - increased by £200m to £500m
e) **New Homes Bonus** - 2024/25 allocations have remained at £291m

f) **Funding Guarantee** - cost of the 3% funding guarantee has increased by £64m from £133m to £197m for 2024/25.
g) **Services Grant** - reduced from £483m to £77m, a reduction of £406m.

7.6. It should be noted that this announcement was after the publication of the draft budget proposals presented to Cabinet on 19th December 2023 in the Budget Strategy Report. This report was also presented to Overview and Scrutiny Committee on 24th January 2024.

7.7. The key implications of the PLGFS for Barking and Dagenham are set out in the tables below which shows the changes in funding from 2023/24 to 2024/25 and also the changes from the funding estimates assumed in the draft budget published in December 2023.

	Final Settlement 2023/24	**Provisional Settlement 2024/25**	**Final Settlement 2024/25**	**Final Budget 2024/25**	**Increase/ (Decrease) in Funding 23/24 to 24/25**	**Increase/ (Decrease) in Funding Final Budget to Final Settlement**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
RSG	(20.563)	(22.258)	(22.258)	(22.258)	(1.696)	0.000
NDR	(21.334)	(25.700)	(24.167)	(22.872)	(2.833)	1.294
NDR Top Up and S31 Grants	(38.837)	(38.575)	(38.575)	(38.575)	0.262	0.000
(Surplus)/Deficit on Collection Fund				(0.042)	0.000	(0.042)
BRR Pooling				(1.000)	0.000	(1.000)
Council tax	(77.781)	(83.045)	(82.920)	(84.096)	(5.139)	(1.177)
S31 Grants and Other Admin Grants	(10.196)	(11.700)	(11.724)	(15.796)	(1.528)	(4.072)
2023-24 Top Up Adjustment		(0.072)	(0.072)	(0.072)	(0.072)	0.000
Grants Rolled In	(1.388)				1.388	0.000
Market Sustainability & Fair Cost of Care Grant	(2.138)	(3.995)	(3.995)	(3.995)	(1.857)	0.000
Services Grant	(2.334)	(0.367)	(0.403)	(0.367)	1.931	0.036
Social Care Support Grant	(16.627)	(19.823)	(21.725)	(19.823)	(5.098)	1.902
Additional Social Care Grant				(1.900)	0.000	(1.900)
NHB	(1.938)	(2.140)	(2.140)	(2.140)	(0.202)	0.000
Total Core Funding	**(193.136)**	**(207.675)**	**(207.979)**	**(212.936)**	**(14.844)**	**(4.959)**

	BSR	**Provisional Settlement**	**Final Budget**	**Increase/ (Decrease) in Funding BSR to Provisional Settlement**	**Increase/ (Decrease) in Funding Provisional to Final Budget**
	£m	**£m**	**£m**	**£m**	**£m**
RSG	(22.274)	(22.258)	(22.258)	0.016	0.000
NDR	(25.062)	(25.700)	(22.872)	(0.638)	2.828
NDR Top Up and S31 Grants	(38.601)	(38.575)	(38.575)	0.026	0.000
(Surplus)/Deficit on Collection Fund	2.821		(0.042)	(2.821)	(0.041)
BRR Pooling	(1.000)		(1.000)	1.000	(1.000)
Council tax	(80.973)	(83.045)	(84.096)	(2.072)	(1.052)
S31 Grants and Other Admin Grants*	(10.681)	(11.700)	(15.796)	(1.021)	(4.096)

2023-24 Top Up Adjustment		(0.072)	(0.072)	(0.072)	0.000
Market Sustainability & Fair Cost of Care Grant	(3.215)	(3.995)	(3.995)	(0.780)	0.000
Services Grant	(2.333)	(0.367)	(0.367)	1.966	0.000
Social Care Support Grant	(19.716)	(19.823)	(19.823)	(0.106)	0.000
Additional Social Care Grant			(1.900)	0.000	(1.900)
NHB	(1.938)	(2.140)	(2.140)	(0.202)	0.000
Total Core Funding	**(202.972)**	**(207.675)**	**(212.936)**	**(4.704)**	**(5.261)**

**S31 Grants reported at BSR was 5.1m, adjusted for NHB Top Slicing and to accommodate last minute adjustments*

To note:
Council tax
At the time of preparing the initial reports, the Council Tax base had not been calculated and estimates were being based on the 2023/24 tax base.

The calculation of the 2024/25 council tax base resulted in the increase in Council Tax Base by 3% (which is 1,589.7 band D equivalent properties) when compared to 2023/24. This contributes £2.4m to the increase in Council tax income.

S31 grants
The S31 grants estimates that was released as part of settlement was based on 2023/24 estimates done in January 2023.

The 2024/25 budget figures have been calculated based on the new methodology put in place by Central Government and with more up to date information from the council's systems. This has led to the increase recorded in the amount of grant receivable.

Additional Social Care Grant
On 24th January 2024 the Government announced increased funding of £500m for adults and children's social care, of which £1.9m is estimated for London Borough of Barking & Dagenham.

8. Council Tax, Business Rates and the Collection Fund

8.1. The statutory calculations of the proposed Council Tax for each property band and the formal Council resolutions required under the 1992 Local Government Finance Act will be reported to Council on 19th February 2024 for approval.

8.2. In light of the uncertainty around council tax collection rates with the cost-of-living crisis and high inflation currently being experienced, modest growth of £0.500m each year in property growth, as measured by Band D equivalents is being forecast for the future years in the MTFS period. This growth should be achievable and reduces the risk of setting council tax income targets which could prove unachievable leading to material deficits on the Collection Fund. The impact of the growth is shown in the table below.

8.3. The council tax base is the number of properties in Bands A-H in the borough expressed as an equivalent number of Band D units. At its last meeting on 23 January, Cabinet approved the 2024/25 Council tax base, calculated according to the relevant procedures and guidance, at 54,916.54 Band D equivalent properties. This being the gross tax base of 56,324.66 less a 2.5% bad debt provision.

8.4. The Council proposes to increase Council Tax by 4.99%. This includes 2.99% for general spending and a further 2% that is specifically ringfenced as an adult social care precept. This will increase the level of Council Tax from £1,458.57 to £1,531.35 (an increase of £72.78) for a Band D property.

8.5. The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £37.26 (8.6%) for a Band D property, changing the charge from £434.14 to £471.40. This increase comprises of £20 for TfL, £13 for the Met Police and £4.26 for the London Fire Brigade.

8.6. The combined amount payable for a Band D property will therefore be £2,002.75 for 2024/25, compared to £1,892.71 in 2023-24. This is a total change of £110.04. The Council continues to provide an enhanced Council Tax Support Scheme in order to increase support for local residents on the lowest incomes.

8.7. The full breakdown of 2024-25 council tax by band is as follows:

	A	B	C	D	E	F	G	H
Council tax	873.80	1,019.43	1,165.07	1,310.70	1,601.97	1,893.24	2,184.50	2,621.40
ASC	147.10	171.62	196.13	220.65	269.69	318.72	367.75	441.30
LBBD	**1,020.90**	**1,191.05**	**1,361.20**	**1,531.35**	**1,871.66**	**2,211.96**	**2,552.25**	**3,062.70**
GLA	314.27	366.64	419.02	471.40	576.16	680.91	785.67	942.80
Total Council tax	**1,335.17**	**1,557.69**	**1,780.22**	**2,002.75**	**2,447.82**	**2,892.87**	**3,337.92**	**4,005.50**

9. National Non-Domestic Rate (NNDR)

9.1. In October 2023, the Central Government agreed the Non-Domestic Rating Act. The Bill is wide ranging but the most significant changes as it relates to the Business rates income budget, is the proposal to change the ways that business rates multipliers will be calculated and applied from 2024/25. The changes proposed:

a) Index the multipliers to the annual change in CPI (instead of RPI, as at present)

b) De-couple the small and standard multipliers - Breaking the statutory link between the multipliers is one of the drivers of the changes introduced by the Bill. Both multipliers are currently indexed (or under-indexed) by the same amount. In future, however, Ministers would have the discretion to treat the multipliers differently – that is, to index one by CPI, whilst freezing, or under-indexing the other; or to under-index them both, but by different amounts.

c) The council's system was updated in line with these changes and the data required was extracted to prepare business rates estimates. In total 2024-25 business rates income increased by about 4.7% and the council's share of 30% is about £22.9m.

10. Business Rate Pool

10.1. On 5 September, the Business Rates Operations and Local Government Finance Settlement Teams wrote to local authorities to invite them to pool business rates for 2024/25.

10.2. The Council was approached by Thurrock Council to enter into a new business rates retention pooling arrangements with another local authority – the London Borough of Havering.

10.3. On 9 October 2023, Cabinet gave approval for the Council to join this tri-borough Business Rates Pool from 2024/25 which will bring into the council an estimated benefit/gain of £1m, although this is not guaranteed. This arrangement was confirmed in the Provisional Local Government Finance Settlement.

10.4. Aside from receiving the pooling gains, Barking and Dagenham's roles would not change as per the current arrangements. It would collect its own business rates and receive its Top Up grant as it currently does.

11. Fees & Charges

11.1. On 14 November 2023, Cabinet approved a report which detailed the proposed fees and charges increases to apply from 1 January 2024. Going forward the Council is proposing to align this report with the Council's budget setting and for any changes to proposed fees and charges to apply from 1 April.

11.2. In conducting the review for the report, it became evident that further work would be needed to ensure that any charges or fee income is made on a full-cost recovery basis. This is a complex piece of work which needs to take account of any relevant market for fees, demand for those services and the changing costs of the Council's base budgets.

11.3. An independent review of fees & charges was commissioned during January 2024 and this has highlighted certain areas for focus and officers will now be looking at these areas. There may be the need to bring proposals forward to increase certain fees & charges during 2024/25 as a separate decision report.

11.4. Any such proposals will need to be in line with statutory rules and consultation requirements. Going forward the fees & charges report will accompany the main budget report in February of each year, for any changes to fees to apply from 1 April of the following financial year.

12. General Fund Revenue Budget for 2024/25

12.1. The Council's approach to setting the budget has followed the incremental approach whereby the prior year budgets (2023/24) were rolled forward and then adjusted for growth bids and savings proposal. The process ensured that any inherent risk in the budgets was mitigated as far as possible. The table below is a summary by directorate.

Directorate	Budget 2023/24 £m	Reversal of Temp Virements £m	Pay Award 2023/24 £m	Revised Budget 2023/24 £m	Total Growth & Inflation £m	Total Savings £m	Budget Re-allocation £m	Budget 2024/25 £m	% Movement
PEOPLE & RESILIENCE	116.958	(0.063)	2.686	119.581	19.908	(6.880)		132.609	10.89%
CORPORATE MANAGEMENT	16.148	0.063	0.800	17.011	1.523	(1.171)		17.363	2.07%
LAW AND GOVERNANCE	6.513	0.116	0.661	7.290	1.256	(0.722)		7.824	7.33%
STRATEGY	9.756		0.419	10.175	1.266	(1.245)		10.196	0.21%
INCLUSIVE GROWTH	1.078		0.232	1.310	0.108	(0.246)		1.172	-10.53%
COMMUNITY SOLUTIONS	14.461	(0.116)	1.184	15.529	2.794	(1.720)	(0.859)	15.744	1.39%
MY PLACE	4.448		1.510	5.958	2.056	(3.611)		4.403	-26.10%
DIRECTORATE TOTAL	**169.362**	**0.000**	**7.492**	**176.854**	**28.911**	**(15.595)**	**(0.859)**	**189.311**	**7.04%**
CENTRAL EXPENSES	34.896	(5.696)	(7.492)	21.708	25.218		(10.390)	36.536	68.31%
IAS	(5.256)	1.154		(4.102)				(4.102)	0.00%
TOTAL	**199.002**	**(4.542)**	**0**	**194.460**	**54.129**	**(15.595)**	**(11.249)**	**221.745**	**14.03%**

12.2. Following the updated MTFS that was presented to Cabinet in July 2023 and the 2023/24 £15m overspend which was forecast at Quarter 1, it became clear that radical and urgent action was needed to balance the current year budget and enable a balanced budget to be set for 2024/25.

12.3. The Council embarked on two savings rounds to identify ways to reduce expenditure or increase income where possible. A Star Chamber process (see savings section below for details) and a further October savings round which has generated total permanent savings of £10.047m for 2024/25.

12.4. These savings were included in the Budget Strategy report, presented to Cabinet in December 2023, leaving a residual £23.3m budget gap for the next financial year. Given the size of the gap, further work has since been done to refine key assumptions and find additional savings.

12.5. The Government has also issued the PLGFS and subsequently announced additional funding for social care, following feedback from the consultation on the PLGFS (which Barking & Dagenham responded to). Overall, the combination of the reviews and the financial settlement has reduced the gap from £23.335m to £8.809m for 2024/25.

12.6. Further plans are also well underway to deliver further savings to bridge the budget gap on a permanent basis, which is vital given the Council's reduced levels of reserves. Whilst details and estimates of savings are not at a sufficiently mature stage to include as an actual saving in the budget, details of the actions being taken are contained in the savings section below.

12.7. For 2024/25, a total of £20m of growth has been allocated to the People and Resilience Directorate compared to the c£8.5m of additional ring-fenced funding (including the late announcement of additional funding in relation to social care which has been estimated at c£1.9m for Barking & Dagenham).

12.8. However, financial modelling suggests that modest increases in demand and/or changes in need could lead to significant additional cost pressures. Market care providers were given substantial increases, ranging upwards of 16% for 2023/24 and, with inflation now falling, the Council will be holding a firm line in discussions with providers to minimise any further cost uplifts.

12.9. To manage both of these financial risks a further £4m contingency budget has been established. This will be retained centrally, to be released in-year to offset any overspends in the People & Resilience Directorate but on a business case basis only and subject to S151 Officer approval.

12.10. Growth bids were not permitted unless they were to address 2023/24 base budget core pressures approved by robust business case. Bids for contract inflation were not permitted with any increases to be managed with the supplier or absorbed within overall budget envelopes. Appendix B details the savings and growth proposals that have been included in the proposed budget for 2024/25.

12.11. Whilst central government funding has increased for 2024/25 (details above) and the Council has identified a total of £15.595m of savings, £54.129m of growth is required and this has led to a budget gap of £8.809m.

12.12. The table below shows the movement from the revised 2023/24 net budget to the proposed 2024/25 net budget.

	Budget 2023/24 £m	Growth £m	Inflation £m	Savings £m	Budget Re-allocation* £m	Base Budget 2024/25 £m
Total Council	194.460	46.257	7.872	(15.595)	(11.249)	221.745

**Budget Movement - Movement of HB Admin Grant & subsidiary dividend income from core funding to net cost of service*

12.13. It is proposed in this report that the budget gap be funded by a further drawdown of reserves. However, if the current year (2023/24) forecast overspend materialises then this will also need to be funded from reserves, leaving usable reserves at significantly reduced levels. In approving a decision to use reserves to balance the 2024/25 budget due regard should be given to the reserves section below and the S151 Officers statement on the adequacy of reserves.

12.14. It should be noted that there is no revenue contingency budget within the 2023/24 base budgets. For 2024/25 a small contingency budget of £1.5m has been created, the allocation of which will be agreed by the S151 Officer.

12.15. Details of the budget allocations across Directorates and Corporate budgets can be seen in the Summary by Directorate table in 12.1. This budget represents a £27.285m increase in net budget to services compared to 2023/24 and continues to show the Council's commitment to supporting its community.

13. Savings

13.1. As highlighted above, the Council has been working hard to identify efficiencies and cashable savings with a total of £15.595m of savings included in the proposed 2024/25 General Fund budget.

13.2. The council appointed a permanent CEO in May 2023 and significant action has been taken (prompted by the Quarter 1 forecast overspend of £15m), to identify savings to both mitigate the forecast overspend and to identify permanent budget savings to underpin the 2024/25 budget. A Star Chamber process took place in September with all Directors subject to challenge sessions Chaired by the Portfolio Holder for Finance, along with the Chief Executive and the new interim S151 Officer (appointed in July 2023).

13.3. Savings were identified during this process, but all directors were asked to go away and find further savings and a second round of savings submissions were considered at the end of October 2023. Savings identified at this stage were included in the Budget Strategy Report which was published in December and have been subject to public consultation. However, intensive work has been continuing to explore more options for savings including:

- Reviewing all vacant posts with retention being subject to a business case and approval by the Chief Executive;
- Reviewing staffing structures under the scrutiny of a Workforce Board which will lead to compulsory redundancies;
- Looking again at the proposed fees & charges for 2024/25 with a view to increasing these further where full cost recovery is not being achieved;
- Reviewing discretionary services with a view to ceasing certain activity;
- Reviewing levels of statutory services provided to see if a lower level of service could be provided but not compromising need for recipients of services.
- Service Directors were asked to look again for further savings options so that total savings identified for each Directorate equalled at least 10% of their 2023/24 net revenue budget.
- A new Localities transformation project to impact on prevention at a local level.

13.4. Councils like Barking and Dagenham with high levels of deprivation have faced rising demands for services because of growing poverty. At the same time as this they have had to find significant savings as part of a squeeze on public finances.

13.5. In response, in 2016 Barking and Dagenham combined a number of services under one roof to secure nearly £50m of savings. However, since then demand has continued to rise and deprivation has increased. This demonstrates the need for reform of the council’s prevention model so that it drives down need alongside costs as part of a savings programme.

13.6. Some additional savings have already been identified and are highlighted in blue in the savings table. As these savings were not identified prior to the publication of the Budget Strategy Report, they have not been subject to public consultation, although not all of them will require this. Furthermore, some of the proposals are currently still at a very high level of scope and will require much greater granular levels of details to inform an Equalities Impact Assessment.

13.7. Once the savings identified have sufficient levels of details required to undertake public consultation and the completion of an Equalities Impact Assessment, these will be undertaken separately. These savings will also be subject to a separate Cabinet decision.

13.8. For savings identified, it will be vitally important that these savings are delivered as planned. Whilst an assessment of the robustness of the earlier savings has been undertaken as part of the budget setting process, some of the proposals do have inherent risk in their delivery and are dependent on significant service transformation and/or other measures.

13.9. The savings are broad, and they consider both pay as well as non-pay budgets. Appendix B details the range of savings across all Directorates with a summary of total savings per Directorate provided below.

Directorate	Pre-agreed Savings £m	Savings - New £m	Net Savings £m	% Savings against Budget
Community Solutions	(0.150)	(1.570)	(1.720)	11.89%
Inclusive Growth		(0.246)	(0.246)	22.83%
Law & Governance		(0.722)	(0.722)	11.07%
My Place*	(0.215)	(3.396)	(3.611)	81.18%
People and Resilience		(6.880)	(6.880)	5.88%
Resources	(0.056)	(1.115)	(1.171)	7.25%
Strategy	(0.150)	(1.095)	(1.245)	12.76%
	(0.571)	**(15.024)**	**(15.595)**	**8.02%**

**Calculated on net revenue budget – The gross expenditure budget is offset by Parking and HRA fixed recharge income.*

13.10. The savings proposals have been developed by services and form part of the Council's Service plans for the forthcoming financial year. The delivery of agreed savings is essential to deliver a balanced budget for 2024/25 and beyond.

13.11. For 2024/25 a Financial Scrutiny Board, chaired by the Chief Executive, will be established to closely monitor progress on the delivery of savings. Although already a constitutional requirement, Strategic Directors will be required to operate within their budget envelopes and deliver alternative savings should planned savings prove undeliverable. Strategic Directors have been asked to formally sign-off their proposed budgets for 2024/25 in line with the principle above and have given assurance statements to this effect.

14. Growth

14.1. Any requests for growth have been subject to a challenge process and only accepted where this relates to an uncontrollable pressure within the 2023/24 base budgets or where growth has previously been agreed as part of a business approval.

14.2. Growth for contract inflation has not been given this year and budget holders have been instructed that any contract increases will need to be managed with the overall budget envelopes. This is not without risk.

14.3. The table below is a summary of total growth per Directorate. Appendix B details the proposed growth items for the 2024/25 budget with the most significant item being the £20m of growth for the People and Resilience Directorate to address the full year impact of their current social care packages. Modelling has been undertaken to forecast the impact of increases in demand or changes to care support packages and this has indicated that there is the potential for an additional £8m of growth to be needed. It is noted that forecasting in this area has not been as developed as it should be, and significant work has now been completed.

Directorate	Pre-agreed Growth £m	Growth - New £m	Inflation £m	Net Growth £m
Community Solutions	(0.611)	3.405		2.794
Inclusive Growth	(0.029)	0.137		0.108
Law & Governance		1.256		1.256
My Place	1.000	1.056		2.056
People and Resilience	(0.053)	19.961		19.908
Resources	0.015	1.508		1.523
Strategy	2.050	(0.784)		1.266
Central Expenses	4.177	13.169	7.872	25.218
	6.549	**39.708**	**7.872**	**54.129**

14.4. However, modelling in this area is complex as the profile of residents requiring care and the types of care packages can frequently change and costs reduce when more intensive support is no longer needed. The Council has not seen, nor is forecasting, a significant change in numbers requiring care.

14.5. The Strategic Director for People & Resilience Directorate is undertaking a significant transformation programme focusing on prevention activities to support people to be more independent and support them at an earlier stage to prevent them from requiring more intensive care and support. Again, the Council has not had a robust preventative pathway, which is now being implemented. Key highlights are outlined below:

- Independent reviews of cost drivers and quality of practice are supporting further improvements in terms of both outcomes, impact and efficiency, including ASC finance review and peer review of LD services across social care, the wider council and health. An LGA review identified the potential to managing demand more effectively through a “front door” with a fully developed advice, guidance, information pathway and preventative offer. This is a change to the council’s current operating model and the new approach will focus on reducing demand and improving outcomes for residents.

- The “front door” of adult social care has returned in recent weeks to adult social care, a move strongly supported by both internal and external CQC assessment and preparation, and independent review of finance in terms of supporting better and impactful management of demand.

- Working with providers and other local authorities regionally to support mitigating price increases and seeking to understand and standardise rates across key markets, which are being affected by inner NEL boroughs driving up the prices of care in outer NEL London boroughs.

- Optimising the ICB’s disaggregation of BHR footprint into place based, which provides the opportunity to work more closely with health.

- Developing an integrated commissioning structure across public health, social care and health, identifying opportunities for inclusive growth, such as small residential units for young people and those with LD, and changes to ASC income collection and financial assessments.

14.6. The PLGFS included an additional £6.575m of funding ring-fenced for social care from a combination of sources. Since then, additional funding for social care has been announced and Barking and Dagenham’s share is estimated at £1.9m, giving total increased, ring-fenced funding of £8.5m.

14.7. In addition, to the £20m of growth proposed above, an additional £4m (equivalent to the value of the Market Sustainability Grant) has been retained in corporate budgets and ring-fenced as a contingency budget for the People and Resilience Directorate to manage any potential market provider uplifts and/or demand pressures.

14.8. In 2023/24 the majority of the social care market providers received uplifts of 16% partly in response to the council-wide policy commitment to the London Living Wage (LLW). However, adequate provision was not made for this in the 2023/24 budget and forms part of the need for the £20m of growth. Given the challenges of affordability, a difficult decision has been taken by the Council not to commit to a blanket policy of adherence to the London Living Wage in its supply chain. Inflation is also forecast to be lower, and therefore the Council will be holding a robust position in negotiations with its third-party providers. As highlighted above, a central contingency is being maintained to support any inflationary or demand pressures.

14.9. The table below shows the increases in funding for Adults and Childrens social care in 2024/25 compared to the additional growth that has been applied to the Council’s social care budgets.

Funding	2023/24 £'m	2024/25 £'m	Movement £'m
Council tax (ASC 2%)		(1.522)	(1.522)
Market Sustainability & Fair Cost of Care Grant	(2.138)	(3.995)	(1.857)
Social Care Support Grant	(16.627)	(19.823)	(3.196)
Additional Social Care Grant		(1.900)	(1.900)
Funding Total	**(18.765)**	**(27.240)**	**(8.475)**
PIR Growth (pre-agreed and new)			19.908
PIR Contingency (held centrally)			4.000
PIR Savings (pre-agreed and new)			(6.880)
Total Growth			**17.028**

14.10. The pay award for 2023/24 was significantly higher than anticipated and added an additional pressure of £1.2m over and above the allowance of £6.3m that was made in the 2023/24 budget. An allowance of 3% growth for 2024/25 has been included in the budget proposals.

15. Investment and Acquisition Strategy (IAS)

15.1. The IAS is the strategy which underpins the Council's investment in commercial and residential assets predominantly to facilitate regeneration in the borough and provide new housing supply. The Council does this through direct acquisition of commercial properties and the construction of residential units both of which are overseen by its regeneration subsidiary BeFirst.

15.2. Under the approved arrangements, at practical completion, legal interest in the residential units passes to the Council's subsidiary group Reside under a lease/loan agreement. The loan equals the construction costs less any grant or right-to-buy receipts for affordable units and the interest rate charged should always be higher than the rate the Council pays for the borrowing in line with on-lending rules.

15.3. The loan agreement ensures that the Reside Group pays to the Council both the required interest payable and an element of loan principal. This amount is in line with the Council's MRP charges that it incurs in the General Fund relating to the borrowing for the on-lending. Any overall scheme surpluses, after deduction of allowable costs within the Reside Group, are also returned to the Council.

15.4. The costs of any commercial investment property acquisition and the costs of construction for the residential schemes are an integral part of the Council's Capital Strategy and proposed capital programme, set out below.

15.5. The proposed MTFS capital programme includes the cost of completing those schemes which are currently under construction, and the associated borrowing to fund those schemes.

15.6. The details of the IAS forecasts are reported in the Treasury Management Strategy Statement (TMSS) which is a separate agenda item. The budgetary implications for the Council's General Fund have been included within the proposed 2024/25 budgets. The table below summarises the proposed IAS budgets embedded within the budget proposals.

General Fund & IAS Borrowing Cost Budgets

	2023/24 Revised Budget £m	Reversal of One-off virements £m	Movement £m	Growth 2024/25 £m	Budget 2024/25 £m
Central Expenses					
Interest Payable	14.681		(4.542)		10.139
Capitalisation on Interest	(4.542)		4.542		0.000
Interest Receivable	(6.503)				(6.503)
MRP	11.216	(1.154)		0.730	10.792
PROPERTY CHARGES INCOME	(0.600)				(0.600)
Sub-total	**14.252**	**(1.154)**	**0.000**	**0.730**	**13.828**
IAS					
IAS Commercial	(2.406)	1.154	(4.656)		(5.908)
IAS Residential	(2.810)		0.810		(2.000)
Interest Payable			20.709		20.709
Capitalisation on Interest			0.000		0.000
Interest Receivable			(19.126)		(19.126)
MRP			2.263		2.263
Sub-total	**(5.216)**	**1.154**	**0.000**	**0.000**	**(4.062)**
Total	**9.036**	**0.000**	**0.000**	**0.730**	**9.766**

15.7. As can be seen from the table, the IAS is budgeted to make a £4.1m income contribution to the Council's General Fund which represents no change to the 2023/24 position. However, for schemes that are due to complete over the next 2-3 years, cost burdens could materialise should the Council be unable to secure interest rates at the required scheme viability rate, or if properties are unnecessarily void and/or scheme costs increase.

15.8. Over the last few years, the Council has created a more interventionist local housing model delivered through its subsidiary companies. Reside is the council's wholly owned housing management company that lets, manages, and maintains homes built by Be First and those acquired from third party developers. This is at the heart of the council's ambition to support people to live in modern affordable homes and is set against the backdrop of a national housing crisis. The Council has encountered a number of problems with the handover processes at practical completion and the letting of new properties, particularly the market rent tenure. This has caused a significant loss of income to the IAS. Officers have been working with subsidiary entities to improve the handover and letting processes. As part of holding our subsidiaries to account, it will be important going forward that voids are minimised to avoid loss of income both for schemes under operation and those completing in the future.

15.9. For schemes already completed and financed, any loss of income impacts on the ability for Reside to provide the cashflows to meet the interest and principal payments. As highlighted above, for schemes under construction interest rates are not currently fixed and are subject to an effective borrowing strategy to ensure that schemes remain viable. Any unnecessary delays in letting completed properties will add additional burdens to the ability to meet the future lease payments and or return scheme surpluses.

15.10. Given the length of time that has evolved since the IAS was first established and the macro-economic factors which have since materialised, an external review of the IAS will be undertaken in the final quarter of 2023/24 with a view to providing the necessary assurances and or proposals for de-risking the Investment and Acquisition Strategy portfolio.

16. 2023/24 General Fund revenue budget position

16.1. At Quarter 1, the Council was forecasting a £15m overspend for 2023/24. In light of this, a raft of expenditure control measures were put in place from the end of the summer period. These are detailed elsewhere in the report.

16.2. A general recruitment pause has been in place since late summer/early Autumn with vacant posts being held as vacant until 1 March at the earliest unless approved by way of business case by Strategic Directors. This measure will now be extended to 1 August 2024.

16.3. Whilst measures began to have an impact and reduce the forecast overspend it was clear that further measures were needed. In the Autumn the Council's S151 Officer, supported by the Chief Executive Officer and Executive Team colleagues, requested that expenditure going forward be limited to essential expenditure only. Strategic Directors now have Directorate processes in place to put additional authorisation expenditure within their services as a way of monitoring compliance with the agreed action.

16.4. The latest budget monitoring report for Period 9 is presented to Cabinet as a separate agenda item and indicates that the forecast overspend for 2023/24 has now reduced to £9.336m. The table below shows the high-level summary of the forecast by Directorate.

	This Years Budget	Actuals/Forecast		Reserves	Variances Inc Reserves		
	Revised Budget	YTD Actuals	Current Forecast	Net Movement in Reserves	Variance	Last Period Variance	Movement from Last Period
PEOPLE & RESILIENCE	116,957,652	91,116,843	130,687,789	(105,766)	13,624,371	14,479,288	(854,917)
LAW AND GOVERNANCE	6,513,089	3,167,249	4,759,932	1,376,000	(377,157)	(420,307)	43,149
STRATEGY	9,755,640	8,312,770	9,760,301	(497,510)	(492,849)	(518,027)	25,178
INCLUSIVE GROWTH	1,078,456	1,496,684	2,692,338	(1,660,350)	(46,468)	(10,621)	(35,847)
COMMUNITY SOLUTIONS	14,461,470	12,297,498	16,065,237	(4,065,772)	(2,462,005)	(2,044,132)	(417,873)
MY PLACE	4,448,439	35,299,708	2,654,579	383,000	(1,410,859)	(1,404,079)	(6,780)
CORPORATE MANAGEMENT	2,637,318	3,362,464	3,752,488	(161,574)	953,596	931,453	22,143
SUB-TOTAL DIRECTORATES	**155,852,064**	**155,053,216**	**170,372,664**	**(4,731,972)**	**9,788,628**	**11,013,575**	**(1,224,947)**
CENTRAL EXPENSES	13,566,066	1,761,603	13,846,170		280,104	(6,819,048)	7,099,152
INTEREST PAYABLE	14,681,085	3,039,642	3,624,000		(11,057,085)	(4,598,933)	(6,458,152)
INTEREST PAYABLE ON ST BORROWG		(490,661)	3,688,901		3,688,901	8,553,901	(4,865,000)
CAPITALISED INTEREST	(4,542,000)				4,542,000		4,542,000
INTEREST RECEIVED	(6,502,960)	(119,496)	(4,040,752)		2,462,208	2,462,208	
MRP	10,048,004		10,048,004				()
LEVIES PAID	15,445,900	15,244,137	15,445,900				
SUB-TOTAL CORPORATE EXPENSES	***42,696,095***	***19,435,225***	***42,612,223***		***(83,872)***	***(401,872)***	***318,000***
GENERAL FUND I&E (EXC. IAS)	**198,548,159**	**174,488,441**	**212,984,887**	**(4,731,972)**	**9,704,756**	**10,611,704**	**(906,948)**
IAS	***(4,087,906)***	***(3,430,639)***	***(4,456,569)***		***(368,664)***	***(72,029)***	***(296,635)***
GENERAL FUND I&E	**194,460,253**	**171,057,802**	**208,528,318**	**(4,731,972)**	**9,336,092**	**10,539,675**	**(1,203,583)**

16.5. Given the significantly reduced levels of reserves, it is important that the Council achieves as close to a balanced budget as possible to prevent a further draw down on those reserves. There are still risks within the forecasts given that demand for some services can be unpredictable and costly, particularly for social care services.

16.6. It is also important to bear in mind that the provisional outturn (Month 12) report will not be presented to Cabinet until late Spring, and it is only at this point that the final outturn for 2023/24 will be known. This means that it is important to factor in the potential overspend in any review of reserves and planned use for the 2024/25 budget setting.

16.7. In setting the budget for 2024/25 it has been important to address the core budget pressures to prevent the Council from forecasting an overspend from Month 1.

17. 2024/25 plus 5 Years Capital programme including Investment and Acquisition Strategy (IAS)

17.1. The Council's current gross capital programme, including forecast IAS slippage and acceleration for 2024/25 is £23.186m for the GF Services, £161.588m for the IAS strategy and £24.689m for the HRA. For a total gross budget of £209.462m. With estimated financing totals £105.692m there is an estimated borrowing requirement for 2024/25 of £103.770m.

17.2. The Council's Indicative General Fund Capital Programme 2023/24 to 2026/27 is set out below. The capital programme is only set out for three years as currently there is no forecast spend agreed for 2027/28 and 2028/29. Slippage from the IAS could well move spend into 2027/28 but currently there is no certainty over the capital budgets past three years.

17.3. A detailed breakdown of the 2023/24 to 2026/27 capital programme, including slippage/ acceleration and funding is set out in Appendix G. The capital spend in the appendix is also gross, with financing noted next to each scheme. Cabinet are asked to approve the updated 2023/24 programme and the proposed 2024/25 capital budget.

Capital Expenditure	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£000s	£000s	£000s	£000s
General Fund				
Gf - Adults Care & Support	3,719	2,918	0	0
Gf - Inclusive Growth	6,373	611	0	0
Gf - CIL	761	0	0	0
Gf - TfL	4,226	2,200	2,200	0
Gf - IT	3,615	1,200	2,005	200
Gf - Parks Commissioning	12,925	153	83	0
Gf - Culture and Heritage	1,121	294	294	0
Gf - Enforcement	173	330	330	0
Gf - My Place	3,919	1,434	1,000	0
Gf - Public Realm	8,510	5,487	5,287	0
Gf - Education, Youth & Child	15,254	8,559	11,466	0
Gf - Other	136	0	0	0

Transformation	0	0	0	0
Total GF Capital Expenditure	**60,732**	**23,186**	**22,665**	**200**
IAS Residential	275,184	157,492	111,699	18,708
IAS Commercial	16,446	4,096	2,000	1,000
Total IAS	**291,630**	**161,588**	**113,699**	**19,708**
HRA Stock Investment	14,000	20,288	27,934	37,760
HRA Estate Renewal	4,000	4,400	0	
HRA New Build Schemes	544	0	0	
HRA Total	**18,544**	**24,688**	**27,934**	**37,760**
Financed by:				
HRA/MRR	(20,123)	(26,170)	(27,827)	(29,774)
CIL/S106	(1,372)	(9)		
CIL/S106 - IAS			(1,500)	(1,762)
Revenue	(1,132)	(1,700)	(1,500)	
Capital Receipts			(232)	(3,226)
Self-Financing (excluding IAS)	(1,979)			
Other Grant	(28,826)	(13,782)	(14,159)	
IAS Grants (RtB, GLA) and sales	(64,434)	(64,031)	(12,863)	(94,527)
Total Financing	**(117,866)**	**(105,692)**	**(58,081)**	**(129,289)**
Financed by Borrowing	**253,040**	**103,770**	**106,217**	**(71,621)**
PFI / Finance Lease Add. & Repay.	(4,492)	(4,811)	(5,111)	(5,459)
Net financing need for the year	**248,548**	**98,959**	**101,106**	**(77,080)**

17.4. The budgets include estimates of roll-forwards budgets from 2023/24 and are indicative with possibility of further slippages and changes to budget at year end. Capital Receipts include the sale of Pondfield, which completed on 10 January 2024. There is the potential for additional capital receipts to be generated as part of a review of the Council's assets. Any capital receipt received could be used to reduce the Council's overall Capital Financing Requirement (CFR) depending on if the asset is held in the GF or the HRA.

17.5. The MTFS includes provision of £650k for 2024/25 and £819k for 2025/26 to fund a corporate capital programme of £16.699m of new capital schemes for 2024/25 to 2025/26. This budget is split between interest and Minimum Revenue Provision and follows a bidding round held towards the end of 2023.

17.6. A review of the bids was carried out by Assets and Capital Board, and further clarification was requested for some of the bids. Bids for 2025/26 will be reviewed again as part of the 2025/26 budget-setting process to identify any additional funding sources to support the agreed bids and any potential savings once projects are further forward.

17.7. Capital budget for new capital schemes as internal funding available from non-ringfenced resources is already set aside for existing commitments. Other sources of funding include prudential borrowing, capital receipts (excluding HRA right to buy receipts) and revenue contributions from either budgets or earmarked reserves.

17.8. There has been very little in the way of previously accumulated General Fund capital receipts and so the main source of funding available to meet future capital demands is prudential borrowing for 2024/25. Any borrowing for the Council's core capital programme will give rise to additional revenue borrowing costs (interest payable and MRP).

17.9. Given the current pressures on the General Fund revenue budgets it has therefore been necessary to limit any new capital schemes, which are not externally funded, to essential investment only.

17.10. The revised Capital Strategy (separate agenda item) sets out the Council's strategic approach to its capital investment and underpins the proposed capital programme.

17.11. The Council's Capital Programme for 2024/25 is set out in Appendix G.

18. Financial Risks

18.1. As highlighted throughout this report Barking and Dagenham Council is facing a significant financial challenge in setting its budget for 2024/25 and planning for the future to ensure that it is financial sustainable.

18.2. Due to funding constraints, the Council will always have a finite level of financial resources both for operational service delivery and investment in those services or assets. However, demand for services can be unpredictable and, more importantly, difficult to control.

18.3. The Council is now at a position that it requires transformational change to operate within the proposed budget envelope and to ensure that it is financially sustainable over the medium to longer term.

18.4. There are key inherent risks that most London local authorities face in setting their budgets although the level of risks for each can be very different:

- Macro-economic factors - inflation, interest rates and supply chain problems
- National issues – recruitment of skilled staff (shortages across most professions)
- Demographic change: Barking & Dagenham has seen the fastest demographic change across the country
- Demand and complexity of need - adults and children's social care and SEND
- Demand - increase in numbers of statutory homelessness duty
- Funding not keeping pace with costs or demand
- Additional statutory duties but without increased burdens funding
- Insufficient funding for investment in services or assets
- Assumptions and estimates underpinning the budgets prove to be inaccurate
- Cost-of-living crisis impacting on citizens ability to pay their debts
- Rising responsibilities and expectation levels for local authorities across most sectors, including social care and housing.

18.5. The Council's Section 151 Officer must make a statement to accompany the proposed budgets that confirms their opinion on whether the Council's forecast reserves are adequate for the financial risks that the Council is facing. To assess this, effort should be made to quantify those risks.

18.6. Whilst Barking & Dagenham is exposed to all of the inherent risks above, the key risks facing the Council over the MTFS period, together with an assessment of their financial impact are:

- Transformational plans in children's and adults' services do not sufficiently impact on the management of demand or market challenges (potential for an additional £5-8m) and/or £4m contingency insufficient;
- Borrowing requirement of c£600m not currently locked into fixed interest rates;
- External audit failure on signing legacy accounts - impacting on the Council's reputation and/or ability to borrow funds;
- External audit failure on signing legacy accounts – material error in accounts of legacy accounts which could impact on the Council finances. No value-for-money opinion or guidance on where the Council may need to improve;
- Low level (c£2m) of revenue contingency budget to cope with unexpected cost pressures
- Reduced levels of usable reserves to cope with any future forecast overspends
- No planned budget contribution to increase reserves
- Exposure to risk of default on working capital loans (c£10.5m) advanced to subsidiaries
- Subsidiary failure – additional funding required to service creditors of the companies
- IAS schemes do not deliver sufficient financial returns to cover cost of borrowing imposing additional cost pressures on the General Fund
- IAS scheme land and property values insufficient to cover the borrowing in the event of a sale
- BDTP Group continued inability to service loan advanced (c£28m) for asset acquisition and asset value is lower than loan to BDTP Group
- Growth restricted to 2023/24 core budget pressures only – increases in demand or costs to be managed by Strategic Directors within overall approved budgets
- Significant regeneration costs c£16m incurred in schemes where viability issues have now stalled those schemes – risks that schemes do not proceed and costs become chargeable to the General Fund.

18.7. People and Resilience faces considerable challenges with some of the most vulnerable members of the community with intensive social care needs and where demand can change rapidly. A few high-cost care packages can have significant financial impacts for the Council both short and long term.

18.8. The Council's level of borrowing has come under intensive scrutiny. For schemes already completed and financed by long term, fixed rate borrowing the risk of the Council being unable to service that debt is greatly reduced. The risk here lies with net operational returns within the Reside Group being insufficient to meet the associated lease payments. This could arise either because rent increases do not keep pace with cost increases reducing net returns and/or rental income being lost through voids or bad debts.

18.9. As highlighted in the Investment and Acquisition Strategy section, this risk has partially materialised during 2023/24 but remedial action has been put in place to mitigate this risk further going into 2024/25 and beyond.

18.10. Scheme performance is monitored by Reside and by the Council officers but further assurances regarding scheme forecasting are being sought under the review of the IAS scheduled to take place in the last quarter of 2023/24.

18.11. For those schemes where borrowing has not been secured on long-term, fixed rate the Council is exposed to variable interest rate movements. By the end of 2023/24 the forecast is that the Council will have a variable, short-term rate borrowing exposure of c£300m. Including the short-term borrowing of c£300m, the Council will need to borrow c£600m over the MTFS period to fund schemes that are under construction. The Council is therefore exposed to considerable interest rate risk.

18.12. With the general macro-economic climate, the Council expects further demand for housing and general support to manage finances and worsening personal financial circumstances could also materially impact on various fees and charges the Council relies on. Whilst the Council is an outlier in not facing temporary accommodation budgetary pressures, this situation could change and move rapidly.

18.13. As highlighted above, the use of estimates and assumptions in setting the budget and forecasting the MTFP introduces inherent risks that those judgement calls prove to be inaccurate after the event. The sensitivity section above sets out the key assumptions used in setting the budget for 2024/25 and the financial impact of a 1% change in any of these assumptions.

19. Reserves

19.1. The level of reserves is a key component of a robust and prudent medium-term financial strategy ensuring that funds are set aside for specific purposes or can be called upon to provide a buffer in the event of any unforeseen financial pressure. They are in effect the “shock absorbers” of the council’s finances and are the last line of defence to ensure resilience.

19.2. Reserves can be classed as general reserve or earmarked reserves and they represent funds that are not part of the normal recurring budget but are distinct “pots” of finite funds. Good practice would be to maintain General Reserves to an appropriate level in line with an approved Reserves Policy.

19.3. The Cabinet was presented with a Reserve Policy in July 2023 which recommended that a General Reserve balance of £12m be maintained and it is proposed that this remains the case for next year. The budget proposals in this report support the maintenance of this balance.

19.4. The opening reserves for 2023/24 in the February 2023 report were forecast to be £126m. Opening reserves were actually £151m but then £25m was used to balance the 2022/23 budget as reported to Cabinet in June 2023 in the Provisional Outturn Report.

19.5. As report to Full Council in February 2023, in setting the budget for 2023/24 the Council had planned to drawdown £8.9m from reserves to bridge the budget gap.

19.6. There have been other transfers to and from reserves during 2023/24 and these have been reported through the in-year budget monitoring reports and forecast reserves at Period 9 are set in the table below.

	Opening Balance	Budgeted Drawdown 23-24	In Year Inter Reserve Transactions 23-24	Pending In Year Inter Reserve Transactions 23-24	Planned Drawdowns 23-24 (P9)	Transfer to Reserve (P9)	BeFirst Dividend Reserve Drawdown	Drawdowns not in P9 - Outside forecast	Release to BSR - pending transfer	Reserve Balance (before overspend)
	£'m	£'m	£'m		£'m	£'m		£'m	£'m	£'m
General Reserves	(17.03)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(17.03)
Budget Support Reserve	(16.84)	13.51	0.53	(3.68)	0.00	0.00		0.00	0.00	(6.48)
Sub total	**(33.87)**	**13.51**	**0.53**	**(3.68)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**(23.51)**
Ring-fenced Reserves	(28.91)	0.00	(0.53)	1.53	4.76	(2.33)		3.56	0.00	(21.92)
PFI Reserves	(14.28)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(14.28)
Levy Funding Reserve	(6.11)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(6.11)
Sub total	**(49.30)**	**0.00**	**(0.53)**	**1.53**	**4.76**	**(2.33)**	**0.00**	**3.56**	**0.00**	**(42.31)**
Non Ring-Fenced Reserves										
Corporate Reserves	(5.91)	0.00	0.00	0.00	0.16	0.00		1.37	0.00	(4.39)
People & Resilience	(0.54)	0.20	0.01	0.00	0.00	0.00		0.00	0.00	(0.33)
Legal, Governance & HR	(0.41)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(0.41)
Strategy	(0.05)	0.00	0.00	0.00	0.03	0.00		0.02	0.00	(0.00)
Inclusive Growth	(1.34)	0.00	0.00	0.00	0.11	0.00		0.00	0.00	(1.23)
Community Solutions	(12.63)	1.30	(0.01)	1.66	2.01	0.00		2.49	0.00	(5.17)
My Place	(0.29)	0.00	0.00	0.29	0.00	0.00		0.00	0.00	0.00
Collection Fund Reserves	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Sub total Non-ringfenced	**(21.17)**	**1.50**	**0.00**	**1.95**	**2.31**	**0.00**	**0.00**	**3.88**	**0.00**	**(11.53)**
IAS & Capital Reserves										
Investment Reserves	(16.17)	0.00	1.13	0.00	0.00	0.00		0.00	0.00	(15.03)
Mueller Reserve	(12.00)	0.00	0.00	0.00	0.00	0.00	10.39	0.00	0.00	(1.61)
CR27 Hotel Deal reserve	(5.50)	0.00	(0.57)	0.00	0.00	0.00		0.00	0.00	(6.07)
Isle of Dogs Travelodge Reserve	(5.50)	0.00	(0.57)	0.00	0.00	0.00		0.00	0.00	(6.07)
IAS Reserve	(3.78)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(3.78)
Sub total IAS Reserves	**(42.95)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**10.39**	**0.00**	**0.00**	**(32.56)**
Total	**(147.29)**	**15.01**	**0.00**	**(0.20)**	**7.07**	**(2.33)**	**10.39**	**7.44**	**0.00**	**(109.91)**

19.7. Furthermore, as indicated in the Period 9 report, the Council's overspend is projected to be £9.336m which, if this materialises, will need to be funded from a further reserve drawdown.

19.8. The budget proposals as presented require an additional draw down of reserves of £8.809m to bridge the 2024/25 budget gap.

19.9. In the budget proposals, it is currently planned that BeFirst will declare sufficient dividends to meet the £10.3m income budget within the Council's core budget and this does not form part of the gap.

19.10. Taking into account all of the movements above, the table below presents the projected net position of Reserves broken down per type of reserves the Council holds.

	Opening Balance £'m	Movement in Reserve 23-24 £'m	Reserve Balance (before overspend) £'m	Drawdown for P9 overspend (Indicative) £'m	Planned Drawdown 24-25 £'m	Forecast Reserve balance £'m
General Reserves	(17.03)	0.00	(17.03)		5.00	(12.03)
Budget Support Reserve	(16.84)	3.45	(13.39)	9.34	3.81	(0.24)
Sub total	**(33.87)**	**3.45**	**(30.42)**	**9.34**	**8.81**	**(12.27)**
Ring-fenced Reserves	(49.30)	6.99	(42.31)	0.00	0.00	(42.31)
Non Ring-Fenced Reserves	(21.17)	13.56	(7.62)	0.00	0.00	(7.62)
IAS Reserves	(42.95)	13.39	(29.56)	0.00	0.00	(29.56)
Sub total	**(113.42)**	**33.94**	**(79.49)**	**0.00**	**0.00**	**(79.49)**
Total	**(147.29)**	**37.39**	**(109.91)**	**9.34**	**8.81**	**(91.76)**

19.11. In considering their decision on the budget proposals as presented, Members should consider the financial risks highlighted in this report to consider whether the forecast reserves are sufficient.

19.12. As outlined above, the Section 151 Officer is required to make a statement (known as the Section 25 statement) which sets out their opinion on the adequacy of reserves for the financial risks that the Council is facing. This statement can be found at Appendix H and members should have regard to this statement when making their decision.

20. Budget Consultation

20.1 Following Cabinet approval to the draft 2023/24 budget and medium-term financial strategy, the Council launched a budget engagement exercise.

20.2 An engagement survey and a quiz was created and published on the Council's website on 20 December 2023 and closed on 21 January 2024.

The survey was promoted via a range of channels including:

- Press release
- Social media channels
- Articles in resident "One Borough" and Engagement HQ newsletters
- Leader's weekly video to residents
- Newsletter for businesses
- Articles in staff newsletters

20.3 A budget Facebook Live Q&A took place on Tuesday 16 January with Cllr Rodwell, Leader of the Council and Cllr Twomey, Deputy Leader of the Council and Cabinet Member for Finance, Growth and Core services.

20.4 The Facebook Live Q&A had 892 views, 9 comments, 7 reactions (eg likes) and 3 shares. 51 local businesses also heard more about the 2024/25 budget proposals and had an opportunity to give their views at a Barking & Dagenham Business Forum Conference which took place on 24 January. The results on the consultation are set out in Appendix F. A summary of key headlines is provided below:

- The consultation received a total of 209 responses to the budget consultation survey, and 115 responses to the budget survey quiz.
- 98.6% of respondents were residents of the borough, and 1.4% of respondents were representatives of an organisation. There were no responses received from local businesses.
- When asked which service areas the council should be prioritising, the top three options selected were:
  - ✓ Giving all children the best start in life.
  - ✓ Supporting older people and adults with disabilities.
  - ✓ Keeping the streets clean and collecting waste.
  - ✓ 29.1% of respondents support increasing the council tax precept by 2.99%.
  - ✓ 35.4% of respondents support the proposed 1.99% council tax increase for Adult Social Care.

21. Financial Implications

Implications completed by: Nurul Alom – Finance Manager

21.1 The detailed financial implications have been covered throughout the report. Members are asked to note the Section 151 officer's assurance statement as outlined in Appendix H.

22. Legal Implications

Implications completed by: Dr Paul Feild Principal Governance & Standards Solicitor

22.1 Local authorities are under an explicit statutory duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This is set by sound public accounting practice guidance.

22.2 The Local Government Act 2003 (2003 Act) Section 25 sets a specific duty on a local authority's section 151 Local Government Act 1972, Chief Financial Officer (our Director of Finance and Investments), to make a budget calculation report to the said authority for it to take into account when it is considering its budget and funding for the forthcoming year. Their report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget and the authority must have regard to the report in making its decisions. Section 26 of the 2003 Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that 'the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty'.

22.3 By law a local authority is required under section 32 of the Local Government Finance Act 1992 to produce a 'balanced budget'. The current budget setting takes place in the context of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position an authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence to proper processes as part of good governance.

22.4 Part 1 of the 2003 Act 2003 requires a local authority body to each year set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out its policies for managing its investments and for giving priority to the security and liquidity of those investments.

22.5 A local authority also has to prepare an Annual Minimum Revenue Provision Policy Statement setting out how it proposes to repay its debts. The form of the policy must accord with prudential public finance accounting principles as espoused by the Chartered Institute of Public Finance Accountants (CIPFA). The relevant guidance is set out in the CIPFA Code of Practice on Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities.

22.6 In terms of the budget and the effect it would have on service provision, whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing, it will require consultation with unions and staff. In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant ‘protected characteristic’. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information. In addition to that, Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.

22.7 If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities including the duty to make services better. Section 3 of the Local Government Act 1999 requires that local authorities must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This duty to make improvement also requires (section 3(2) of the 1999 Act), that in doing so consultation must be carried out.

22.8 Additional considerations the Council must have regard to in taking decisions are:

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

22.9 Under the Council's Constitution part 2 chapter 4, paragraph 2.1(iii) the Assembly has the authority to approving the Budget, including the level of Council Tax, Revenue Budget and Capital Programme.

23. Other Implications

23.1 **Risk Management** - The Council recognises that maintaining a dynamic risk aware culture is vitally important as it goes through periods of change, with the increasing need to balance the effects of budget reductions, changes to services provided and possible increased demand. The benefits gained in managing risk effectively are improved strategic, operational and financial management, better decisions and outcome delivery, improved statutory compliance and ultimately improving the services that people receive.

The significant risks have been identified in this report, with impacts from those risks highlighted for consideration where possible. Controls and actions to manage risk are included within this report and have been integrated into the implementation plan to deliver the Budget Strategy. The Strategic Risk Register identifies 'Financial Management' as a key risk to achieving priorities and this report contributes to the mitigation therein.

23.2 **Contractual Issues** - The expectation is that all procurements conducted will follow the processes as set out in the Council's Contract Rules, the Public Contract Regulations 2015 and the impending procurement reform which comes into effect this year. All high risk/value procurements under the Gold threshold will be supported by Corporate Procurement to ensure that the process drive the commercial outcomes needed by the Council whilst delivering the service requirements.

23.3 **Staffing Issues** – The Council has agreed organisational change procedures which comply with legislation and have been agreed with Trade Unions. Formal and meaningful consultation with staff and trade unions take place when proposals to review a service are made. The Council is under a legal duty to issue an HR1 and S188 notice when considering redundancies including deletion of vacant posts. This has been undertaken by the Chief Executive and will be kept under review.

Any redundancies are made in line with the Council's redundancy policy and redeployment opportunities are fully explored.

In addition to specific consultation with staff and Trade Unions on restructure proposals, under the Council's policy, a number of all staff engagement sessions have been held run by the Chief Executive and other members of the Executive Team.

23.4 **Corporate Policy and Equality Impact** - As part of the Council's Public Sector Duty under the Equality Act 2010, we need to ensure that we are paying "due regard" to eliminating discrimination, advancing equality of opportunity and fostering good relations between people who share a protected characteristic and those who do not when carrying out our day-to-day operations and in our decision-making processes. Equality Impact Assessments are an established and credible tool for evidencing due regard.

Given the current climate, we know how our residents have been impacted by the Covid-19 and now the cost-of-living crisis. The council understands that this means any changes impacting residents are likely to only add to this and therefore we have continued to do all we can to protect our most vulnerable and mitigate against negative impacts as far as possible. Where a savings proposal has the potential to directly or indirectly impact on residents, an Equality Impact Assessment or Equality Impact Assessment screening tool has been completed. Of the 78 savings proposals put forward in this report, 23 required an assessment of equality implications. The other proposals were focused on optimising efficiencies in service delivery or changes to staffing, the impacts of which are dealt with through HR processes.

The Equality Impact Assessments have informed a cumulative impact assessment (Appendix J), Most of the EIAs completed concluded that the changes would have a positive or neutral impact. The cumulative assessment concludes that there is a potential for the proposed changes to negatively impact on some groups within our community. However, where potential negative impacts have been identified, mitigating actions have also been identified to ensure that residents continue to be able to access services and support. In light of the extremely challenging fiscal situation and the need for services to remain financially sustainable, the conclusion is that these proposals for achieving savings are considered reasonable and have shown due regard to the Public Sector Equality Duty.

The remaining proposals that require EIAs are put forward for decision, subject to the proposal being further developed including consultation and a full consideration of the impact on residents with protected characteristics by the service, in collaboration with the Strategy and Equalities Team. These will be presented for a decision at a future point in time when proposals have been further developed taking account of results of consultation and consideration of equality impact.

Public Background Papers Used in the Preparation of the Report

- Budget Framework 2023/24 and Medium-Term Financial Strategy 2023/24 to 2026/27 – March 2023 Assembly Agenda for Assembly on Wednesday, 1 March 2023, 7:00 pm | LBBD
- Medium Term Financial Strategy and Reserves Policy 2023/24 to 2027/28 – July 2023 Cabinet Agenda for Cabinet on Tuesday, 18 July 2023, 7:00 pm | LBBD
- Budget Strategy 2024/25 to 2026/27 – December 2023 Cabinet Agenda for Cabinet on Tuesday, 19 December 2023, 4:00 pm | LBBD

List of appendices

- Appendix A – MTFS Summary
- Appendix B - Savings and Growth Detail List
- Appendix C – Reserves Summary
- Appendix D - Council Tax Requirement 2024/25

- Appendix E - Calculation of the Proposed Council Tax for 2024/25
- Appendix F - Budget proposals consultation feedback for 2024/25
- Appendix G -Capital Budget 2024/25
- Appendix H - Section 25 Statement (Draft)
- Appendix I - Strategy for the Flexible Use of Capital Receipts
- Appendix J - Cumulative Equalities Impact Assessment

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APPENDIX A

Medium Term Financial Strategy (MTFS) Summary 2024-27

	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
Net Cost of Services	**194.460**	**221.745**	**233.989**
Changes to Prior Year Budget			
Savings - Existing (Feb 20233)	(0.571)	(0.272)	(0.150)
Pre-agreed Growth (Feb 2023)	6.549	3.872	4.386
Savings- New	(15.024)	(0.826)	(0.834)
Growth - New	39.708	0.770	0.834
Inflation	7.872	8.700	8.800
Budget Re-allocation*	(11.249)		
Net Budget Requirement	**221.745**	**233.989**	**247.025**
Core Funding			
Revenue Support Grant	(22.258)	(22.926)	(23.293)
NDR	(22.872)	(23.302)	(23.675)
NDR Top Up & S31 Grants	(38.575)	(62.421)	(63.420)
S31 Grants and Other Admin Grants	(15.796)		
BRR Pooling	(1.000)	(1.000)	(1.000)
2023/24 Top Adjustment	(0.072)		
Council Tax	(84.096)	(88.462)	(94.135)
(Surplus)/Deficit on Collection Fund	(0.042)		
Market Sustainability & Fair Cost of Care Grant	(3.995)	(3.995)	(3.995)
Services Grant	(0.367)	(0.367)	(0.367)
Social Care Support Grant	(19.823)	(19.823)	(19.823)
Additional Social Care Support Grant	(1.900)		
New Homes Bonus	(2.140)		
Total Core Funding	**(212.936)**	**(222.296)**	**(229.708)**
Cumulative Budget Deficit/(Surplus) Before Reserve	**8.809**	**11.693**	**17.317**
Contribution To Reserve / (Drawdown From Reserve)	(8.809)		
Cumulative Budget Deficit/(Surplus) After Use of Reserve	**0.000**	**11.693**	**17.317**

**Budget Movement - Movement of HB Admin Grant & subsidiary dividend income from core funding to net cost of service*

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APPENDIX B

SAVINGS AND GROWTH PROPOSALS	SAVINGS AND GROWTH PROPOSALS	Incremental Basis			
*negative values (in brackets) are savings	*negative values (in brackets) are savings		2024/25 £'000	2025/26 £'000	2026/27 £'000
	New Savings				
TYPE	Service Area	Saving Proposal			
Savings	Community Solutions	Everyone Everyday Contribution	(50)		
Savings	Community Solutions	Review capacity in smaller and under-utilised Community Hub locations	(350)		
Savings	Community Solutions	Review Participation and Engagement Function	(160)		
Savings	Community Solutions	Review Mental Health and Vocational Support Service	(181)		
Savings	Community Solutions	Consultancy budget	(100)		
Savings	Community Solutions	Review Homes and Money Hub Service	(84)		
Savings	Community Solutions	Review Business Rates collection Service	(60)		
Savings	Community Solutions	Review of Service and staff resources	(303)		
Savings	Law & Governance	Review and merge Community Safety and CCTV & Security	(90)		
Savings	Law & Governance	Member Development Budget	(15)		
Savings	Law & Governance	Delete vacant Deputy Head of Legal	(118)		
Savings	Law & Governance	Enforcement Support Review	(219)		
Savings	My Place	Option to lease an unused section of BTH commercially to Care City	(15)		
Savings	My Place	Barking Town Hall - Energy related income Broadway Theatre (Barking College)	(60)		
Savings	My Place	Town Hall Franking Machine - contract savings	(7)		
Savings	My Place	Review Town Hall facilities management	(71)		
Savings	My Place	Review Depot Facilities Management Team	(29)	(10)	
Savings	My Place	Transfer of facilites help desk cost to BDTP contract from 2023.24	(120)		
Savings	My Place	Street PCN income	(892)		
Savings	My Place	CCTV PCNs	(525)		
Savings	My Place	My Place review	(205)		
Savings	My Place	Change of Mowing regimes in parks to support biodiversity	(65)		
Savings	My Place	Cemetery Fees and Charges 10% Increase (above CPI of 6.7%)	(60)		
Savings	My Place	Passenger Transport (PTS) deletion of 1.73 FTE vacancies	(63)		
Savings	My Place	Review Pest Control Service	(45)		
Savings	My Place	Street Cleansing Post Reduction	(48)		
Savings	My Place	Waste pre-agreed budget growth amendment	(726)		
Savings	People and Resilience	ASC Double Handed Care Review	(1,018)		
Savings	People and Resilience	Enhance Reablement offer	(283)		
Savings	People and Resilience	Increase Continuning Health Care contributions	(45)	(147)	(147)

Savings	People and Resilience	Review of adults social care in house provision	(448)		
Savings	People and Resilience	2023-24 Direct payment returns	(500)		
Savings	People and Resilience	2023-24 Reduce SW agency spend	(300)		
Savings	People and Resilience	ASC Safeguarding Q & A & Implementation Team - delay recruitment	(100)		
Savings	People and Resilience	Service Manager review - delay recruitment	(93)		
Savings	People and Resilience	ASC Head of Adults Disabilities - delay recruitment	(82)		
Savings	People and Resilience	2023-24 Direct payment returns	500		
Savings	People and Resilience	2023-24 Reduce SW agency spend	300		
Savings	People and Resilience	ASC Safeguarding Q & A & Implementation Team - delay recruitment	100		
Savings	People and Resilience	Service Manager review - delay recruitment	93		
Savings	People and Resilience	ASC Head of Adults Disabilities - delay recruitment	82		
Savings	People and Resilience	CSC Care Leaver Housing	(5)	(35)	
Savings	People and Resilience	CSC in house Expert Assessment Centre	(204)		
Savings	People and Resilience	CSC Adolescent Support Pathway	(139)	(687)	(687)
Savings	People and Resilience	Rationalise Business Support - phase 1	(112)		
Savings	People and Resilience	Brokerage improvements	(45)		
Savings	People and Resilience	CSC CARES academy	(75)	(80)	
Savings	Resources	Review HR/OD Service Management Team	(79)		
Savings	Resources	Review HR/OD functions	(19)		
Savings	Resources	Delete Learning Development Officer vacancy	(19)		
Savings	Resources	Azure CSP	(29)	(67)	
Savings	Resources	Remove Eset and move to Defender	(6)		
Savings	Resources	Docusign cancellation	(24)		
Savings	Resources	Reduction of MFD printer leases	(12)		
Savings	Resources	Cancel SOCITM subscription	(2)		
Savings	Resources	Duplicate Growth Bid for Security	(105)		
Savings	Resources	IT Service Restructure and review	(443)		
Savings	Resources	Reduce Print and Post costs - channel shift to more email use	(100)		
Savings	Resources	Reduction in Daisy licences for mobile SIMS	(24)		
Savings	Resources	Reduction in number of Microsoft E3 licences	(70)		
Savings	Resources	Reduction in low usage 8*8 licences	(51)		
Savings	Strategy	Scale back community events	(150)		
Savings	Strategy	Income from commercial events	(200)	200	
Savings	Strategy	Review Events Service Team	(69)		
Savings	Strategy	Review Communications Service	(13)		
Savings	Strategy	Return of Digitised growth funding	(306)		
Savings	Strategy	Merge core data and change teams into a single function	(200)		
Savings	Strategy	Subscription: New Local Government Network	(13)		
Savings	Strategy	Subscription review	(3)		

Savings	People and Resilience	Reallocation of Public Health Grant to support prevention and early help services	(800)		
Savings	People and Resilience	Develop options for integrated, joint-funded commissioning function	(250)		
Savings	People and Resilience	Develop options for third-party delivery of Short Breaks provision.	(50)		
Savings	People and Resilience	Develop options for third-party delivery of Family Hubs and Children's Centres.	(50)		
Savings	People and Resilience	Commission LGA Review of LD Services.	(250)		
Savings	People and Resilience	Commission LGA Peer Challenge and Review on use of Public Health Grant Resources	(250)		
Savings	People and Resilience	Operational Management Restructures	(400)		
Savings	People and Resilience	Review of Contractual Pipeline (Part I)	(525)		
Savings	People and Resilience	Review of Contractual Pipeline (Part II)	(200)		
Savings	People and Resilience	Review of Contractual Pipeline (Part III)	(300)		
Savings	People and Resilience	Cessation of CSC Programme (and replace with localised offer).	(150)		
Savings	People and Resilience	Foresnic Review of CWD Care Packages.	(250)		
Savings	People and Resilience	Review Home to School Tranport Policy and reduce discretionary elements.	(100)		
Savings	People and Resilience	Recommissioning of Community Solutions and Redesign of Adults' Front Door (MASH)	(500)		
Savings	People and Resilience	Complex Brokerage of LD Placements (reducing social worker spot-purchasing in this area).	(75)		
Savings	Community Solutions	Staffing structure reductions	(281)		
Savings	Law & Governance	Staffing structure reductions	(279)		
Savings	Inclusive Growth	Staffing structure reductions	(246)		
Savings	People and Resilience	Staffing structure reductions	(357)		
Savings	Resources	Staffing structure reductions	(132)		
Savings	Strategy	Staffing structure reductions	(141)		
Savings	My Place	Service Restructure	(466)		
Total	**Total**		**(15,024)**	**(826)**	**(834)**

SAVINGS AND GROWTH PROPOSALS | SAVINGS AND GROWTH PROPOSALS | Incremental Basis

*negative values (in brackets) are savings	*negative values (in brackets) are savings		2024/25 £'000	2025/26 £'000	2026/27 £'000
	New Growth				
TYPE	Service Area	Saving Proposal			
HRA recharges correction	My Place	CSS gap	1,056		
HRA recharges correction	Community Solutions	Homelessness recharge to be reviewed	2,100		
Legacy Budget Corrections	Community Solutions	HAM Hub Reserve/GF Correction	390		
Legacy Budget Corrections	Community Solutions	Revs&Bens Blueprint Reserve/GF Correction	915		

Legacy Budget Corrections	People and Resilience	passport ILF grant to ASC	448		
Legacy Budget Corrections	Resources	Reversal of HR Savings	577		
Legacy Budget Corrections	People and Resilience	Core Base Budget Correction	20,000		
Legacy Budget Corrections	Inclusive Growth	Parks and Events Income Target	133		
Service Redesign	Resources	Demand Pressure	500		
Contract inflation	Resources	Insurance	100		
Demand Pressure	Corporate Funding	MRP	730		400
Demand	Strategy	Adjustment in provision for concessionary fares	(784)	190	956
Contract inflation	Resources	Audit Fees	331		
Remove one off	Enforcement	PRPL scheme ends	1,256		
Remove one off	Corporate Funding	Debt & Affordable Credit (2 years funding)	1,000		
Remove one off	Corporate Funding	2023/24 Reserve GF shortfall	8,944		
Remove one off	Corporate Funding	2023/24 cover NNDR/CTAX Collection Fund Reserve	4,567		
Invest to Save	People and Resilience	ASC Fews Lodge Extension to Kallar Lodge	13	(100)	(4)
Service Redesign	People and Resilience	Early Help Investment reprofile (Reversal of pre-agreed growth)	(500)		
Service Redesign	Corporate Funding	Council Tax Reduction Scheme (CTRS) (Reversal of pre-agreed growth)	(2,072)	(503)	(518)
Service Redesign	*Inclusive Growth*	Leisure fee income reprofiled	4	1,183	
Total	**Total**		**39,708**	**770**	**834**

*negative values (in brackets) are savings	*negative values (in brackets) are savings		2024/25 £k	2025/26 £k	2026/27 £k
	Revised Inflation and Demographic				
TYPE	Service Area	Saving Proposal			
Pay Inflation	Central	Staff Pay Award and Capacity Building - 3%, 2%, 2%	3,700	2,500	2,500
Contract Inflation	Central	Non Staff Inflation	4,172	1,600	1,500
Demographic Provision	Central	Contingency		4,600	4,800
Total	**Total**		**7,872**	**8,700**	**8,800**

SAVINGS AND GROWTH PROPOSALS SAVINGS AND GROWTH PROPOSALS Incremental Basis

*negative values (in brackets) are savings	*negative values (in brackets) are savings		2024/25 £k	2025/26 £k	2026/27 £k
	Savings Approved in previous years				
TYPE	Service Area	Saving Proposal			
Savings	Community Solutions	EVERYONE EVERY DAY - Reduce contribution	(150)		
savings	Core	Streamline IT Procurement	(56)	(50)	
Savings	My Place	Parking Services Income	(150)	(150)	(150)
Savings	My Place	Property Management & Capital Delivery	(65)	(72)	
Savings	Strategy	Single customer access function	(150)		
Total	**Total**		**(571)**	**(272)**	**(150)**

SAVINGS AND GROWTH PROPOSALS	SAVINGS AND GROWTH PROPOSALS	Incremental Basis			
*negative values (in brackets) are savings	*negative values (in brackets) are savings		2024/25 £k	2025/26 £k	2026/27 £k
	Growth Approved in previous years				
TYPE	Service Area	Saving Proposal			
Contract Inflation	*Inclusive Growth*	Leisure fee income reprofiled	(567)	(620)	
Contract Inflation	Central	Impact of Adult Social Care Charging Reforms (Legislative Change) - Fair Cost of Care and Cap on Care - Market Cost	100	1,500	100
Contract Inflation	Central	Inflationary Impact Modelling (Contracted Expenditure)	1,205		
Contract Inflation	Central	ELWA			3,000
Demand	Central	ELWA Levy	800	800	800
Demand	Strategy	Adjustment in provision for concessionary fares	2,050	840	
Demand	Inclusive Growth	New Town Culture	5	7	1
Demand	Inclusive Growth	New Town Culture	33		(33)
Remove one off	Community Solutions	Debt & Affordable Credit (2 years funding)	(420)		
Remove one off	Core	MPLS Replacement	115		
Remove one off	Inclusive Growth	Parks	500		
Remove one off	Community Solutions	Youth Zone (3 year funding agreement).		(200)	
Remove one off	Community Solutions	Community Hubs (2 years funding)	(70)		
Remove one off	Core	Inclusive Workplace	(100)		
Remove one off	PIR	One off costs in Commissioning - Programme and Projects	(279)		
Remove one off	PIR	One off costs in ASC operations	(344)		
Service Redesign	Community Solutions	Revenue Officers	42	42	
Service Redesign	Corporate Funding	Council Tax Reduction Scheme (CTRS)	2,072	503	518
Remove one off	Community Solutions	Additional financial support for low income working age households through enhanced support within the Council Tax Reduction Scheme	(163)		
Corporate Items	Central	Movement of growth for Fair Cost of Care	(2,283)		
Corporate Items	Central	Market Sustainability & Fair Cost of Care Grant	2,283		
Service Redesign	PIR	Early Help Investment deferral into 2024-25	500		
Service Redesign	My Place - Waste & Recycling	New year on year pressure of £2,295k by 2025/26 to implement the National Waste Strategy, including weekly food collection, free Green Garden Waste and weekly recycling.	1,000	1,000	
Service Redesign	PIR	Adults’ Care and Support and Commissioning posts following CPG approval (Legislative Change and Demography)	70		
Total	**Total**		**6,549**	**3,872**	**4,386**

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APPENDIX C

Reserve Summary

	Opening Balance	Budgeted Drawdown 23-24	In Year Inter Reserve Transactions 23-24	Planned Movement in Reserve (P9)	Release to BSR - pending transfer	Reserve Balance (before overspend)	Drawdown for P9 overspend (Indicative)	Planned Drawdown 2024/25	Forecast Reserve balance
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
General Reserves	(17.03)	0.00	0.00	0.00	0.00	(17.03)		5.00	(12.03)
Budget Support Reserve	(16.84)	13.51	(3.15)	0.00	(6.92)	(13.39)	9.34	3.81	(0.25)
Sub total	**(33.87)**	**13.51**	**(3.15)**	**0.00**	**(6.92)**	**(30.42)**	**9.34**	**8.81**	**(12.28)**
Ring-fenced Reserves	(28.91)	0.00	1.00	5.99	0.00	(21.92)			(21.92)
PFI Reserves	(14.28)	0.00	0.00	0.00	0.00	(14.28)			(14.28)
Levy Funding Reserve	(6.11)	0.00	0.00	0.00	0.00	(6.11)			(6.11)
Sub total	**(49.30)**	**0.00**	**1.00**	**5.99**	**0.00**	**(42.31)**	**0.00**	**0.00**	**(42.31)**
Non Ring-Fenced Reserves									
Corporate Reserves	(5.91)	0.00	0.00	1.53	0.00	(4.39)			(4.39)
People & Resilience	(0.54)	0.20	0.01	0.00	0.00	(0.33)			(0.33)
Legal, Governance & HR	(0.41)	0.00	0.00	0.00	0.00	(0.41)			(0.41)
Strategy	(0.05)	0.00	0.00	0.05	0.00	(0.00)			(0.00)
Inclusive Growth	(1.34)	0.00	0.00	0.11	0.00	(1.23)			(1.23)
Community Solutions	(12.63)	1.31	1.65	4.50	3.92	(1.26)			(1.26)
My Place	(0.29)	0.00	0.29	0.00	0.00	0.00			0.00
Collection Fund Reserves	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Sub total Non-ringfenced	**(21.17)**	**1.50**	**1.95**	**6.19**	**3.92**	**(7.62)**	**0.00**	**0.00**	**(7.62)**
IAS & Capital Reserves									
Investment Reserves	(16.17)	0.00	1.14	0.00	0.00	(15.03)			(15.03)
Mueller Reserve	(12.00)	0.00	0.00	10.39	0.00	(1.61)			(1.61)
CR27 Hotel Deal reserve	(5.50)	0.00	(0.57)	0.00	0.00	(6.07)			(6.07)
Isle of Dogs Travelodge Reserve	(5.50)	0.00	(0.57)	0.00	0.00	(6.07)			(6.07)
IAS Reserve	(3.78)	0.00	0.00	0.00	3.00	(0.78)			(0.78)
Sub total IAS Reserves	**(42.95)**	**0.00**	**0.00**	**10.39**	**3.00**	**(29.56)**	**0.00**	**0.00**	**(29.56)**
Total	**(147.29)**	**15.01**	**(0.20)**	**22.57**	**0.00**	**(109.91)**	**9.34**	**8.81**	**(91.77)**

Appendix D

STATUTORY BUDGET DETERMINATIONS

SETTING THE AMOUNT OF COUNCIL TAX FOR THE LONDON BOROUGH OF BARKING AND DAGENHAM 2024/25

1. At its meeting on 23 January 2024 the Council's Cabinet approved the Council Tax Base 2024/25 calculation for the whole Council area as 54,916.54 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended ("the Act")].

2. The following amounts have been calculated by the Council for the year 2024/25 in accordance with Sections 31 to 36 of the Act.

(a)	£569,327,258	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£485,230,814	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£84,096,589	being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (i.e. Item R in the formula in Section 31A(4) of the Act).
(d)	£ 1,531.35	being the amount at 2(c) above (i.e. "Item R), divided by Item T (shown at 1 above), calculated by the Council, in accordance with Section 31B(1) of the Act as the basic amount of its Council Tax for the year. Refer below for further detail.

Valuation Bands

A	B	C	D	E	F	G	H
£1,020.90	£1,191.05	£1,361.20	£1,531.35	£1,871.66	£2,211.96	£2,552.25	£3,062.70

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

3. That it be noted that for the year 2024/25 the Greater London Authority has indicated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:

Precepting Authority: Greater London Authority

Valuation Bands

A	B	C	D	E	F	G	H
£314.27	£366.64	£419.02	£471.40	£576.16	£680.91	£785.67	£942.80

4. That, having calculated the aggregate in each case of the amounts at 2 and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2024/25 for each of the categories of dwellings shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£1,335.17	£1,557.69	£1,780.22	£2,002.75	£2,447.82	£2,892.87	£3,337.92	£4,005.50

Appendix E

Calculation of the Proposed Council Tax for 2024/25

		£'000
Revised 2024/25 Budget before Reserves Usage		**194,460**
New MTFS items	21,307	
Approved Savings	-571	
Approved Growth	6,549	
Total Adjustments		27,285
Base Budget Requirement for 2024/25		**221,745**
Funded by:		
Retained Business Rates Income	22,872	
Revenue Support Grant	22,258	
Business rates Top up Grant	38,648	
S31 Grants	15,796	
BRR Pooling	1,000	
Specific Grants	26,085	
New Homes Bonus	2,140	
Collection Fund Deficit	41	
Transfer From Reserve	8,809	
Total Funding		137,649
Council Tax Requirement		**84,096**
Council Tax Base (Equivalent Band D Properties)		54,216.54
Council Tax:		
London Borough of Barking and Dagenham		1,531.35
Greater London Authority		471.4
Overall Council tax – Band D equivalent		**2,002.75**

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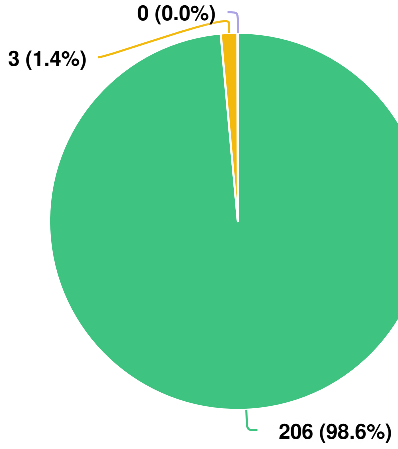
Budget Consultation 2024/25

SURVEY RESPONSE REPORT
19 December 2023 - 22 January 2024

PROJECT NAME:
Barking and Dagenham Council's Budget Consultation 2024/25

SURVEY QUESTIONS

Q1 Are you completing this survey as a resident, business, or as a representative of an organisation?



Question options

Resident · Representative of an organisation · A business that pays business rates in Barking and Dagenham

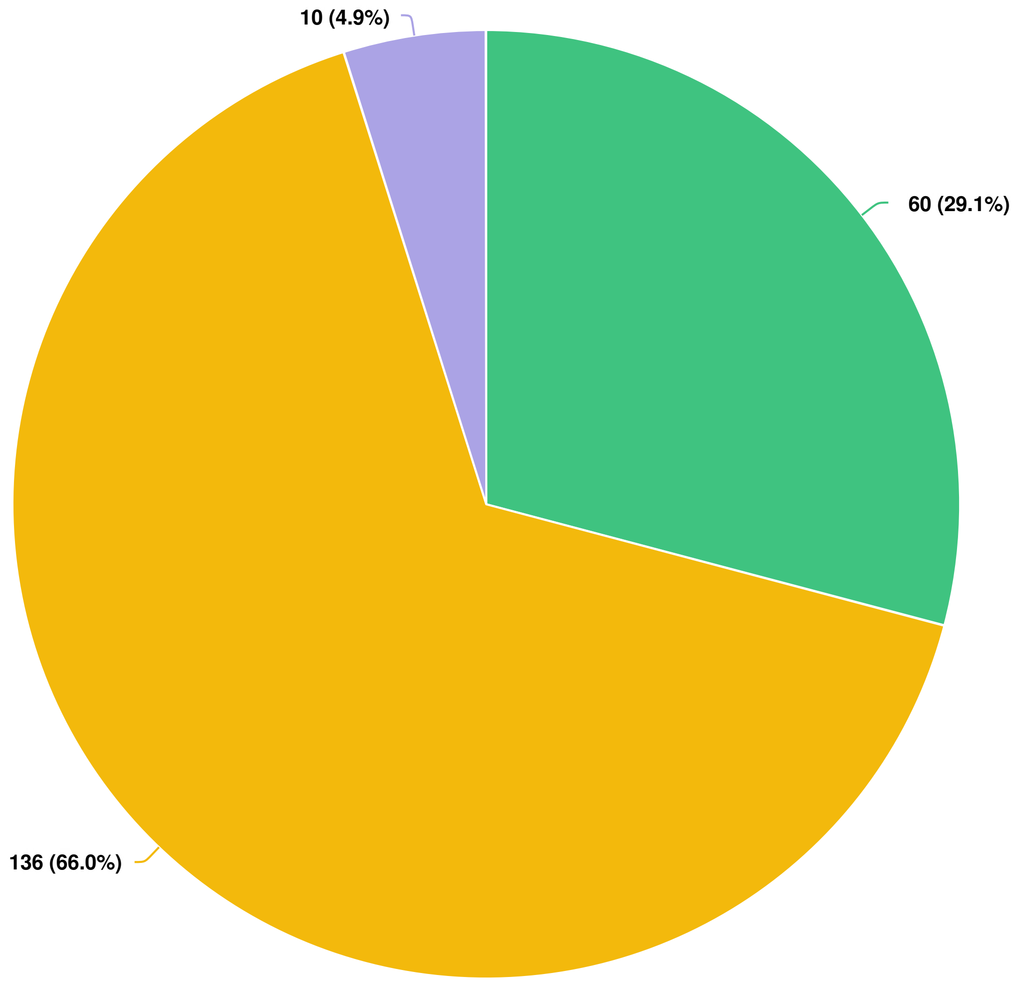
Optional question (209 response(s), 0 skipped)
Question type: Radio Button Question

Q2 With limited resources available, which service areas do you think the council should be prioritising? Please rank in order of importance, with 1 being the most important.

OPTIONS	AVG. RANK
Giving all children the best start in life.	3.08
Supporting older people and adults with disabilities.	3.77
Keeping the streets clean and collecting waste.	4.17
Reducing Anti-Social behaviour.	4.38
Providing more affordable housing.	5.74
Promoting economic development and jobs.	6.09
Working to reduce debt for our residents.	6.53
Providing opportunities for everyone to participate in leisure, culture and community activities.	6.86
Better engagement with our residents as citizens, voters and customers.	6.97
Improving private rented housing.	7.06
Carbon reduction and moving towards net zero.	8.64

Optional question (202 response(s), 7 skipped)
Question type: Ranking Question

Q3 In order to protect the services you value the most, the Council suggests raising the council tax by 2.99% (excluding GLA and Adult Social Care precept). This would help meet rising demand for our services and plug some of the gap left by the cont...

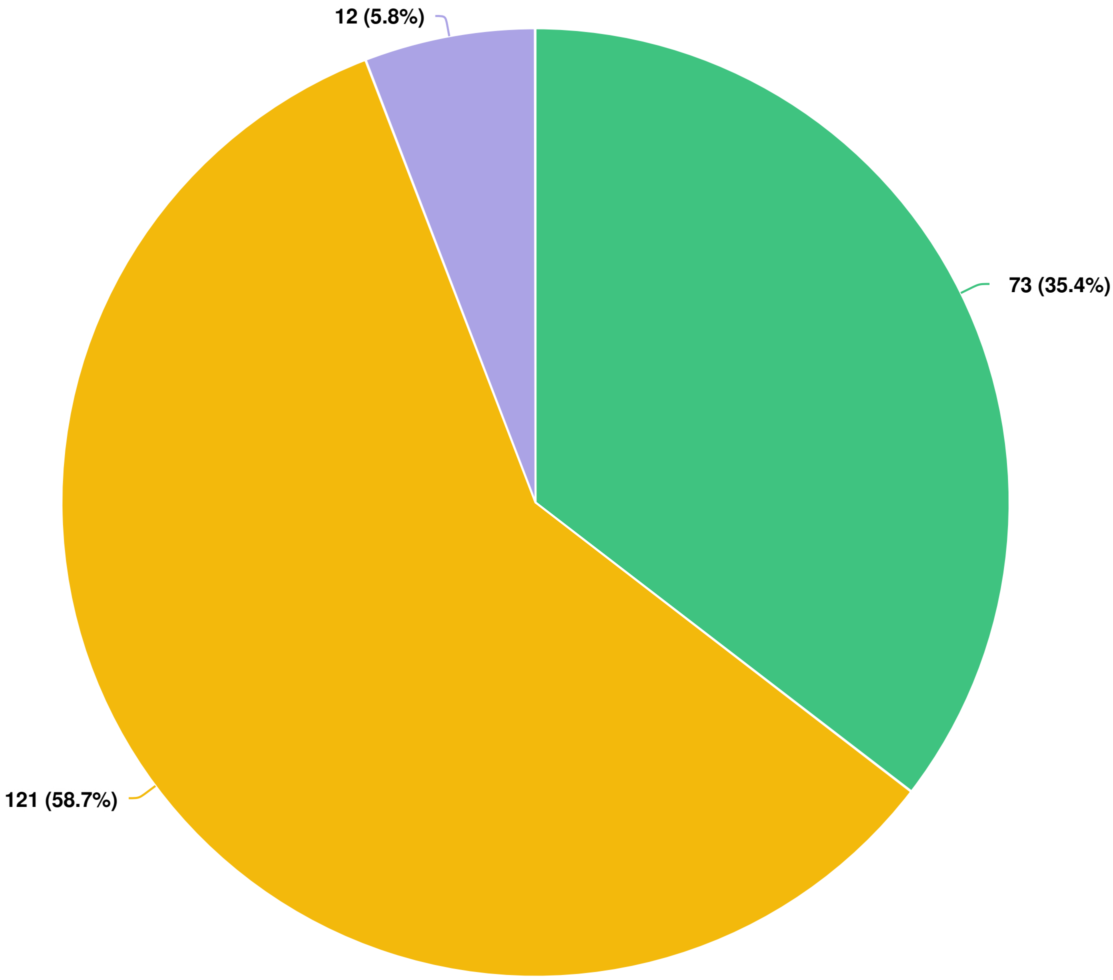


Question options

- I support increasing the council tax precept by 2.99% which would mean an increase of £45.07 per year for a typical band D property taking the total LBBD Council Tax to £1,531.35 (excluding GLA).
- I do not support an increase. (This means we would have to find a further £2.5m of spending reductions to balance the budget).
- I don't know.

Optional question (206 response(s), 3 skipped)
Question type: Radio Button Question

Q4 The Council is consulting residents on increasing council tax by a further 1.99% known as the Adult Social Care Precept. This would raise £1.52m for the Council and would be strictly ringfenced to pay for Adult Social Care services only.



Question options

- I support the proposed 1.99% council tax increase for Adult Social Care which would mean an additional annual increase of £27.72 for a typical band D property.
- I do not support an increase. (This means the Council would lose an additional income of £1.52m from council tax to support the most vulnerable residents).
- I don't know.

Optional question (206 response(s), 3 skipped)
Question type: Radio Button Question

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
General Fund											
C00100	AIDS & ADAPTATIONS	1,079	1,079	0	1,000	1,000	0	0	2,079	0	2,079
C00106	DISABLED FACILITIES GRANT-PRVT	2,023	1,861	162	1,857	2,019	0	0	3,880	0	3,880
C05125	FAMILY HUBS	117	117	0	61	61	0	0	178	0	178
C05127	Care Tech	500	500	0	0	0	0	0	500	0	500
CAP01	**GF - CARE & SUPPORT**	**3,719**	**3,557**	**162**	**2,918**	**3,080**	**0**	**0**	**6,637**	**0**	**6,637**
C03028	CORPORATE RETROFIT	2,881	2,551	330	0	330	0	0	2,881	2,881	0
C03099	ABBEY GREEN & BTC CONS HLF	277	80	197	0	197	0	0	277	177	100
C05114	UK SHARED PROSPERITY FUND	236	348	-111	611	500	0	0	847	0	847
C05136	Local Authority Delivery Ph 3	2,461	2,461	-0	0	-0	0	0	2,461	0	2,461
C05137	Home Upgrade Grant Ph 1	519	457	61	0	61	0	0	519	0	519
CAP02	**GF - INCLUSIVE GROWTH**	**6,373**	**5,897**	**476**	**611**	**1,087**	**0**	**0**	**6,985**	**3,058**	**3,927**
C05028	BOX UP CRIME	455	455	-0	0	-0	0	0	455	300	155
C05029	WOMEN'S MUSEUM	210	175	35	0	35	0	0	210	0	210
C05062	LITTER IN PARKS (CIL)	96	96	0	0	0	0	0	96	0	96
CAP03	**GF - CIL**	**761**	**726**	**35**	**0**	**35**	**0**	**0**	**761**	**300**	**461**
C02898	LOCAL TRANSPORT PLANS	310	224	86	0	86	0	0	310	0	310
C05052	HEATHWAY HEALTHY STREETS	330	330	0	0	0	0	0	330	0	330
C05055	ROAD SAFETY AND ACCESS	422	422	-0	0	-0	0	0	422	0	422
C05058	TFL MINOR WORKS - VARIOUS LOCS	155	155	0	0	0	0	0	155	0	155
C05079	CYCLE ROUTE CFR10	507	500	7	0	7	0	0	507	0	507
C05080	LOW TRAFFIC NEIGHBOURHOODS	241	241	0	0	0	0	0	241	0	241
C05083	BUS PRIORITY	1,765	852	913	0	913	0	0	1,765	0	1,765
C05056	VALANCE AVENUE HEALTHY STREETS	43	43	0	0	0	0	0	43	0	43
C05128	Porters Avenue Healthy Streets	105	105	0	0	0	0	0	105	0	105
C05129	Dagenham Road Healthy Streets	172	172	0	0	0	0	0	172	0	172
C05130	High Road Healthy Streets	100	100	0	0	0	0	0	100	0	100

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
24-25-003	TFL LIP			0	2,200	2,200	2,200	0	4,400	0	4,400
C05131	Gascoigne Healthy Streets	77	77	0	0	0	0	0	77	0	77
CAP04	**GF - TFL**	**4,226**	**3,221**	**1,005**	**2,200**	**3,205**	**2,200**	**0**	**8,626**	**0**	**8,626**
C04042	COMMUNITY HALLS	6	6	0	0	0	0	0	6	6	0
CAP05	**GF - COMMUNITY SOLUTIONS**	**6**	**6**	**0**	**0**	**0**	**0**	**0**	**6**	**6**	**0**
C03052	KEEP THE LIGHTS ON	575	575	0	0	0	0	0	575	303	272
C03068	ICT END USER COMPUTING	12	0	12	0	12	0	0	12	12	0
C05132	Laptop Replacement Programme	2,698	2,687	11	200	211	200	200	3,298	2,700	598
24-25-08	Hardware - laptops			0	150	150	210	0	360	360	0
24-25-09	Oracle R12			0	0	0	225	0	225	225	0
24-25-10	KTLO			0	700	700	700	0	1,400	1,400	0
24-25-11	ERP Upgrade			0	0	0	520	0	520	520	0
24-25-12	Single Property View (My Place)			0	150	150	150	0	300	50	250
C05088	ERP Phase 2	330	300	30	0	30	0	0	330	330	0
CAP06	**GF - IT**	**3,615**	**3,561**	**53**	**1,200**	**1,253**	**2,005**	**200**	**7,020**	**5,900**	**1,120**
C04031	RE IMAGINING EASTBURY	4	4	0	0	0	0	0	4	4	0
C04033	REDRESSING VALENCE	211	70	141	0	141	0	0	211	211	0
C04043	THE ABBEY: UNLOCKING BARKING	347	26	321	0	321	0	0	347	212	135
C05115	WOODWARD ARTS & CULTURE Ctr	266	266	-0	0	-0	0	0	266	0	266
C05138	MEND Valence House	294	162	132	294	425	294	0	881	0	881
CAP07	**GF - CULTURE & HERITAGE**	**1,121**	**527**	**594**	**294**	**888**	**294**	**0**	**1,709**	**427**	**1,282**
C03032	PARSLOES PARK (CIL)	8,501	8,501	-0	0	-0	0	0	8,501	5,996	2,505
C04080	CHILDREN'S PLAY SPCS & FAC (CIL)	94	94	0	0	0	0	0	94	0	94
C04081	PARKS & OPEN SPCS STRAT 17 (CIL)	169	169	-0	0	-0	0	0	169	167	2
C05060	SAFER PARKS (CIL)	52	52	0	0	0	0	0	52	0	52
C05061	B & D LOCAL FOOTBALL FACILITY (CIL)	157	0	157	0	157	0	0	157	0	157
C03090	LAKES	437	150	287	0	287	0	0	437	437	0
C04013	PARK INFRASTRUCTURE ENHNCMTS	2	2	0	0	0	0	0	2	2	0

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
C04017	FIXED PLAY FACILITIES	73	73	0	0	0	0	0	73	73	0
C04018	PARK BUILDINGS – BLDNG SUR	62	62	-0	0	-0	0	0	62	62	0
C04084	CENTRAL PARK MASTERPLAN IMP	716	716	0	0	0	0	0	716	716	0
C05089	DE-CONTAMINATION AT ECP	1,897	500	1,397	0	1,397	0	0	1,897	0	1,897
C05113	OLD DAGENHAM PARK LEVELLING UP	48	48	0	0	0	0	0	48	0	48
C05122	CENTRAL PARK PAVILION	175	11	164	0	164	0	0	175	175	0
C05123	TENNIS COURT DEVELOPMENT	403	403	-0	0	-0	0	0	403	0	403
C05126	GREATFIELDS PARK PLAY	90	90	0	0	0	0	0	90	0	90
24-25-006	Bridges In Parks			0	83	83	58	0	141	141	0
24-25-007	Dagenham Tree H&S			0	70	70	25	0	95	95	0
C05142	OLD DAGENHAM PARK PLAY EQUIPT	50	50	0	0	0	0	0	50	0	50
CAP11	**GF - PARKS COMMISSIONING**	**12,925**	**10,921**	**2,004**	**153**	**2,157**	**83**	**0**	**13,161**	**7,865**	**5,296**
C04015	ENFORCEMENT EQUIPMENT	173	173	0	0	0	0	0	173	173	0
24-25-12	ENFORCEMENT System			0	330	330	330	0	660	660	0
CAP08	**GF - ENFORCEMENT**	**173**	**173**	**0**	**330**	**330**	**330**	**0**	**833**	**833**	**0**
C02811	WARD CAPITAL BUDGETS	787	787	-0	0	-0	0	0	787	787	0
C05018	STOCK CONDITION SURVEY	1,693	700	993	0	993	0	0	1,693	1,693	0
C05038	82A AND 82B OVAL ROAD SOUTH	271	0	271	0	271	0	0	271	271	0
C05077	DISPERSED WORKING	471	270	201	0	201	0	0	471	471	0
C04032	HABITAT FOR HUMANITY	356	300	56	0	56	0	0	356	356	0
C05140	MULTI-FAITH CHAD HEATH CEM.CIL	341	341	-0	9	9	0	0	350	0	350
24-25-004	Stock Investment Corp Portfolio			0	1,000	1,000	1,000	0	2,000	2,000	0
24-25-005	Capita Open Housing			0	425	425	0	0	425	68	357
C03027	EST ENERGY SUPPLY CO (ESCO)	0	0	0	0	0	0	0	0	0	0
CAP09	**GF - MY PLACE**	**3,919**	**2,398**	**1,521**	**1,434**	**2,955**	**1,000**	**0**	**6,353**	**5,646**	**707**
C04012	PARKS BINS RATIONALISATION	27	27	0	0	0	0	0	27	27	0
C04070	VEHICLE FLEET REPLACEMENT	1,023	110	913	0	913	0	0	1,023	1,023	0
C03083	CHADWELL HEATH CEMETERY EXT	83	83	0	0	0	0	0	83	83	0

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
C05048	PROCURING IN CAB TECH	171	171	0	0	0	0	0	171	171	0
C04016	ON-VEHICLE BIN WEIGHING SYS	0	0	0	0	0	0	0	0	0	0
C02982	CONTROLLED PARKING ZONES	1,979	325	1,654	0	1,654	0	0	1,979	1,979	0
C03011	STRUCT REP'S & MAINTCE-BRIDGES	27	0	27	0	27	0	0	27	27	0
C03065	HIGHWAYS INV PROG	3,860	4,100	-240	0	-240	0	0	3,860	3,504	356
C04019	REPLACEMENT OF WINTER EQUIP	3	3	0	0	0	0	0	3	3	0
C04029	ENGINEERING WORKS (RD SAFETY)	0	0	0	0	0	0	0	0	0	0
C04063	FLOOD SURVEY	141	141	0	0	0	0	0	141	131	10
C04064	BRIDGES AND STRUCTURES	826	350	476	0	476	0	0	826	826	0
24-25-001	Highways Imp Programme			0	4,900	4,900	4,900	0	9,800	6,400	3,400
24-25-002	Bridges & Structures			0	387	387	387	0	774	774	0
C05117	HEALTHY STREETS	369	369	0	200	200	0	0	569	0	569
CAP10	**GF - PUBLIC REALM**	**8,510**	**5,680**	**2,830**	**5,487**	**8,317**	**5,287**	**0**	**19,284**	**14,948**	**4,335**
C03020	DAGENHAM PARK	77	77	-0	0	-0	0	0	77	0	77
C03022	GREATFIELD SECONDARY SCH (NEW)	500	500	-0	0	-0	0	0	500	0	500
C03053	GASCOIGNE PRMRY - 5FE TO 4FE	34	34	0	0	0	0	0	34	0	34
C03054	LYMINGTON FIELDS SCHOOL 2016	6	6	-0	0	-0	0	0	6	0	6
C04052	SEND 2018-21	0	0	0	0	0	0	0	0	0	0
C04058	MARKS GATE INFS & JNRS 18-20	55	55	0	0	0	0	0	55	0	55
C04059	CHADWELL HEATH ADDI CAPACITY	0	0	0	0	0	7,000	0	7,000	0	7,000
C04072	SCHOOL CONDITION ALCTNS 18-19	0	0	0	0	0	0	0	0	0	0
C04087	SCA 2019/20 (A)	0	0	0	0	0	0	0	0	0	0
C04098	RIPPLE PRIMARY SUFFOLK ROAD	5	5	-0	0	-0	0	0	5	0	5
C05033	SCA PRIORITY WORKS 20/22	0	0	0	0	0	0	0	0	0	0
C05034	SCHOOLS EXPANSION PROG 20/22	750	750	0	600	600	493	0	1,844	0	1,844
C05040	HEALTHY SCHOOL	121	0	121	0	121	0	0	121	0	121
C05069	SCA 20-21	400	400	0	413	413	0	0	813	0	813
C05078	GREATFIELDS PRIMARY	7,500	7,500	-0	2,746	2,746	0	0	10,246	0	10,246

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
C05098	SCA 21-22	600	600	0	381	381	0	0	981	0	981
C05099	SEND 21	728	728	0	0	0	0	0	728	0	728
C05105	BASIC NEEDS 21/22	600	100	500	722	1,222	0	0	1,322	0	1,322
C05107	SCA 22-23	1,500	3,500	-2,000	800	-1,200	322	0	2,622	0	2,622
C05118	MAYESBROOK ADDITIONAL CLASSROOM	400	25	375	0	375	0	0	400	0	400
C05119	SPECIAL SCHOOL FEASIBILITY STUDIES	50	10	40	50	90	0	0	100	0	100
C05120	MONTEAGLE DINING HALL EXTENSION	500	250	250	700	950	0	0	1,200	0	1,200
C05141	SCA 23-24	600	1,200	-600	1,000	400	3,650	0	5,250	0	5,250
C05139	Padnall Hall (Youth Inv Fund)	827	827	-0	1,148	1,148	0	0	1,975	0	1,975
CAP20	**GF - EDUCATION, YOUTH & CHILD**	**15,254**	**16,567**	**-1,313**	**8,559**	**7,246**	**11,466**	**0**	**35,279**	**0**	**35,279**
C05135	Salix Projects	130	130	-0	0	-0	0	0	130	0	130
CAP55	**SALIX SCHEMES**	**130**	**130**	**-0**	**0**	**-0**	**0**	**0**	**130**	**0**	**130**
	GF TOTAL	**60,732**	**53,365**	**7,368**	**23,186**	**30,553**	**22,664**	**200**	**106,783**	**38,983**	**67,800**
HRA											
C02933	CAPITAL VOIDS	1,500	1,500	0		0			1,500	0	1,500
C04002	LIFT REPLACEMENT	504	504	0		0			504	0	504
C04003	DOMESTIC HEATING	260	260	0		0			260	0	260
C04006	MINOR WORKS & REPLACEMENTS	200	200	0		0			200	0	200
C05000	DH INTERNAL	900	900	-0		-0			900	0	900
C05002	EXTERNALS 1 - HOUSES & BLOCKS	2,062	2,062	0		0			2,062	0	2,062
C05003	EXTERNALS 2 - HOUSES & BLOCKS	2,112	2,112	-0		-0			2,112	0	2,112
C05004	DOOR ENTRY SYSTEMS	550	550	0		0			550	0	550
C05005	COMPLIANCE	210	210	0		0			210	0	210
C05006	FIRE SAFETY WORKS	200	200	0		0			200	0	200
C05007	FIRE DOORS	961	961	0		0			961	0	961
C05009	ELECTRICAL PROGRAMMES	200	200	0		0			200	0	200
C05011	COMMUNAL BOILERS	2	2	0		0			2	0	2

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
C05014	ENERGY EFFICIENCY	1,930	1,930	0		0			1,930	0	1,930
C05015	FEES and CONTINGENCY	1,178	1,804	-626		0			1,178	0	1,178
C05068	ADAPTATIONS AND EXTENSIONS	92	92	0		0			92	0	92
C05116	ESTATE IMPROVEMENT	113	113	0		0			113	0	113
C05121	COLNE & MERSEA	1,026	400	626		0			1,026	0	1,026
24-25-HRA-001	Internal Works				4,058	4,058	5,587	7,552	17,197	0	17,197
24-25-HRA-002	External Works				5,072	5,072	6,983	9,440	21,495	4,759	16,736
24-25-HRA-003	Compliance / Communal				4,666	4,666	6,425	8,685	19,776	0	19,776
24-25-HRA-004	Estate Environs				2,029	2,029	2,793	3,776	8,598	0	8,598
24-25-HRA-005	Landlord Works				2,029	2,029	2,793	3,776	8,598	0	8,598
24-25-HRA-006	Other				2,435	2,435	3,352	4,531	10,318	0	10,318
CAP30	**HRA STOCK INVESTMENT**	**14,000**	**14,000**	**-0**	**20,289**	**20,289**	**27,933**	**37,760**	**99,982**	**4,759**	**95,223**
C02820	ESTATE RENEWAL	4,000	4,000	0	4,400	4,400	0	0	8,400	0	8,400
CAP31	**HRA ESTATE RENEWAL**	**4,000**	**4,000**	**0**	**4,400**	**4,400**	**0**	**0**	**8,400**	**0**	**8,400**
C05102	MELLISH CLOSE - AUSTIN HOUSE	544	820	-276	0	-276	0	0	544	0	544
CAP32	**HRA NEW BUILD SCHEMES**	**544**	**820**	**-276**	**0**	**-276**	**0**	**0**	**544**	**0**	**544**
	HRA TOTAL	**18,544**	**18,820**	**-276**	**24,689**	**24,413**	**27,933**	**37,760**	**108,926**	**4,759**	**104,167**
IAS											
C03072	PURCHASE OF SACRED HEART CONT	125	116	9	-9	0	0	0	116	116	0
C03080	ACQSTN OF ROYAL BRITISH LEGION	36	28	7	-7	0	0	0	28	28	0
C03084	SEBASTIAN COURT - REDEVELOP	350	353	-3	3	0	0	0	353	353	0
C03086	LAND AT BEC - LIVE WORK SCHEME	131	131	0	0	0	0	0	131	-119	250
C03089	BECONTREE HEATH NEW BUILD	328	328	0	0	0	0	0	328	328	0
C04062	GASCOIGNE EAST PH2	-11,300	-11,300	0	-0	0	0	0	-11,300	-11,300	0
C04065	200 BECONTREE AVE	75	66	9	-9	0	0	0	66	66	0

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
C04066	ROXWELL RD	11,565	12,919	-1,353	11,747	10,394	1,085	403	24,801	14,196	10,605
C04067	12 THAMES RD	17,166	20,549	-3,383	8,510	5,127	994	0	26,670	12,650	14,020
C04068	OXLOW LNE	8,907	9,417	-510	804	295	0	0	9,712	3,793	5,919
C04069	CROWN HOUSE	2,355	1,796	559	-559	0	0	0	1,796	-2,632	4,428
C04077	WEIGHBRIDGE	143	0	143	-143	0	0	0	0	0	0
C04099	GASCOIGNE WEST P1	1,109	1,109	0	-0	0	0	0	1,109	669	440
C05020	WOODWARD ROAD	5,518	3,803	1,715	539	2,254	742	0	6,798	-1,879	8,677
C05025	GASCOIGNE WEST PHASE 2	32,829	40,227	-7,398	9,038	1,640	0	0	41,867	22,477	19,390
C05026	GASCOIGNE EAST PHASE 3A	16,933	15,212	1,722	-1,104	617	0	0	15,829	6,349	9,480
C05035	PADNALL LAKE PHASE 1	5,452	5,970	-518	712	194	218	0	6,381	6,381	0
C05041	TRANSPORT HOUSE	18,719	20,929	-2,210	15,605	13,395	505	0	34,828	28,945	5,884
C05047	GASCOIGNE WEST PHASE 3	1,994	1,567	427	-427	0	0	0	1,567	1,567	0
C05065	CHEQUERS LANE	317	317	-0	0	0	0	0	317	317	0
C05066	BEAM PARK Phase 6	40,005	44,593	-4,588	53,811	49,223	54,571	7,202	155,589	112,732	42,857
C05071	BROCKLEBANK LODGE	20	0	20	-20	0	0	0	0	0	0
C05073	GASCOIGNE EAST 3B	8,041	33,937	-25,896	88,467	62,571	51,913	10,453	158,874	95,687	63,187
C05076	GASCOIGNE EAST PHASE 2 (E1)	2,386	2,416	-30	30	0	0	0	2,416	2,416	0
C05082	TROCOLL HOUSE	584	582	2	198	199	120	649	1,551	1,551	0
C05090	GASCOIGNE EAST 3A - BLOCK I	27,339	28,155	-816	2,949	2,133	597	0	30,885	12,217	18,668
C05091	GASCOIGNE EAST PHASE 2 F	28,981	20,898	8,083	-4,675	3,408	0	0	24,306	5,071	19,235
C05092	GASCOIGNE EAST PHASE 2 E2	8,432	4,938	3,493	-3,949	-456	10	0	4,493	3,233	1,260
C05093	PADNALL LAKE PHASE 2	4,561	5,597	-1,037	1,848	812	384	0	6,793	-3,587	10,380
C05094	PADNALL LAKE PHASE 3	259	29	230	-230	0	0	0	29	29	0
C05100	BARKING RIVERSIDE HEALTH	7	7	0	-0	0	0	0	7	7	0
C05103	TOWN QUAY WHARF	8,904	10,497	-1,594	7,281	5,687	560	0	16,744	12,508	4,236
C05106	GASCOIGNE ROAD	30	0	30	-30	0	0	0	0	-200	200
CAP40	**IAS RESIDENTIAL**	**242,297**	**275,182**	**-32,885**	**190,378**	**157,493**	**111,699**	**18,708**	**563,082**	**323,966**	**239,117**
C03088	14-16 Thames Road	0	1	-1	1	0	0	0	1	1	0

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
C04091	PURCHASE OF WELBECK WHARF	0	11	-11	11	0	0	0	11	11	0
C04104	1-4 Riverside Industrial	223	133	90	-90	0	0	0	133	133	0
C05023	3 GALLIONS CLOSE	30	34	-4	4	0	0	0	34	34	0
C05024	FILM STUDIOS	46	54	-8	8	0	0	0	54	54	0
C05042	26 THAMES RD	1,020	1,021	-1	1	0	0	0	1,021	1,021	0
C05043	47 THAMES RD	70	70	0	0	0	0	0	70	70	0
C05046	11-12 RIVERSIDE INDUSTRIAL	1	1	0	-0	0	0	0	1	1	0
C05067	DAGENHAM HEATHWAY	426	523	-97	97	0	0	0	523	523	0
C05070	23 THAMES ROAD	0	1	-1	1	0	0	0	1	1	0
C05072	INDUSTRIA	4,019	2,924	1,095	0	1,096	0	0	4,020	4,020	0
C05074	BARKING BUSINESS CENTRE	200	203	-3	3	0	0	0	203	203	0
C05110	Purchase of Maritime House	1,069	1,153	-84	84	0	0	0	1,153	1,153	0
C05112	Purchase of Edwards Waste Site	8,844	8,845	-1	1	0	0	0	8,845	8,845	0
C05133	Dagenham Trades Hall	1,502	1,472	30	-30	0	0	0	1,472	1,472	0
TBC	Unallocated			0	3,000	3,000	2,000	1,000	6,000	6,000	0
CAP42	**IAS COMMERCIAL**	**17,450**	**16,446**	**1,004**	**3,092**	**4,096**	**2,000**	**1,000**	**23,542**	**23,542**	**0**
	IAS TOTAL	**259,747**	**291,628**	**-31,881**	**193,469**	**161,588**	**113,699**	**19,708**	**586,624**	**347,507**	**239,117**
	TOTAL CAPITAL PROGRAMME	**339,024**	**363,813**	**-24,789**	**241,344**	**216,555**	**164,297**	**57,668**	**802,333**	**391,249**	**411,084**

Appendix H

Section 25 Statement of the Section 151 Officer (DRAFT)

1. Introduction

The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under Section 25 of the 2003 Local Government Act which states the following:

a) Where an authority to which Section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or Section 85 of the Greater London Authority Act 1999 (c.29) (Great London Authority) applies is making calculations in accordance with that section, the Chief Finance Officer of the authority must report to it on the following matters:

- The robustness of the estimates made for the purposes of the calculations, and
- The adequacy of the proposed financial reserves.

b) authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made. This includes reporting and considering:

- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council. This should be accompanied by a Reserves Strategy.

In 2019 CIPFA published a new Financial Management Code. One of the 17 standards included in the new Code is 'the budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.' The first full year of compliance with the new FM Code was 2021/22.

This statement must be considered and approved by full Council as part of the budget approval and Council Tax setting process.

This assurance statement covers both the General Fund and HRA revenue and capital budgets.

2. Assurance Statement of the Council's Section 151 Officer

The following are the summary assurances and recommendations of the Council's Section 151 Officer (currently the Strategic Director, Resources).

2.1 Robustness of General Fund revenue and capital budget proposals

2.1.1 In my assessment of the robustness of the General Fund budget proposals for 20024/25 I have considered the following key factors:

- Overarching approach to the budget setting process and the rigour that has been applied;
- The financial impact of those significant financial risks which have a higher degree of likelihood of materialising over the next 12 months;
- The extent to which I believe risk mitigations will be effective;
- Degree of engagement and assurance from the Executive Team and council more widely;
- Any other factors specific to the following financial year.

2.1.2 Taking each of these factors into consideration, I have set out below my assessment of each of these to arrive at an overall conclusion.

2.1.3 An incremental approach to budget setting for 2024/25 has been followed whereby the budgets for the previous year are rolled forward and adjusted for growth or savings items. Whilst this is a generally adopted practice, this could mean that errors or inadequacies in the 2023/24 base budgets are merely rolled forward.

2.1.4 However, during 2023/24 there has been an intense scrutiny of the base budgets and a number of legacy budget issues identified and now addressed in the proposed budgets for 2024/25.

2.1.5 Where financial management has been identified as weak in some areas, a targeted, risk-based approach has been taken to improve knowledge and understanding of budgets, activity and key cost drivers. Robust financial models have now been put in place for high risk, demand-led budgets. Experienced finance staffing resources have been brought in with specialist knowledge of services where necessary to help support the Council's senior leadership team.

2.1.6 A Debt Steering Group has been established to provide greater scrutiny of the Council's debt and income collection performances which has been supplemented by external advisors for targeted areas. Levels of bad debt provision have also been subject to additional scrutiny which have previously had a budgetary impact.

2.1.7 Detailed budget scrutiny sessions were undertaken during September 2023 with the Chief Executive and Cabinet Member for Finance in attendance. These allowed for forensic analysis and challenge of directorate budgets as well as growth and savings items.

2.1.8 In terms of the General Fund capital budgets, a capital bids process was undertaken to identify capital investment needs, and these were subject to scrutiny by the Capital and Assets Board, using pre-determined criteria. Capital bids were considered and prioritised considering health and safety and other critical aspects. The amount of capital investment required over the MTFS period was identified to accommodate a modest increase in borrowing costs budgets which was deemed affordable within the General Fund budget proposals.

2.1.9 Of the financial risks that have been identified in the main body of the report, my assessment of those risks which are more likely than not to materialise and/or have the greatest financial impact are:

Inability to deliver savings

2.1.10 The General Fund revenue budget proposals including £15.60m of savings of which £4.8m are still at a high-level stage of development.

2.1.11 More specifically savings of £4.1m identified in the People & Resources Directorate have only been identified at a late stage in the process and require more granular levels of detail to be able to form a clear assessment of their robustness.

2.1.12 However, there are certain additional factors to be considered in the assessment. Firstly, the savings are underpinned by a change of internal staffing structures and reporting lines which are within the direct control of the Council and plans are already in place. Secondly, the high-level plans have been supported by external, specialist support and review provided by the Local Government Association and following best practice in other local authorities.

2.1.13 The Strategic Director, People & Resilience has also articulated those plans well in discussions that were held with both the Chief Executive, myself and relevant Cabinet Members and so there is wider understanding and assurance around those plans.

2.1.14 In addition, permanent options for the proposed budget gap of £8.809m for 2024/25 are already being considered and are likely to deliver additional savings earlier than 2025/26.

2.1.15 The Chief Executive is also establishing a Finance Scrutiny Board which will meet monthly to scrutinise and challenge Directorate financial performance and progress on savings delivery and alternative plans.

2.1.16 For the first time this year, all Strategic Directors are being asked to provide an assurance statement in acceptance of their budgets which states that they will operate within their approved budget envelope and find alternative savings where delivery of identified ones is at risk.

Growth is insufficient

2.1.17 A total of £54.12m of growth has been added to the 2023/24 budgets in setting the revenue budgets for next year. This is a significant amount of growth and £25.62m of this relates to 2023/24 base budget pressures. This should ensure that the base budgets for 2024/25 are more robust, based on current demand and activity.

2.1.18 However, growth for any other factors e.g. general contract inflation or demand has been kept to an absolute minimum. Instead, two central contingency budgets have been established which will be released to offset demand or inflationary pressures subject to my approval.

2.1.19 With the demand-led budgets there is the inherent risk in the budget proposals that they are insufficient to cope with increases in demand, particularly in adult and children's social care or temporary accommodation pressures. However, an assessment at this time is that a reasonable maximum exposure for 2024/25 based on trends would be less than £10m. As demand management plans are being put in place and a central contingency has been established then there are risk mitigations in place. In an extreme situation, this could always be accommodated within the General Fund balance currently maintained at £12m.

Backlog of audited accounts

2.1.20 The Council's external auditors, BDO have still not concluded their audit of the 2019/20 accounts and have now given a further revised forecast timeline for conclusion of 31 August 2024.

2.1.21 Without a formal audit opinion, this does introduce the potential for material misstatements to be identified on conclusion of their audit and which have a financial impact on the Council's General Fund. However, the audit has been substantially completed with many key risk areas reviewed and signed off. A number of material adjustments have been identified from the conclusion of this work, but these have already been adjusted for as appropriate.

2.1.22 Given the delays to the 2019/20 accounts it is inevitable that later years to 2022/23 will be subject to the new arrangements being considered by the government to deal with the audit backlog and not subject to a full audit.

2.1.23 Grant Thornton have been appointed for as the Council's external audit for 2023/24 and have provided assurance that this would be undertaken on a timely basis (subject to any matters beyond their control). There is a risk that material matters are identified during 2024/25, given that this will be the first full audit for the Council in over three years.

2.1.24 However, a new, experienced Chief Accountant has joined the Council in 2023 and has undertaken a review of the later years. An external advisor was also commissioned to undertake an independent review of those accounts prior to the previous Chief Accountant leaving. I, therefore, have a degree of confidence that there will be no significant matters arising from the audit backlog that will have a significant financial impact on the Council's General Fund budgets in 2024/25.

Investment and Acquisition Strategy

2.1.25 The Council's Investment and Acquisition Strategy (IAS) was established to fund investment in housing and regeneration schemes across the borough and was approved on the basis that it would be both self-financing and generate a target rate of return if possible.

2.1.26 The IAS forms the basis for the Council's Annual Investment Strategy (AIS), included within the TMSS, which sets out the Council's approach to non-treasury investments. The AIS is based on investment in income-generating residential and commercial assets. All schemes are funded through borrowing but the costs of which should be met through revenue flows either from assets owned directly or under lease/loan arrangements within the Council's subsidiary (Reside).

2.1.27 The Treasury Management Strategy Statement sets out the impact of the IAS borrowing. By the end of 2023/24 the Council will have borrowed £880m to fund the IAS with a further £170m planned over the MTFS period.

2.1.28 The Council's General Fund revenue budgets contain both IAS interest payable and interest receivable budgets and the key matter for my consideration is whether the revenue flows will cover the borrowing costs for 2024/25 and beyond.

2.1.29 For 2024/25, I am satisfied that this will be the case and in this respect the budget proposals are robust. However, there are a significant number of financial risks which have begun to materialise and these are detailed within the Treasury Management Strategy Statement, mainly relating to increased interest rates, decreases in operational returns and decreases in overall net surpluses.

2.1.30 There are ongoing problems e.g. voids, all of which have a financial impact.

2.1.31 The Council currently has a number of workstreams underway and is strengthening its governance and oversight arrangements of the IAS. External support is also being given to ensure that the governance and assurance framework is robust. The Council will also be seeking to de-risk the IAS portfolio where appropriate. It will be important that all work is concluded at pace in this calendar year in readiness for the following year's budget setting.

2.1.32 In 2023/24 the Council also has an income core budget of £5m to be achieved through an overall net return on the IAS. This has been reduced to £4m and forecasts included within the Treasury Management Strategy demonstrate that this is achievable. However, the ability for the IAS to generate this overall net return on an ongoing basis will be need to considered, once the IAS work above is completed.

2.1.33 The Council also has pipeline regeneration schemes for which significant costs of c£16m have already been incurred but for which scheme viability is proving challenging. A solution will need to be found to progress these schemes otherwise there is the potential for these schemes to become a revenue charge in future years in the event of a scheme being aborted. These costs would need to be funded from the Council's General Fund revenue budgets or the IAS reserves (see below).

2.1.34 The Council's subsidiary structures and financial interactions with the Council are complex. The Council's 2023/24 base budget has a dividend income budget of £10.3m and this has been rolled forward into 2024/25. Removing this budget would have increased the budget gap. Strategic discussions are currently taking place between the Council and its subsidiary in terms of the dividends that will be declared in 2024/25. Any shortfall in income will need to be met through the IAS reserves (see below).

2.1.35 The Council will also need to address the dividend income budget that is embedded in its base to ensure that reserves are not needed to fund this budget from 2025/26 onwards.

Overall, my conclusion is that the Council's General Fund budget proposals for 2024/25 are robust

2.2 **Adequacy of the Council's Reserves**

2.2.1 The forecast reserve balances at 31 March 2025 take into account the potential use of reserves to balance the 2023/24 financial year as well as the planned use to bridge the budget gap for 2024/25.

2.2.2 The Council ended 2022/23 with an earmarked Budget Smoothing Reserve (BSR) of £16.84m, set aside to smooth the delivery of savings over the medium term. However, £13.51m of was used in setting the budget for 2023/24 reducing the reserve to £3.33m.

2.2.3 A review of all other earmarked reserves was undertaken during 2023/24 to ensure that reserves set aside were still needed for the intended purposes or whether they could be released to enhance the Budget Smoothing reserve. This increased the BSR during 2023/24 but this will now be fully utilised in setting the 2024/25 budget and balancing the current financial year.

2.2.4 Therefore, there is no longer a specific earmarked reserve which could be called upon should savings not be delivered. However, as noted above, Strategic Directors have provided assurance statements that savings will be delivered, or alternative plans put in place. Permanent savings for 2025/26 are already being worked up and should deliver savings earlier to mitigate this risk further.

2.2.5 However, the Council will need to continue to find additional and/or accelerated savings to enable the Budget Smoothing reserve to be replenished. Going forward, it is recommended that the Council seeks to create an annual budget to transfer funds to this or another reserve to create an additional contingency to act as a buffer for managing demand cost pressures.

2.2.6 In balancing 2024/25, the General Fund general reserve will be reduced to the minimum balance of £12m to be maintained under the approved Reserves Policy, This will represent approximately 5% of the Council's net revenue budget. I consider this to be a reasonable percentage.

2.2.7 The Council does have general fund earmarked reserves of £29.56m that have been generated through returns on the Investment & Acquisition Strategy (IAS). However, as highlighted above, and in the Treasury Management Statement, there are significant financial risks within the delivery of the IAS.

2.2.8 It is important, therefore, that the IAS reserves are retained and continue to be ringfenced to mitigate risks with schemes revenue flows into the Council not meeting the related borrowing costs, the overall £5m net return required not being achievable or any shortfall in subsidiary dividend income.

2.2.9 However, my assessment at this stage is that the IAS reserves are sufficient to cover the related IAS financial risks for 2024/25.

2.2.10 My residual question in my assessment of the adequacy of reserves is how any potential overspend in 2024/25 would be funded given that the remaining forecast earmarked reserves are either ring-fenced or committed as set out above.

2.2.11 Given that: there is provision within the General Fund budgets by way of contingency, that there are plans to accelerate savings and manage demand and considerable growth has been given in 2024/25, the risk of an overspend has been reduced. Should that situation arise, then it would be possible to utilise a small amount of the IAS reserves, but this approach should only be taken as a last resort.

Overall, my conclusion is that the Council's forecast General Fund reserves are adequate for the risks that it is facing in the forthcoming financial year. However, the Council will need to seek to replenish General Fund reserves over the MTFS period.

2.3 HRA Revenue and Capital budgets and Reserves

2.3.1 The Housing Revenue Account (HRA) 2024/25 budget was developed through collaboration between Finance, colleagues in My Place and the Council subsidiaries to arrive at the best estimates of cost and income required for managing and maintaining the HRA stock in 2024/25.

2.3.2 This considered prior and current year activities, data from suppliers and insights from ongoing contract procurement processes and relevant government regulation.

2.3.3 The capital investments in the existing stock captured in the HRA capital budget reflect estimates developed from stock condition surveys on the investment need of the stock and provides funding for what can be realistically achieved in the 2024/25 while capping future years to funding generated within the HRA excluding borrowing.

2.3.4 Inflation and interest rate assumptions used to develop the budgets are based on current prices while future forecasts are informed by Bank of England (BOE) inflation and interest rate forecasts and takes into consideration the BOE' inflating targeting policy.

2.3.5 These estimates have also been used to produce a draft 30-year HRA business plan.

2.3.6 In developing the business plan, the Council has set a minimum HRA reserve balance of 10% of the total revenue for the year. The reserve balance enables the Council to maintain adequate reserves to help cushion the Council against unexpected future challenges while facilitating better planning on how to use income generated above the minimum reserves levels to fund the management and maintenance of the HRA stock and develop new affordable housing.

2.3.7 Sensitivity analysis was undertaken to determine the affordability of the 2024/25 revenue and capital budgets over the short and medium term of the HRA business plan. The final budget proposal being the budget estimates that delivers the longest period of viability for the HRA.

2.3.8 While a capital budget has been proposed for the HRA, this has been achieved by capping capital investment to the level of funding generated within the HRA excluding borrowing. The underfunding of the existing stock's maintenance requirement has been flagged as a risk and the Council has set a strategic objective to work towards delivering efficiency savings within the HRA to generate more resources to increase investment in the existing stock and tackle decarbonization.

Overall, my conclusion is that the Council's HRA budgets are robust for 2024/25 and reserves are adequate for the shorter-term risks that it is facing. However, the Council will need to continue its work on the securing the longer-term viability of the HRA and the ability to afford the required levels of capital investment.

Appendix I

Strategy for the Flexible Use of Capital Receipts 2024/25

Background

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

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

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

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

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

This was extended in an amended direction in December 2017 by a further three years up to and including 2021/22 to allow the continued flexible use of capital receipts for the above purposes. Further updated statutory guidance was issued by the Department for Levelling Up, Housing and Communities (DLUHC) in August 2022 which extended the scheme for the financial years 2022/23, 2023/24 and 2024/25.

To benefit from this dispensation and comply with the Direction, the Council must consider the statutory guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a 'Flexible Use of Capital Receipts Strategy'.

The guidance also requires that each authority should disclose the individual projects that will be funded or part-funded through capital receipts flexibility to full Council (the Assembly). It goes on to say that this requirement can be satisfied as part of the annual budget setting process, through the Medium-Term Financial Plan or equivalent, or for those authorities that sign up to a four-year settlement deal, as part of the required Efficiency Plan.

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

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

The Secretary of State has extended the scheme further to cover the financial years 2022/23, 2023/24 and 2024/25 with clear requirements to use this flexibility.

1. A strategy for the flexible use of Capital Receipts is published and approved by the Local Authority.

2. A submission of this strategy is made to DLUHC.

The direction also includes a new requirement to submit the planned use of the flexibility in advance of use for each financial year. This condition can be met by sending the authority's own strategy documents provided they contain the detail asked for in the direction. This is not an approval process, and authorities can still freely use the flexibility as before, but the information must be sent to ensure transparency and allow proper monitoring by central government.

The recent detailed guidance clearly outlines that ongoing savings or increased income must be forecast because of the project funded by flexible use of capital receipts. This is a tightening of the guidance.

The Flexible Use of Capital Receipts Strategy for Barking and Dagenham for 2024/25 is set out below.

Flexible Use of Capital Receipts Strategy 2024/25

The Council welcomes the Government's "Flexible Use of Capital Receipts" dispensation and believes that if it is used judiciously and prudently, it can help the authority deliver savings while protecting revenue budgets and reserves. Working in this way will help to protect jobs and shield the taxpayer.

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

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

It has been clarified that ongoing savings or income must be forecast as a direct result of the project funded by the strategy. Within the revenue budget proposals for 2024/25 there are a significant number of savings to be delivered, of which a number are underpinned by four corporate transformation programmes. Target operating models will be revised as well as staffing structures underpinning those new operating models.

Investment resources have currently been identified within the Council's revenue budget and earmarked reserves and utilising capital receipts instead will mean that these resources will then be available to assist in protecting the Council's financial sustainability.

The details around, the quantum of capital receipts that it is proposed will be used under this strategy and the resulting ongoing savings, is currently worked up by way of robust business cases. Once business cases have been presented, these will be presented to Full Council for approval in 2024/25 in line with statutory reporting requirements and timelines.

Impact on Prudential Indicators

The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. The impact will be assessed and reported in the report that is presented to Full Council for approval.

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Appendix J

Cumulative Equality Impact Assessment

Budget Savings Proposals 2024/25

1. Purpose of Report

This report assesses the equalities impacts of the savings proposals set out in the Council's Budget for 2024-25. It provides an assessment of the likely cumulative impacts of the suite of budget savings proposals on residents with protected characteristics as defined by the Equality Act 2010, and the actions to reduce or mitigate any identified negative impacts.

There are significantly more savings proposals this year, due to the significant medium-term budget gap. When setting this budget, we have been mindful of the need to continue protecting those in greatest need or at most risk from cuts. Where possible, savings focus on optimising efficiencies in service delivery. However, some difficult decisions are being made.

This cumulative impact assessment focuses on the impact of savings proposals on residents. Impacts relating to staff as a result of the savings proposals e.g., deletion of vacancies, changes to "back office" staffing and risk of redundancies are assessed through HR processes, including Workforce Board.

2. Our legal responsibility – the Equality Act 2010

The Public Sector Equality Duty, set out in the Equality Act 2010, requires public bodies to pay due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Equality Act
- advance equality of opportunity between people who share a characteristic and those who do not
- foster good relations between people who share a characteristic and those who do not.

The nine protected characteristics are:

- age
- disability
- gender reassignment
- pregnancy and maternity status
- marriage and civil partnership
- race
- religion or belief
- sex
- sexual orientation

An Equality Impact Assessment is not a legal requirement in England, but it is an established and credible tool for demonstrating and evidencing due regard to the Public Sector Equality Duty, which is required by law.

We need to understand the effect and impact of our policies and practices, service delivery and decision-making. Although the Council is not legally obligated to reject savings or growth proposals that could have negative impacts on any groups, it must consider the impact of its proposals on the Public Sector Equality Duty, take a reasonable and proportionate view about the overall impact on particular groups, and seek to mitigate potential negative impacts where possible.

3. Context

3.1 Barking and Dagenham population statistics

Having a deep understanding of the borough's population is essential in effectively assessing the impact of our decisions on our residents. Since 2001 there has been significant change in the make-up and characteristics of the population. The latest Census and Joint Strategic Needs Assessment reveal the following about our residents:

The population has grown significantly faster than other places

- The population size (on Census Day) was 218,900. This had grown by 17.7% since 2011 – the third highest growth rate in England and Wales.
- The population is expected to grow another 42% to 309,000 by 2041.

…Barking and Dagenham is one of the most ethnically and culturally diverse communities

- The borough has seen the greatest increase in ethnic diversity between 2011 and 2021 with the percentage of non-White British residents rising by 18.6 percentage points over that decade.
- Two in five residents were born outside of the UK. Nigeria (4.31%), Romania (4.30%) and Bangladesh (4.24%) were the three countries outside of England where most foreign-born residents were born.
- 16% of the population are Black African – the highest proportion in England and Wales.
- 10% of residents are Asian Bangladeshi – the fourth highest proportion in England and Wales.
- The most common language of residents whose main language is not English is Romanian (4.8%) followed by Bengali (3.1%).
- Islamic faith has grown in the borough since 2001 – the percentage of Muslim residents has increased by 20 percentage points. Nearly a quarter of residents are Muslim.
- 45.4% of residents are Christian, down from 56% in 2011.

...and one of the youngest, with many young families

- 57,100 (26.1%) of residents were aged under 16 on Census Day – the highest proportion in England and Wales.

- There are 9,400 (12.8%) lone parent households with dependent children – the highest proportion in England and Wales

- Average household size is 2.96 – the fourth highest average household size in England and Wales

Our community is also diverse in terms of sexual orientation and gender identity

- Barking and Dagenham is the local authority with the highest proportion of trans women (0.25%) and the third highest proportion of trans men (0.24%) in England and Wales.
- 2.3% of the population identified as LGB+ (those who described their sexual orientation as something other than heterosexual).

Residents experience some of the highest levels of deprivation in the country

- 46,100 (62.4%) households in the borough have at least one measure of deprivation – the highest proportion in England and Wales

- 46% of children are estimated to live in poverty - the third highest rate in England and Wales

The self-reported health of the population is worse than most places in England and Wales and we have one of the highest levels of disability in London.

- 29.8% of households have at least one person who identifies as disabled – the highest proportion in London.

- 4.8% of residents reported that they consider themselves to be in "bad" or "very bad" health. After standardising for age, this is higher than average for London and England

To find out more about the borough and its people, visit: https://www.lbbd.gov.uk/about-borough

3.1. LBBD Corporate Plan priorities and Equality Objectives

The Council's Corporate Plan 2023-26 sets out the vision of the Council to make Barking and Dagenham a place people are proud of and where they want to live, work, study and stay, whilst ensuring that no-one is left behind.

There are seven strategic priorities by which this vision will be achieved:

- 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 our priorities a set of principles have been developed to be applied to our work across the whole Council. These principles, together with our values and culture, will drive service delivery, performance, and innovation:

- 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
- Adopt a "health in all policies" approach
- Strengthen risk management and compliance.

Developed alongside the seven strategic priorities as part of the Council's Corporate Plan 2023-26 are our Equality Objectives. As a public sector organisation, we are obligated through the Public Sector Equality Duty to publish Equality Objectives at least every four years.

The Council's Equality Objectives for this period are:

- **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 through a programme of equalities events.
- **Fair and transparent services**: activity aimed at addressing workforce matters 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.

3.2. MTFS budget gap

The Council is facing a significant shortfall in its budget to reach a balanced budget for 2024/25 which has predominantly arisen because of significant cost pressures arising from high inflation, increases in interest rates, continued challenges of cost-of-living crisis, increases in demand and/or change in the needs of existing service users and uncertainty about public sector finances.

The updated MTFS identifies a 2024/25 budget deficit of £8.809m, after allowing for savings proposals totalling £15.595m and growth proposals totalling £54.129m. The cumulative budget deficit increases to £17.317m by 2026/27. This EIA is concerned with the current, well-developed proposed savings for 2024/25. Officers and members are continuing to work together to identify further potential areas for budget savings.

It is crucial that savings are delivered. Failure to deliver savings will result in an overspend in 2024/25.

3.4 Local government funding

The financial sustainability of the whole of Local Government is under stress and this has been seen by a number of Local Authorities issuing a Section 114 notice, effectively signifying their inability to deliver a balanced budget. However, what is different now is that the reason for these notices is purely that increases in funding have not kept pace with expenditure.

There has been a significant reduction in funding from Central Government, with the key measure of Core Spending Power, continuing to show reduced level of funding since 2010. The 2023/24 financial year saw an average increase of 9.2% in core spending power (CSP) – the government's measure of overall core funding – for London boroughs from £8.01bn to £8.75bn. However, despite the overall increase, CSP for London Boroughs will remain 18% below 2010 levels in real terms. For every £1 we received 10 years ago, we now receive just 63p.

3.3. Inflation and increasing costs

Macroeconomic factors have impacted the Council's finances considerably with inflation causing cost rises and increase in interest rates slowing down development activity. This in turn has resulted in negative impact on the Council's wholly owned companies which in turn have impacted on the Council's ability, via its General Fund, to obtain projected returns.

3.4. Cost-of-Living Crisis

We are experiencing the biggest Cost-of-Living crisis in over 30 years. Rising inflation and increasing costs have significantly impact on our residents – costs of food and bills have risen at rates that many residents cannot keep up with. Our residents are more vulnerable than most to this, due to the existing level of deprivation and the residual effects of the Covid-19 pandemic. We recognise the enormity of this crisis for our residents – which is why we made supporting them through the crisis one of the Council's seven corporate priorities for 2023-26.

Building on progress and success of our combined response to the Covid-19 pandemic, the Cost-of-Living Alliance brings together the Council, community and faith groups, and invited businesses in the borough to provide effective and holistic help for those in need at the earliest opportunity.

There is an extensive range of support available to residents during this challenging time, including:

- BD Money - BD Money is a local website here to help residents manage their money including maximising income, benefit entitlement, access to grants and debt advice.
- Credit Union partnership - BD Money has partnered with Leeds Credit Union to provide access to a range of loan and saving products to those who live and work in Barking and Dagenham.
- Warm Spaces - Together with local partners, we've created a network of warm spaces across the borough for residents, including in some of our Community Hubs, to meet other people and have a cup of tea to stay warm, without having to put on the heating at home as much.

- Cosy Homes scheme - we're continuing to work with E.ON to offer free cavity, external wall and loft insulation. More than 2000 households in Barking and Dagenham have received free measures since 2020.
- Food banks – across the borough can provide emergency food parcels if a resident is temporarily unable to provide for themselves.
- Community Food Clubs - Community Food Clubs led by community and voluntary sector partners offer free and discounted meals, food packages, food supplies and household goods.
- Free holiday activities for young people eligible for free school meals
- Council Tax Support - Eligible residents aged over 18 can get up to 25 per cent discount on their council tax bill depending on their income, savings, household and circumstances.
- Hardship schemes: Funds to support vulnerable households most in need of help with the rising living and energy costs such as gas, electric, water and food costs. Additional support also includes white goods, winter clothing, essentials for work related costs such as travel and broadband.

Further information about how the Cost-of-Living Alliance and the Council are supporting residents can be found here.

4. Equality Impact Assessment Process

Where a savings proposal has a direct or indirect impact on residents, an Equality Impact Assessment has been completed. These assessments have outlined the proposal and the purpose of the change, identified the potential positive and negative impacts of the proposal and outlined steps that will be taken to maximise positive impact and mitigate or minimise negative impacts, where possible.

There are 78 savings proposals as part of this year's budget report. Of this 78, 23 of them were initially assessed as having potential impact on residents, the way that they access or experience services, or their outcomes, with an additional 7 requiring further development before it is clear whether the proposal will impact on residents. The other savings proposals were focused on optimising efficiencies in service delivery or changes to staffing (the impacts of which are dealt with through HR processes).

Of these 23 proposals, nine EIA screening tools have been completed and eight full EIAs. The other budget proposals (13) are put forward for a decision, subject to the proposal being further worked up, including consultation and a full consideration of the impact on residents with protected characteristics by services, in collaboration with the Strategy and Equalities Team. These will be presented for decision at a future point in time when the proposals have been further developed taking into account the results of the consultation and the equalities impact assessment.

5. Consultation

An online consultation, consisting of a budget quiz and a survey, was open between 20 December 2023 and 21 January 2024. The survey received 209 responses and 115 people took part in the budget quiz. 98.6% of the respondents were residents of the borough.

There was a budget Facebook Live Q&A on Tuesday 16 January 2024 with Cllr Rodwell, Leader of the Council, and Cllr Twomey, Deputy Leader and Cabinet Member for Finance, Growth and Core services. It had 892 views.

55 local businesses were consulted on 2024/25 budget proposals at the Barking and Dagenham Business Forum conference on 24 January.

The results of the consultation are included in the budget report (Appendix F).

6. Cumulative Equality Impact of Budget Savings Proposal

The individual Equality Impact Assessments and screening tools have been collated and assessed for the cumulative impact on people with protected characteristics.

Many of the Equality Impact Assessments and screening tools found that the proposals would have either positive impacts on people with protected characteristics, or no material impact, due to the changes being proposed not changing the services that residents would receive, or how they access or experience a service, or their outcomes as a result.

Despite this, the overall cumulative assessment is that there is a **potential negative impact** because of the budget savings proposals for 2024/25. However, where potential negative impacts have been identified because of the savings proposed, there are actions outlined that will mitigate or minimise the negative impacts, as much as possible. Officers have considered how residents will be able to continue to access alternative support and services.

In light of the extremely challenging fiscal situation and the need for services to remain financially sustainable, the conclusion is that the Council's proposals for achieving savings are considered reasonable and have shown due regard to the Public Sector Equality Duty.

7. Summary of impacts by protected characteristic

Based on individual Equalities Impact Assessments the following protected characteristics are potentially impacted negatively by one or more of the savings proposals for 2024/25:

Age

- **Reduce/adjust care packages for adults in receipt of double-handed care at home (Adults Social Care - 24 2 25 P&R S02)** The proposal to reduce or adjust care packages for adults in receipt of double-handed care at home may cause stress and anxiety. To minimise/mitigate this impact, the service will provide individual assessments to identify and provide alternative care to meet their needs. Alternative care will only be provided where it is safe to do so. There will be ongoing communication and support through the changes to reduce stress and anxiety.

- **Close Gascoigne Road Care Home (Adults Social Care- 24 2 25 P&R S06)** The residents who currently reside at this care home will have to move. For people under 65, there can be limited options and services available to meet their needs. Alternative provisions may be out of borough.

Reassessment of needs and alternative placements sought to meet individual needs, with every effort made to keep people in the borough.

- **Reducing community events programme – Barking Folk Festival and Eid at Eastbury (Strategy - 24 2 25 STR S01)** Barking Folk Festival attracts relatively small numbers of residents, but as one of our free community events, there will be some families who now miss out. However, the Council will continue to stage some free community event across the summer to minimise this impact.

Disability

- **Reduce/adjust care packages for adults in receipt of double-handed care at home (Adults Social Care- 24 2 25 P&R S02)**
  The proposal to reduce or adjust care packages for adults in receipt of double-handed care at home may cause stress and anxiety. To minimise/mitigate this impact, the service will provide individual assessments to identify and provide alternative care to meet their needs. Alternative care will only be provided where it is safe to do so. There will be ongoing communication and support through the changes to reduce stress and anxiety.

- **Close Gascoigne Road Care Home (Adults Social Care- 24 2 25 P&R S06)** The residents who currently reside at this care home will have to move. For people under 65, there can be limited options and services available to meet their needs. Alternative provisions may be out of borough. Reassessment of needs and alternative placements sought to meet individual needs, with every effort made to keep people in the borough.

- **Deletion of the Mental Health Vocational Support Service (Community Solutions - 24 2 25COMSOL S07)** The service has an active workload of 200 residents, with secondary mental health conditions, who benefit from a targeted support offer informed by individual needs, strengths and vulnerabilities – they are unlikely to make best use of a generic service. To support these people, there will be a well-planned transition to alternative support services and a decommissioning plan to provide assurance and coordinate the process.

Race

- **Reducing community events programme – Barking Folk Festival and Eid at Eastbury (Strategy - 24 2 25 STR S01)** The Barking Folk Festival has sought to celebrate a range of cultures, so there will be a reduction in the number of opportunities the borough has to promote community cohesion via this event. However, the Council will continue to stage some free community events across the summer and support community cohesion through other activities.

Religion or Belief

- **Reducing community events programme – Barking Folk Festival and Eid at Eastbury (Strategy - 24 2 25 STR S01)** The Council will no longer be supporting the Eid at Eastbury event. In 2023, this amounted to a high per-head subsidy for those who attended the event. However, the Muslim community staged multiple other Eid events without Council support. Al Madina mosque is able to organise its own Eid event.

- **Review the Participation and Engagement Function (Community Solutions - 24 2 25COMSOL S04)** The Participation and Engagement Team work closely with and coordinate, build and maintain relationships with faith leaders, including supporting the Faith Leaders Network. The proposed service review reduces capacity in this team, and risks loss of local knowledge and relationships with the faith communities. The negative impacts could be minimised by ensuring the retained function adapts a work plan that prioritises limited resource and capacity to be targeted most effectively.

Socio-economic disadvantage[i]

- **Reducing community events programme – Barking Folk Festival and Eid at Eastbury (Strategy - 24 2 25 STR S01)** Barking Folk Festival attracts relatively small numbers of residents, but as one of our free community events, there will be some families who now miss out. However, the Council will continue to stage some free community event across the summer to minimise this impact.

- **Deletion of the Mental Health Vocational Support Service (Community Solutions - 24 2 25COMSOL S07)** This proposal results in a reduction of support to help residents get closer to the job market. To support people who would have benefitted from this service, there will be a well-planned transition to alternative support services and a decommissioning plan to provide assurance and coordinate the process.

- **Controlled Parking Zones and proposed increases to parking permits (My Place - 24 2 25 MY PLACE S01, 23 2 25 MY PLACE S01 and 24 2 25 MY PLACE S02)** There is acknowledgement that increases in prices will affect those with socio-economic disadvantage more than others. However, there is no proposed increase in residents permits (which have stayed the same since 2016), and benchmarking with neighbouring boroughs show the changes to charges are relatively low and intended to ensure environmental improvements to the community.

- **Cemetery Fees and Charges (My Place – 24 2 25 MY PLACE S08)** Given that Barking and Dagenham is one of the most deprived areas in the country, and we are experiencing a national cost-of-living crisis. This means that rising costs will impact on people experiencing socio-economic disadvantage more than those not. This is the reason that fees have only been increased by 10% and not in line with surrounding local burial authorities, which are still more expensive.

There are no disproportionate impacts relating to:

- Gender Reassignment
- Marriage and Civil Partnership
- Pregnancy and maternity
- Sex
- Sexual Orientation

8. Monitoring

The lead officer for each proposal will be responsible for ensuring that the equality considerations remain at the forefront of decision making as each of these proposals are progressed and implemented. This will include monitoring impact as these proposals are developed and implemented. Equality Impact Assessments should be live documents which are updated as more information becomes available and therefore services will ensure the impact is closely monitored.

[i] Socio-economic disadvantage is not a Protected Characteristic as defined by the Equality Act 2010. LBBD considers the impact of decisions on people with socio-economic disadvantage as best practice given the levels of deprivation experienced in our borough.

CABINET

19 February 2024

Title: Treasury Management Strategy Statement 2024/25 and Capital Strategy 2024/25 to 2026/27	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** Yes
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: N/A	
Accountable Strategic Director: Jo Moore, Interim Strategic Director Finance and Investment (S151 Officer)	

Summary

This report presents the annual Treasury Management Strategy Statement (TMSS), Treasury and Prudential Indicators, Annual Investment Strategy (AIS) and Capital Strategy for approval, in compliance with Section 15(1)(a) of the Local Government Act 2003 (LGA 2003).

The production and approval each year of a TMSS, AIS and Capital Strategy are requirements of the Council under Section 15(1) of the Local Government Act 2003. It is also a requirement of the Act to set an authorised borrowing limit for the forthcoming financial year. The LGA 2003 also requires the Council to have regard to the Prudential Code and to set prudential indicators which consider the Council's capital investment plans and borrowing requirements for the next three years.

CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021 and stated that Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2023/24. This report complies with these reporting requirements.

The Capital Strategy sets out an overview of how the Council's capital investment contributes to the provision of local public services and considers the financing of that and whether it is prudent, affordable and sustainable.

The Annual Investment Strategy sets out the Council's plans and approach to non-treasury and commercial investments. This is currently largely driven by the Council's Investment and Acquisition Strategy, (IAS) which will be revised and presented to Cabinet in April 2024. The Capital Strategy is included as Appendix 4 to this report.

The Treasury Management Strategy includes the Council's borrowing strategy. As at 30 November 2023, the Council had an external debt balance of £1.260bn, split into £296m for the HRA, £689m of long-term borrowing and £275m of short-term borrowing. Most of the long-term borrowing is for the IAS. Without any asset disposals and related capital receipts, then the total external debt is forecast to increase to £1.55bn by 2025/26 to fund the approved IAS schemes, with a total debt position of £1.81bn if leases and PFI schemes are added. Currently £190.3m of this debt is serviced by on-lending to Reside.

The Council's Capital Financing Requirement (CFR), which is the measure of the Councils level of underlying need to borrow to fund past and proposed capital expenditure. This is forecast to increase to over £2bn by 31 March 2025, with a peak of £2.11bn by 31 March 2026 unless1 additional capital schemes are agreed. The difference between the CFR and actual external debt is due to the use of internal cash resources known as "internal borrowing".

This report sets out the Council's treasury and debt position, borrowing strategy and CFR, as well as the risks related to the IAS and the General Fund.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to approve and adopt the Treasury Management Strategy Statement for 2024/25 and, in doing so, to:

(i) Note the current treasury position for 2024/25 and prospects for interest rates, as referred to in sections 4 and 8 of the report;

(ii) Approve the Annual Investment Strategy 2024/25 outlining the investments that the Council may use for the prudent management of its investment balances, as set out in Appendix 1 to the report;

(iii) Approve the Council's Borrowing Strategy 2024/25 to 2026/27, as set out in Appendix 2 to the report;

(iv) Approve the Capital Prudential and Treasury Indicators 2024/25 to 2026/27, as set out in Appendix 3 to the report;

(v) Approve the Operational Boundary Limit of £1.9bn and the Authorised Borrowing Limit of £2.0bn for 2024/25, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003, as referred to in Appendix 3 to the report;

(vi) Approve the Capital Strategy, including the Capital Programme for 2024/25 to 2026/27, as set out in Appendix 4 to the report;

(vii) Approve the revised Minimum Revenue Provision Policy Statement for 2024/25, the Council's policy on repayment of debt, as set out in Appendix 5 to the report;

(viii) Note that changes made to the Prudential Code and Treasury Management code, published in December 2021, have been fully implemented for the 2024/25 TMSS;

(ix) Approve the Liability Benchmark data in section 11, including the impact of schemes agreed in 2022 but also the impact of pipeline schemes on the amount of borrowing required by the Council;

(x) Delegate authority to the Section 151 Officer, in consultation with the Cabinet Member for Finance, Growth and Core Services, to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to consider the increase in short-term cash held from borrowing;

(xi) Note the economic, development and operational risks for the IAS schemes as outlined in section 8 and within the IAS and Borrowing reports;

(xii) Note the Council's total borrowing is £1.260bn, split into £296m for the HRA, £689m of long-term borrowing and £275m of Short-term borrowing;

(xiii) Approve the CFR projections of £2.022bn for 2024/25, £2.11bn for 2025/26 and £2.02bn for 2026/27; and

(xiii) Note that the Investment and Acquisitions Strategy shall be updated and presented for approval in April 2024.

Reason(s)
To enable the Council to accord with the requirements of the Local Government Act 2003

1. Introduction and Background

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

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

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

1.4 CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021 and stated that Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2023/24. The main objective of the Codes was to respond to the expansion of local authority investment activity over the past few years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that it:

- defines its risk appetite and its governance processes for managing risk.
- sets out its investment policy in relation to environmental, social and governance.
- adopts a liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; with material differences between the liability benchmark and actual loans to be explained.
- does not borrow to finance capital spend to invest primarily for commercial return
- increases in the CFR and borrowing are solely for purposes directly and primarily related to the functions of the authority. Where any financial returns are related to the financial viability of the project, they should be incidental to its primary purpose.
- has an annual review conducted to evaluate if commercial investments should be sold to release funds to finance new capital expenditure or refinance or repay maturing debt.
- capital plans and investment plans are affordable and proportionate.
- all borrowing/other long-term liabilities are within prudent and sustainable levels.
- commercial investments risks are proportionate to overall financial capacity.
- treasury management decisions are in accordance with good professional practice.
- reporting to members is monthly through the budget monitoring process, including updates of prudential indicators.
- should assess the risks and rewards of significant investments over the long term, to ensure the long-term financial sustainability of the authority.
- has access to the appropriate level of expertise to be able to operate safely in all areas of investment and capital expenditure, and to involve members adequately in making properly informed decisions on such investments.

1.5 This report covers the above points, outlining the key risks, borrowing requirement, assets invested in and the pipeline schemes. The Council's IAS has a long-term view of over 50 years and this report will outline the forecast income and expenditure over this time frame. However, there will be a focus on the next three years as the likely performance and cashflows are more relevant and are more accurate and to align with the Council's Medium Term Financial Strategy. Longer term forecasts based on several assumptions and estimates have an inherent risk of uncertainty.

2. Treasury Management Reporting Requirements

2.1 The Council is required to receive and approve at least three main treasury reports each year. These reports are required to be adequately scrutinised by Cabinet before being recommended to the Council. In addition, monthly treasury and IAS monitoring is taken to Cabinet as part of the budget monitoring report. The three main treasury reports are:

i. **The Treasury Management Strategy Statement (TMSS)** is the most important report and considers the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected treasury position, the Prudential Indicators (PIs), the outlook for interest rates and current market conditions.

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

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

2.2 The Council is responsible for social and affordable housing within the HRA so PIs for capital expenditure, financing costs and the Capital Financing Requirement (CFR) are split between the HRA and the General Fund (GF). The impact of new capital investment decisions on housing rents is also considered. This report provides an explanation of the key elements of the Council's TMSS, its Minimum Revenue Provision (MRP) Policy, Annual Investment Strategy (AIS), Capital Strategy and Borrowing Strategy, as set out in detail in the appendices attached to this report.

3. Treasury Management Strategy Statement for 2024/25

3.1 The strategy for 2024/25 covers two main areas, including Treasury Management and Capital Strategy Reporting issues. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Communities and Local Government's (MHCLG)[Now DLUHC) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

3.2 Treasury Management Matters

- Current portfolio position at 30 November 2023 (section 4);
- Medium Term Capital Finance Programme to 2026/27 and capital budget for 2024/25 (section 5);
- Treasury position as at 30 November 2023 together with forward projections 2024/25 (section 6);
- Economic update (Appendix 6) and interest rates forecast (section 7);
- Investment and borrowing rates (section 8);
- The Council's Capital Expenditure Programme 2024/25 to 2026/27 (section 9);
- Liability Benchmarks and loan repayments (section 10)
- Treasury Management Advisors report(section 11);
- Minimum Revenue Provision Policy Statement (section 12);
- Appendix 1 – Annual Investment Strategy 2024/25;
- Appendix 2 - Borrowing Strategy 2024/25 to 2026/27;
- Appendix 3 – The Capital Prudential and Treasury Indicators 2024/25 to 2026/27;
- Appendix 4 – Capital Strategy and Capital Programme 2024/25 to 2026/27
- Appendix 5 – Minimum Revenue Provision Policy Statement 2024/25;
- Appendix 6 - Economic Background; and
- Appendix 7 – Scheme of Delegation and Section 151 Officer Responsibilities

3.3 Capital Strategy Reporting Requirements

3.3.1 The CIPFA revised 2017and 2021 Prudential and TM Codes require all local authorities to prepare an additional report, a Capital Strategy Report (CSR), which provides: a high-level long-term overview of how capital expenditure, capital financing and TM activity contribute to the provision of services; an overview of how the associated risk is managed; and the implications for future financial sustainability.

3.3.2 The aim of this CSR (Appendix 4) is to ensure that Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.3.3 In November 2016, Cabinet approved the establishment of an Investment and Acquisition Strategy (IAS). The purpose of the IAS is to support the Borough's growth opportunities and to ensure the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets. The IAS is reviewed annually by Cabinet, with the next review due to be presented to Cabinet in April 2024. Given the length of time since the IAS was approved and the significant amount of borrowing that the Council has undertaken under this strategy, external advisors have been commissioned to undertake a review of the IAS and associated asset portfolio.

3.3.4 The IAS had an annual income target of delivering £5.2m for 2024/25 to 2026/27, including hotel deals. The IAS is delivered primarily by the Council's development vehicle, Be First, and through its property companies, Reside. The strategy has resulted in the delivery of around 1,300 homes with another 2,000 in construction. It has also helped progress the land assembly and subsequent sale of the Film Studio at Dagenham East, letting of Welbeck Wharf Studios and the sale of the Muller site.

3.3.5 The CSR references the Borrowing Strategy (Appendix 2) and MRP Policy (Appendix 5) that include additional details on the borrowing and debt repayment. These documents provide details of the CSR and includes:

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

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

3.3.7 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG (now DLUHC) Investment Guidance and CIPFA Prudential Code have not been adhered to. In addition, Investment Management Practices (IMPs) for non-treasury investments are required by the 2021 CIPFA Codes.

3.3.8 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

3.3.9 On 20 December 2021, updates to the Prudential Code and Treasury Code were published, effective from the publication date, and includes borrowing purely for yield (profit), which is now no longer allowed. The implementation of the changes is incorporated in the 2024/25 TMSS. Overall, the impact of the changes will require additional reporting but the impact on the Council will be limited as the Council does not invest purely for yield, with commercial purchases part of in-borough regeneration.

4. Current portfolio position at 30 November 2023

4.1 Table 1 shows the Council's investments, loans and borrowing at 31/12/2022 and 30/11/2023 to show annual comparators, including average life and average return.

Table 1: Treasury Position at 31 December 2022 and 30 November 2023

	As at 31 December 2022			As at 30 November 2023		
	Principal £000s	Return %	Average Life (yr)	Principal £000s	Return %	Average Life (yr)
General Fund Fixed Rate Long Term Borrowing						
PWLB	617,887	1.91%	28.59	600,692	1.91%	28.00
European Invest. Bank	74,220	2.21%	20.35	71,563	2.21%	20.35
L1 RENEWABLES	6,752	3.44%	22.85	6,711	3.44%	22.85
DEXIA BANK LOBO	10,000	3.98%	53.62	10,000	3.98%	53.62
Total GF Debt	**708,859**	**1.99%**	**28.02**	**688,967**	**1.99%**	**27.53**
General Fund Fixed Rate ST Borrowing						
Local Authority ST	**146,228**	**2.99%**	**- 0.79**	**254,980**	**4.77%**	**0.19**
GF Medium Term Borrowing	**30,000**	**0.77%**	**0.72**	**20,000**	**2.43%**	**1.46**
Total GF ST / MT Borrowing	**176,228**	**2.61**	**0.38**	**274,980**	**4.60%**	**0.28**
Total GF Debt	**784,382**	**1.85**	**26.83**	**963,946**	**2.73%**	**19.75**
HRA Borrowing						
PWLB Fixed Rate	265,912	3.50%	32.14	265,912	3.50%	32.14
Market Loans Fixed Rate	30,000	4.03%	42.07	30,000	4.03%	42.07
HRA Internal Borrowing Variable Rate				10,704	4.73%	-
Total HRA Debt	**295,912**	**3.55%**	**33.15**	**306,616**	**3.43%**	**31.99**
Total Borrowing	1,180,999	2.47%	25.04	**1,270,562**	**2.90%**	**22.71**
General Investments						
MMF / Cash	9,600	2.80%	0.11	3,200	5.39%	-
Local Authority Deposit	45,250	1.63%	0.59	10,000	1.00%	0.11
Bank Deposit	12,000	1.69%	0.15	2,000	5.14%	-
Loans	177,223	3.93%	29.17	251,956	3.74%	41.33
HRA Internal Borrowing Variable Rate				**10,704**	**4.73%**	
Total Treasuy Investments and Loans	**244,073**	**3.35%**	**21.08**			
HRA Cash	**18,386**	**3.50%**	**32.14**	**18,386**	**3.65%**	**-**
Total Investments and Cash	244,073	**3.35%**	**21.08**	**277,860**	**3.66%**	**35.84**
Muller Equity	23,349			23,349		
Total Investments with Equity	**267,422**			**290,505**		

4.2 The Council holds cash balances from its income form operational activities, which are offset by expenditure to run services. If the timing of these cash flows results in surplus cash this is then invested and conversely, if it results in a deficit, borrowing will be required. Cash balances are also affected by working capital, the short-term funding required to maintain sufficient cash to meet short term debts arising from operational activities. These balances are made up of the following sources of cash:

- Capital grants and Section 106 funds received in advance of expenditure;
- General Fund, HRA and School cash balances;
- Earmarked reserves, provisions, capital receipts and working capital;
- Borrowing (financial Institutions and Publics Works Loan Board - PWLB).

4.3 Over the past year the key changes in the treasury position were:

i. Short and medium-term borrowing increased by £98m to £275m to fund the Council's commercial holdings but also new developments.
ii. Interest rates increased significantly, with the average short-term borrowing rate increasing from 2.99% to 4.77%, with short-term borrowing rates in December 2023 between 5.3% to 5.7%.
iii. Long-term borrowing rates remained the same, but the Council's long-term debt decreased by £20m as annuity and equal Instalment repayments reduced the balance.
iv. Cash holdings continued to reduce, from £67m at 31 December 2022 to £15m at 30 November 2023.
v. Loans, especially loans to Reside, increased from £177m to £252m.

5. Medium Term Capital Finance Programme and 2024/25 Capital Budget

5.1 A key part of the Council's medium term financial strategy is the medium-term capital finance budget shown in Table 2. It is a statutory requirement that the level of borrowing is kept under review and is affordable.

5.2 The **interest payable** forecast and budget shows a significant increase to 2026/27. This increase reflects the increased borrowing required and increased interest rates. Interest rates are currently around 5% for borrowing and therefore **for each additional £100m of borrowing required, £5m of interest will be required**. The interest payable largely covers the current IAS and GF borrowing requirement.

5.3 **Interest Receivable** also increases significantly as several schemes become operational and start to pay interest to the Council from Reside. The interest rates are largely fixed and reflect the agreed rate at the time of construction. Assumptions for new schemes such as Roxwell, Beam and Gascoigne East 3b include higher on-lending rates to reflect the current higher borrowing costs. MRP will also start to increase against the IAS schemes, but this is covered by principal repayments from Reside and from commercial schemes as part of the debt repayment.

5.4 Surpluses from Residential schemes could be higher than currently forecast but most schemes are either still under construction or only recently become operational. Improvement in returns could come from reducing operational costs, improved lettings and from increased rents. Deficits from commercial are based on a medium-term hold position and based on current lettings forecast. Potentially lettings, including the rates, could improve.

5.5 Borrowing costs for the IAS are capitalised against each project during the construction phase. Capitalisation of interest costs aligns with the CIPFA's Code of Practice to charge borrowing costs towards from the time an asset is at practical completion. As schemes are completed, capitalised interest stops and is replaced by a loan to Reside or through net operational surpluses from the asset class: commercial or residential schemes. As a result, the capitalised interest amount will reduce over time and the interest receivable will increase, with interest receivable ending up higher than the interest payable for the IAS. Overall the IAS is self-financing based on current interest rate forecasts, borrowing to date and for the schemes that have currently been agreed.

5.6 Table 2 below includes the MRP budget, IAS and HRA interest costs, including splitting the budgets into Residential and Commercial.

Table 2: Medium Term Capital and Treasury Budget 2024/25 to 2026/27

	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
General Fund			
Interest Payable	10,139	10,139	10,139
Interest Receivable	-6,503	-6,503	-6,503
Property Charges Income	-600	-600	-600
MRP	10,792	10,792	11,192
GF Sub-total	**13,828**	**13,828**	**14,228**
IAS			
Residential Interest Payable	9,870	13,736	20,550
Residential Interest Receivable	-18,346	-19,166	-25,748
IAS Residential MRP	825	2,859	2,938
Reside principal repayments	-2,000	-4,340	-4,692
IAS Residential Sub-total	**-9,651**	**-6,911**	**-6,952**
Commercial Interest Payable	10,840	10,028	7,872
Commercial Interest Receivable	-780	-3,669	-2,029
IAS Commercial MRP	1,438	1,481	1,755
Commercial	-5,908	-4,990	-4,707
IAS Commercial Sub-total	**5,590**	**2,850**	**2,891**
Net IAS Budget	**-4,061**	**-4,061**	**-4,061**
Hotel Lease and Lease Back	-1,176	-1,176	-1,176
Net IAS Budget Including Hotels	**-5,237**	**-5,237**	**-5,237**
HRA			
HRA Interest Payable	**10,059**	**10,059**	**10,059**

5.7 The IAS has an overall net income budget to achieve in the Council's General Fund revenue budgets. This overall surplus (after meeting IAS borrowing costs) is ei used as part of the Council's funding for its base budgets.

5.8 The IAS and treasury returns are currently difficult to accurately forecast as there is significant volatility within the interest rate market and currently many schemes have recently completed or will complete over the coming months. Reside now has a full-time Chief Finance Officer who is working with the Council on more accurate scheme forecasting. In the interim, the following assumptions have been used:

- New Borrowing Rate is modelled at 4.75% in 2024/25, 4.5% in 2025/26 and 4.0% in 2026/27;
- Assumed use of Council general reserves in 2024/25 is £40m and in 2025/26 it is £30m, which will reduce the amount of internal borrowing available;
- Borrowing based on current schemes, pipeline to be agreed at higher rates;
- Reside loans are agreed as per the Cabinet /IP agreement;
- No interest income assumed for loans to BDPT Group for LEUK for 2024/25 and 2025/26;
- £2m additional provision per year for interest rate risk;
- Drawdown of BD Energy loan and London Road loan as per current schedule;
- Refinancing of £22m per year requiring £580k additional borrowing costs per year at 5% in 2024/25 and 4.5% in 2026/27.

5.9 As schemes become operational, there are assumptions around how quickly schemes are let or sold that have a significant impact on the net returns from the IAS, especially where borrowing is high, such as for Private Rents (PRS) and Shared Ownership (SO), where there is no grant available to reduce borrowing. Where schemes remain unlet or unsold, interest costs are still incurred and cannot be capitalised, this puts a significant pressure on the IAS and treasury returns. The table below shows the net IAS returns since 2020/21 to 2022/23:

Table 3: IAS and Treasury Returns 2020/21 to 2022/23

GF Treasury and IAS Returns	Borrowing costs £000s	Interest Income £000s	IAS Income £000s	Net IAS & Interest Cost £000s
2020/21 Actual	7,730	-8,817	-6,919	**-8,006**
2020/21 Budget	13,069	-6,503	-6,637	**-71**
Variance	-5,339	-2,314	-282	**-7,935**
2021/22 Actual	8,370	-9,156	-5,434	**-6,220**
2021/22 Budget	14,121	-6,503	-6,782	**836**
Variance	-5,751	-2,653	1,348	**-7,056**
2022/23 Actual	6,687	-9,111	-5,575	**-7,999**
2022/23 Budget	11,681	-6,503	-6,077	**-899**
Variance	-4,994	-2,608	502	**-7,100**

5.10 The above returns do not include the dividend contributions from subsidiaries or the returns from the sale of Muller and from the two hotel deals, which have contributed a further £60m to the Council. Over the past 4 years the IAS and Treasury will have contributed nearly £24m in surplus returns compared to the budget set and a total of £84m. These additional returns have been saved to the IAS reserve or contributed to covering shortfalls in subsidiary dividend income. Given the volatility, highlighted above, in delivering the £5m net return required it is imperative that adequate IAS reserves are maintained IAS to provide protection against adverse market conditions – either increased costs of schemes, reduced net returns from non-residential asset classes or higher interest rates.

The Council has also received additional income from New Homes Bonus attributable to new housing supply under the IAS, income from the sale of land held within LEUK and from the sale of the film studio land has also contributed.

5.11 However currently there are three large pressures that are impacting both the IAS and Treasury, namely:

i. high scheme build costs;
ii. significant underperformance in the operational management of the recently completed schemes such as slow lets of PRS; and
iii. high interest rates directly affecting refinancing and borrowing costs.

High interest rates have largely been contained through increasing the rates modelled for new schemes, which has restricted the number of schemes to only those that are financially viable at higher interest rates.

5.12 MRP budgets includes charges arising from the IAS but these costs are offset through loan repayments from Reside.

5.13 Based on current forecasts the IAS is self-financing, with sufficient income being generated from the property investments to cover associated costs.

6. Treasury Position Forward Projections to 2026/27

6.1 The Council's treasury forward projections are summarised in Table 4. The table shows the estimated external debt against the underlying Capital Financing Requirement (CFR), highlighting any over or under borrowing. The CFR and gross debt includes a significant increase in borrowing to fund the IAS. To ensure borrowing is only for a capital purpose Gross Debt should, except in the short term, be below the CFR over the period and the table shows that the Council will be compliant with this rule.

Table 4: Treasury Position for 2024/25 to 2026/27

Gross Debt Movement 2024/25 to 2026/27	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt	**£000s**	**£000s**	**£000s**
Debt at 1 April	1,350,000	1,450,000	1,550,000
Expected Change in Debt	100,000	100,000	-50,000
Finance Lease and PFI	266,444	261,557	256,333
Gross Debt at 31 March	**1,716,444**	**1,811,557**	**1,756,333**
CFR	2,022,307	2,108,306	2,015,383
Under / (Over) Borrowing	**305,862**	**296,748**	**259,050**

7. Interest rate forecast

7.1 The Authority has appointed Link Group (LG) as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. LG provided the following forecasts on 5 February 2024 following the 01 February 2024 MPC meeting. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	05.02.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

- LAS central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least second half of 2024. LG expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).
- Timing will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, LG's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and in the Middle East.

PWLB RATES

- The gilt curve saw significant falls in yields throughout November and December but has given up some of that ground since. Initially markets priced in several reductions in Bank Rate through 2024 and 2025, reflecting market confidence in inflation falling back swiftly. However, more recently, concern over the stickiness of services and wage inflation has seen yields rise a little. At the time of writing there is c50 basis points difference between the 5- and 50-year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a bout of weaker growth, potentially recession, than LG's currently anticipate.
- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

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

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than LG's currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

LG FORECASTS

LAS expect the MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat inflationary and wage pressures, even if they have dampened somewhat of late. LG's do not think that the MPC will increase Bank Rate above 5.25%.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of LG's forecasts, as inflation continues to fall through 2024.

Our target borrowing rates are set **two years forward** (as LG's expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 05.02.24 p.m.	Target borrowing rate now (end of Q4 2025)	Target borrowing rate previous (end of Q4 2025)
5 years	4.71%	3.70%	3.70%
10 years	4.82%	3.90%	3.90%
25 years	5.36%	4.20%	4.20%
50 years	5.16%	4.00%	4.00%

Borrowing advice: LG's long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below:

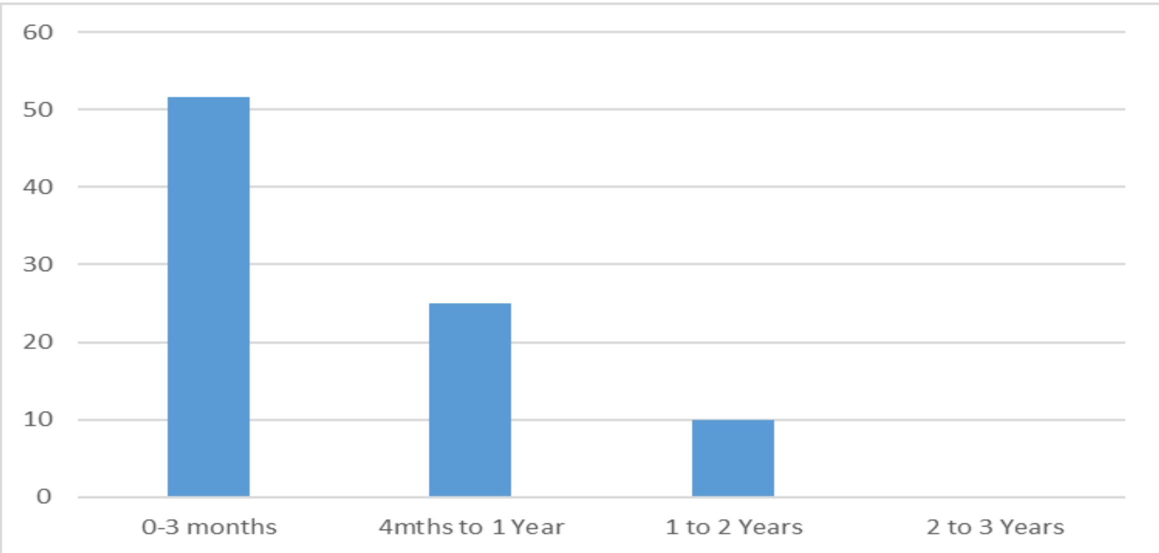
Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.55%	4.55%
2025/26	3.10%	3.10%
2026/27	3.00%	3.00%
2027/28	3.25%	3.25%
2028/29	3.25%	3.25%
Years 6 to 10	3.25%	3.25%
Years 10+	3.25%	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, LG's continue to monitor events and will update LG's forecasts as and when appropriate.

8. Treasury Investment Returns

Investment returns are expected to remain elevated in 2024/25, with an average return expected of around 4% but on a much-reduced cash balance of approximately £30m to £50m. The maturity profile of the Council's treasury investments is below:



8.1 **Return Target 2024/25 to 2026/27**

8.1.1 To achieve the interest receivable budget, the following returns need to be achieved:

2024/25 4.75% on an average cash balance of £30m
2025/26 4.50% on an average cash balance of £30m
2026/27 4.00% on an average cash balance of £30m

8.1.2 The return reflects the current investment positions but if opportunities are available to secure competitive rates, further investments will be made. The core treasury interest receivable budget should be achievable but there are pressures from loans to third parties, including the Council's subsidiaries but also on interest rates, however if returns from interest receivable are lower due to lower rates, then there should be reduced borrowing costs reported against the income payable budget.

8.2 **HRA Investments**

8.2.1 Cash balances held by the HRA will be invested as part of the Council's overall treasury strategy. Cash balances will generally earn the average short-term rate of the Council's investments, which will be calculated at the financial year end. Where there is agreement by the S151 Officer, individual investments can be ring-fenced for the HRA, with the allocations made within the Council's overall treasury strategy requirements. For further details please refer to the HRA Business Plan.

9. The Capital Expenditure Plans 2024/25 – 2026/27

9.1 The Council's HRA and GF capital expenditure plans, together with cash balances and reserves, are the key drivers of treasury management activity. The estimates for capital expenditure, and its funding based on current proposed revenue budget for 2024/25 and three-year capital programmes, are reflected in prudential indicators, which are designed to assist Member's overview and confirm capital expenditure plans. The Prudential Indicators are included in Appendix 3.

Table 5 below shows the proposed CFR to 2026/27. The Prudential Code requires Councils to ensure that capital expenditure remains within sustainable limits and to consider the impact on Council Tax and, for the HRA, housing rent levels.

Table 5: Proposed Capital Expenditure 2023/24 to 2026/27

Capital Expenditure	*2023/24 Estimate*	*2024/25 Estimate*	*2025/26 Estimate*	*2026/27 Estimate*
	£000s	£000s	£000s	£000s
Opening CFR as at 1 April	**1,706,996**	**1,936,511**	**2,022,307**	**2,108,306**
Change in Year – General Fund	229,515	85,796	85,999	-97,682
Change in Year – Housing	0	0	0	4,759
Net movement in CFR	**229,515**	**85,796**	**85,999**	**-92,923**
Total CFR as at 31 March	**1,936,511**	**2,022,307**	**2,108,306**	**2,015,383**
Net financing need for the year	**248,547**	**98,959**	**101,106**	**-77,080**
Less: MRP*	-11,333	-13,163	-15,107	-15,843
Less: Capital Receipts	-7,700	0	0	0
Movement in CFR	**229,515**	**85,796**	**85,999**	**-92,923**

9.2 A portion of the net financing requirement has already been borrowed to fund properties held by Reside. The increased financing need reflects IAS borrowing requirement.

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

10. Treasury Management Advisors

10.1 The Council uses LG, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times But, given the complexity and scale of the Council's debt position users external, professional advice to provide assurance to both the Council's Section 151 Officer and Members

10.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review by the Council's Section 151 Officer.

11. Minimum Revenue Provision Policy Statement

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

11.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 5.

11.3 However, it should be noted that the Section 151 Officer is currently seeking external assurance on the Council's MRP Statement to ensure that it remains compliance with the changes that have been to the Prudential Code in recent years. In addition, there is currently a consultation on revised MRP policies for 2024/25 that may introduce changes to the way MRP is charged. Members will be updated and presented with any proposed revisions once that work has been completed.

12. Environmental, Social & Governance (ESG) Considerations

12.1 ESG is becoming a more and more important, with around two thirds of councils declaring a "climate emergency" to date but not translating this into the incorporation of something more formal within their treasury-related Annual Investment Strategy. Changes to the CIPFA TM Code 2021 will see ESG incorporated into Treasury Management Practice 1 (TMP), with the Code stating:

“The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation’s ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.” and

“ESG issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult. Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation’s own relevant policies, such as environmental and climate change policies.”

12.2 ESG is currently not a factor in agreeing if a deposit or loan is with a certain counterparty but this will be reviewed as part of a review of the TMP.

13. Financial Implications

Implications completed by: Nurul Alom, Finance Manager FPA

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

13.2 The numbers within the report have been checked against the main budget report to ensure accuracy and consistency.

14. Legal Implications

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

14.1 It is a statutory requirement under the Local Government Finance Act 1992 for the Council to set out what the Council has to base its budget calculations upon. Furthermore, it is a legal requirement for the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. However, what is meant by ‘balanced’ is not defined in law and this has means that the Council must rely upon the professional judgement of its finance team to ensure that the local authority’s budget is robust and sustainable.

14.2 The Local Government Act 2003 (the “Act”) requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments. The Council must ‘have regard to’ the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

14.3 The Act requires the Council to each year set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments these to be approved before the next municipal financial year.

15. Other Implications

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

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

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

List of appendices:

- Appendix 1 – Annual Investment Strategy 2024/25
- Appendix 2 - Borrowing Strategy 2024/25 to 2026/27
- Appendix 3 – The Capital Prudential and Treasury Indicators 2024/25 to 2026/27
- Appendix 4 – Capital Strategy and Capital Programme 2024/25 to 2026/27
- Appendix 5 - Minimum Revenue Provision Policy Statement 2024/25
- Appendix 6 - Economic Background
- Appendix 7 – Scheme of Delegation and Section 151 Officer Responsibilities

Appendix 1

Annual Investment Strategy 2024/25

1. Investment Policy

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018 and 2021

The Council's investment priorities are security first, liquidity second and then yield/return. CIPFA and the Department for Levelling Up, Housing & Communities (DLUHC) have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Investment and Acquisition Strategy (IAS) - a separate report.

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

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

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

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

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

- **Specified investments** have a high level of credit quality and subject to a maturity limit of one year.

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

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

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

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

1.6 <u>Accounting Changes</u>

International Financial Reporting Standard (IFRS) 9 requires investments to be held at either amortised cost, fair value through profit or loss (FVPL) or Fair Value through Other Comprehensive Income. For those pooled funds that are held at FVPL there is currently the statutory override, which will be in place until March 2025. As a result, the changes in the value of these investments will impact the authority's General Fund. Currently the Council has very limited exposure to these investments but would have exposure on impaired loans.

Similarly, the standard introduces a forward-looking 'expected loss' model for the impairment of financial assets. This approach is likely to result in an increase in the impairment allowance and will require authorities to recognise impairment losses earlier. The DLUHC enacted a statutory over-ride from 1 April 2018 for a five-year period until 31 March 2023 following the introduction of IFRS 9 over the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This has now been extended to 31 March 2025 and this has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2025: this will enable councils to initiate an orderly withdrawal of funds if required. In addition, IFRS9 impacts the write-down in the valuation of impaired loans.

IFRS 16 - leasing, a new lease accounting standard has been further delayed and is being adopted for 2024/25. This will result in more lease liabilities on the balance sheet (previously classed as operating leases), and in turn an impact on some of the prudential indicators such as CFR, Authorised Limit and Operational Boundary. An adjustment to the Council's CFR and Authorised and Operational Boundaries has been made to reflect this.

1.7 This authority has engaged with its external advisors, Link Group (LAS), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

2. Annual Investment Strategy

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

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

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

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

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

v. An additional consideration is the variable cash position the Council will have because of Council's Investment & Acquisition Strategy. The investment strategy will mean that the Council will be making significant borrowing and investment decisions, and these may result in period where the Council has a significant allocation to a counterparty or duration. It is also likely that the Council will have a much-reduced cash position over the next year and liquidity and cost of carry will be a key consideration for investment decisions.

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

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

2.4 In addition to the Council's cash investments, which have historically been the focus of the AIS, an additional section on property investments has been included. Although property investments will be agreed individually by Cabinet following scrutiny by the Investment Panel (chaired by the Section 151 Officer), the way these investments will be reported, how interest and profit will be recorded and how these investments will be held is outlined in section 3 of the AIS.

3. Creditworthiness policy

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

Yellow	5 years
Dark pink	5 years for Ultra-Short Dated Bond Funds, credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds, credit score of 1.5
Purple	2 years
Orange/Red	1 year
Green	100 days
No colour	not to be used

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

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

3.4 All credit ratings will be monitored weekly, with specific regard for counterparties the Council has exposure to. The Council is alerted to changes to ratings of all three agencies through its use of LAS creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. If required new counterparties which meet the criteria will be added to the list.

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

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

4. Investment Advisers and Monitoring of Investment Counterparties

4.1 The Council uses LAS for treasury advice but is ultimately responsibility for all treasury management decisions and will ensure that undue reliance is not placed on the external advisors. The Council recognises that there is value in receiving advice from external treasury advisors to acquire access to specialist skills and resources and will ensure that the terms of their appointment and the methods by which their value will be assessed are documented and regularily review.

5. Use of External Cash Manager(s)

5.1 The Council does not use an external cash manager (ECM), with all investments and borrowing managed in-house. Were the Council to use an ECM in the future there would be a requirement for the ECM to comply with the AIS. Any agreement between the Council and the ECM will stipulate guidelines, durations and other limits to contain and control risk. An extensive background in cash management will be a prerequisite, alongside Financial Conduct Authority accreditation. The requirement to tender includes both for lending to a third party to invest and appointing an ECM.

6. Use of additional information other than credit ratings

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

7. Credit Quality Criteria and Allowable Financial Instruments

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

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

1. The UK Govt. (UK Treasury Bills, Gilts with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles. (AAA Money Market Funds).
5. A body (i.e. bank of building society), meeting the LAS Methodology (3.1).

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

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

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

Specified Investments and Non-Specified Investments Limits and Criteria for 2024/25

Counterparty / Financial Instrument	Minimum Credit Rating Criteria / Colour Band	Specified Investments		Non-Specified Investments	
		Maximum Duration	**Counterparty Limit £m**	**Maximum Duration**	**Counterparty Limit £m**
Council's Bank (currently Lloyds Baking Group) – Deposit Account. *Cash balances held with Lloyds over £50m will be as a result of delays between taking long term borrowing and maturity of short-term borrowing positions. Limits will be agreed by the S151 officer.*	A	T+1	£50m	N/A	N/A
Lloyds Banking Group SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	A	Up to 1 year	£50m	1 to 3 years	£50m
Other UK Banks & Building Societies SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bond	Yellow Purple Orange/Red Green No Colour	N/A N/A Up to 1 year Up to 3 mths Not for use	£30m per counterparty	1 to 5 years 1 to 2 years N/A N/A N/A	£30m per counterparty
Bond Funds - Corporate Bonds	Short-term F2, Long Term A	Up to 1 year	£20m	1 to 2 years	£20m
Local Authorities: Term Deposits	Not credit rated	Up to 1 year	£30m per authority	1 to 4 years	£30m per authority
UK Government - Treasury Bills, Gilts DMADF	UK Sovereign Rating	Up to 1 year	£50m	1 to 5 years	£20m
Money Market Funds CNAV	**AAA**	T+1	£50m per Manager	N/A	N/A
Money Market Funds LVNAV	**AAA**	T+1	£50m per Manager	N/A	N/A
Money Market Funds VNAV	**AAA**	T+1	£50m per Manager	N/A	N/A
Property Funds	N/A	N/A		N/A	£50m

7.4 Non-Treasury Investments

Although not classed as treasury management activities and so not covered by the CIPFA Code or the Guidance, the Council can purchase property for investment and regeneration purposes and make loans and investments for service purposes, e.g., loans to partner organisations or the Council subsidiaries.

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

8. Investing with Local Authorities

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

1) Except as provided by subsection (3), a LA may not mortgage or charge any of its property as security for money it has borrowed or which it otherwise owes.

2) Security given in breach of subsection (1) shall be unenforceable.

3) All money borrowed by a local authority (whether before or after the coming into force of this section), together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority.

4) All securities created by a local authority shall rank equally without any priority.

5) The High Court may appoint a receiver on application by a person entitled to principal or interest due in respect of any borrowing by a local authority if the amount due remains unpaid for a period of two months after demand in writing.

6) The High Court may appoint a receiver under subsection (5) on such terms, and confer on him such powers, as it thinks fit.

7) The High Court may confer on a receiver appointed under subsection (5) any powers which the local authority has in relation to:

   (a) collecting, receiving or recovering the revenues of the LA,
   (b) issuing levies or precepts, or
   (c) setting, collecting or recovering council tax.

(8) No application under subsection (5) may be made unless the sum due in respect of the borrowing concerned amounts to not less than £10,000.

(9) The Secretary of State may by order substitute a different sum for the one for the time being specified in subsection (8).

9. Use of Multilateral Development Banks

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

10. Use of Brokers

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

11. Country limits and Use of Foreign Banks

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

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

Approved countries for investments (Credit Rating at 31 December 2023)

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

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

12. Provisions for Credit-related losses

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

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

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

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

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

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

Lease and Lease Back Funding (income strips) are forward funding deals where the Council provides a guaranteed income stream to a funder, usually a pension fund, while subleasing the building to an operator.

The Council commits to the development by agreeing to take possession, on practical completion being achieved, tied into a long lease for usually between 35 and 50 years on a non-assignable basis. Rents are fixed and subject to annual increases linked to RPI, often with a cap and collar arrangement. Apart from schemes already agreed, this method of financing is not allowed as a funding option and requires agreement by Assembly, following specific training on this investment type, before it can be agreed for future investments.

13. End of year investment report

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

14. Policy on Use of Derivatives

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

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

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

15. Investment Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.

- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

A Member briefing for all Members was held on 23 March 2023 covering:

i. Investment and Acquisition Strategy (IAS)
ii. IAS Governance and Controls
iii. Investment Objectives
iv. IAS Structure
v. Borrowing Strategy
vi. IAS Income
vii. IAS Tenures and Schemes
viii. Key Risks and Strengths of the IAS
ix. Protection From Downturn in Market

Further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the S151 officer. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by IFM.

16. Investment of Money Borrowed in Advance of Need

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

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism. Although there are risks involved, securing low rates (rates below forecast) for long term borrowing is a key part of reducing the risk for the Council's IAS.

Appendix 2

Borrowing Strategy 2024/25 -2026/27

1. Background

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

1.2 In January 2015, £89m was borrowed for the Council's General Fund (GF) from the European Investment Bank (EIB) to fund the regeneration of Abbey Road 2 and Gascoigne East (Weavers). Both schemes are now operational, bringing in sufficient income to cover the management and maintenance, lifecycle, capital, and interest costs, as well as generating income for the Council.

1.3 In November 2016, Cabinet approved the establishment of an Investment and Acquisition Strategy (IAS). The purpose of the IAS is to support the Borough's growth opportunities and to ensure that the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets. The IAS is reviewed annually by Cabinet, with the next review to be taken to the April 2024 Cabinet. The IAS has an income target of delivering between £6.6m to £7.0m per year from 2020/21. This has been revised down for 2024/25 to 2026/27 to £5.2m. The IAS will be delivered primarily by the Council's development vehicle, Be First, and through its property companies, Reside.

1.4 The Council will ensure that all its investments are covered in the IAS and will set out, where relevant, it's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. The Council will set out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

1.5 To-date the Council has secured cheap long-term borrowing for current agreed IAS schemes (excluding Beam and 3b). There is still a £70m funding requirement for current schemes and £156m still required for Beam and GE3b. In addition, there remains refinancing for borrowing that has an annuity or equal instalment repayments. This will put a pressure on the interest rate budget and on lending rates as the current rate of around 5.0% is higher than the 2.0% average rate for long-term borrowing for the IAS. Short-term borrowing is higher than expected due to Welbeck and Pondfield not being sold (£75m), delays in taking long-term borrowing due to high interest rates and a lack of progress with Thames Road.

1.6 The refinancing is a risk to the Council but it should be noted that the average rate of the current long-term borrowing decreases over time, on a reduced balance and so the impact of higher refinancing is mitigated but not eliminated. The borrowing below is ringfenced for agreed schemes. Future borrowing for Beam, 3b and other schemes will have individual borrowing strategies to ensure the target rates (these are rates which are required to fund agreed schemes that the Council has not yet borrowed for) and borrowing profile can be linked.

1.7 In addition to borrowing, the Council has exposure to repayments through several leases, including Weavers Quarter (£85m), two leases linked to CPI (with cap & collars) for out-of-borough Hotels deals (£156m) and Trocoll (tbc).

Table 1: LBBD Historic Borrowing & Current Forecast (excl new schemes)

As at Date	General Fund LT Borrowing M's	General Fund ST Borrowing M's	Total GF Borrowing M's	HRA Borrowing M's	Total Borrowing M's	Cash M's	Total Net Borrowing M's
31/12/2011	- 40	- 10	- 50	-	- 50	92	42
31/12/2012	- 40	- 10	- 50	- 266	- 316	135	- 181
31/12/2013	- 50	- 12	- 62	- 266	- 328	108	- 220
31/12/2014	- 50	- 20	- 70	- 266	- 336	138	- 198
31/12/2015	- 129	- 66	- 195	- 266	- 461	258	- 203
31/12/2016	- 179	- 129	- 308	- 276	- 584	293	- 291
31/12/2017	- 268	- 121	- 389	- 276	- 665	301	- 364
31/12/2018	- 417	- 133	- 550	- 276	- 826	354	- 472
31/12/2019	- 506	- 141	- 647	- 276	- 923	335	- 588
31/12/2020	- 609	- 92	- 701	- 296	- 997	256	- 741
31/12/2021	- 729	- 55	- 784	- 296	- 1,080	225	- 855
31/12/2022	- 739	- 146	- 885	- 296	- 1,181	87	- 1,094
30/06/2023	- 755	- 143	- 898	- 300	- 1,198	46	- 1,152
31/12/2024	- 900	- 150	- 1,050	- 305	- 1,355	50	- 1,305
31/12/2025	- 1,000	- 100	- 1,100	- 305	- 1,405	50	- 1,355
31/12/2026	- 1,100	- 100	- 1,200	- 305	- 1,505	50	- 1,455

1.8 <u>Key Borrowing Risks</u>

Up to the end of 2021 cheap borrowing was absorbing most of the IAS scheme pressures caused by high build costs and low rent increases. In 2022 this trend ended suddenly with interest rates increasing in a short period of time, driven by inflation, which increased UK gilts, against which most of the Council's borrowing is linked to. This has continued into 2023 off the back of 14 consecutive base rate increases by the Bank of England in August 2023 to 5.25%. These pressures have been contained as the Council had already borrowed for the agreed IAS schemes and had a significant cash position. However, there are several key risks, both unavoidable and avoidable risks and these are outlined below:

1. **High Interest Rates** – interest rates have increased over the past two years. The 25-year gilts rate has increased from 0.95% in November 2021 to 4.12% in December 2022 and peaked at 5.2% in October 2023. PWLB rates are based on Gilts plus 0.8%, meaning rates have increased from 1.75% to nearly 6% for borrowing over a 25-year period. Rates have come off in November and December 2023 to around 4.1% but have subsequently increased in January 2024. The interest rate movements are highlighted in chart 1 below.

Chart 1: 25 Year Gilt Rates from 2011 to 2024

2. **Pipeline Schemes:** interest rate increases impacted on the agreed schemes, with the modelled borrowing rates for each proposed development increased to a peak of 6%. The impact of this has been to reduce the number of developments that can be agreed. Two large schemes with significant spend already incurred and where higher interest rates could be absorbed, were agreed in 2023/24, which increased borrowing but the rates that need to be borrowed at have also increased to cover the higher cost of borrowing.

   i. **Beam Park**

   In 2022 Beam Park was agreed by Cabinet. Increased build costs and further modelled interest rate increases, to 4.5% and 5%, made this scheme unviable in mid-2023. To make the scheme viable again required a change in tenure mix and the allocation of a significant amount of Right to Buy receipts. In addition, the commercial units in the proposal were removed. This enabled Beam to be agreed by Cabinet in September 2023 but has impacted the ability to use Right to Buy receipts for future schemes. Beam Park requires net borrowing of £114m, with £85m still required over the next two years.

   ii. **Gascoigne East Phase 3B (GE3b)**

   GE3b was agreed by Cabinet in October 2022 despite the scheme being unviable. The main reasons for the scheme being unviable was the provision of several large, social housing units, that are particularly difficult to make viable and increased interest rates. Several options to improve viability were recommended, including tenure changes, charging for service charges, using capital receipts for Realm and agreeing an improvement in operational costs. These were agreed and, in September 2023, Cabinet agreed the scheme. An interest rate of between 3% and 3.5% was used for the modelling GE3b, which is a challenging rate and will likely require cross subsidy from other schemes. GE3b requires net borrowing of £96m, with £71m still required over the next two years.

3. **Remaining Pipeline and Pre-Gateway 4 schemes**

   Several schemes have not been agreed but have had some work completed on them. There are currently viability issues with these schemes, but these are being addressed and there is the potential for these schemes to come to Cabinet in 2024 for agreement. These schemes are provided below and will require over three hundred million of funding:

1. Gascoigne East Phase 2 Block E1	4. Jervis Court
2. Padnall Lake Phase 3	5. Gascoigne West Phase 3
3. Brocklebank	6. Church Street.

While interest rates are high, to ensure agreed schemes are modelled prudently, a cost of borrowing level of between 5% to 6% will be required, which will make viability extremely difficult. Options around sales, joint ventures and tenure changes will also be reviewed.

1.9 <u>Capitalisation of Development Interest</u>

The Council's IAS has increased the Council's interest payment costs. Were the Council to borrow a billion pounds at 5.0% (the current long-term debt rate) then the interest costs would be £50m per year, although this would decrease as debt is repaid. This will be funded by rental income from the various schemes. The rate of 5.0% is more than double the average borrowing rate the Council has managed to secure for current, agreed schemes and represents a significant viability hurdle.

During the construction stage there is a cost of carry as there is no income generated from the scheme. Interest incurred during the construction phase is capitalised against developments that cost over £10m and that take in excess of two years to build. Capitalisation of interest starts from when the development has been agreed at Gateway 2. Where land has been purchased as part of land assembly the capitalisation of interest will be from the later date of the either the completion date of the purchase or the date of this accounting policy. Interest will be capitalised quarterly and is based on the weighted average borrowing costs. Cessation of capitalisation will occur when the scheme is operational.

As part of the Treasury outturn report, an outturn figure for interest that was capitalised for the year, is provided to Members.

2. The Council's Borrowing Strategy

2.1 The decision to borrow is a treasury management decision and is taken by the Investment Fund Manager (IFM), after agreement by the S151 Officer under delegated powers of the Council's constitution. The key objective of the Council's borrowing strategy is to secure long-term funding for capital projects and IAS at borrowing rates that are as low as possible.

2.2 Currently the Council has a hollistic approach to borrowing, taking into account cashflow, borrowing costs and investment and loan returns to drive the net cost of borrowing down, while keeping the borrowing transparent and simple.

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

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

2.4 The IFM will monitor interest rates and will recommend borrowing decisions when rates are low, while taking into account the Council's debt repayment profile and cashflow requirements. The Council's borrowing strategy will give consideration to the following when deciding to take-up new loans:

- Use internal cash balances;
- Short-term borrowing from other Local Authorities;
- Using PWLB, the EIB or financial Institutions;
- Ensure new borrowings are drawn at suitable rates and periods;
- Consider the impact of grant and sales on long term borrowing; and
- Consider the issue of stocks and bonds if appropriate.

2.5 Based on current agreed schemes, 2024/25 to 2026/27 a significant amount of borrowing is still required, with the main borrowing required to fund the IAS but also as part of refinancing annuity and Equal Instalment Repayments, short-term borrowing, as well as the reduced cash position if reserves are used to fund Council shortfalls.

2.6 Currently new borrowing is short-term to keep the average long-term borrowing rate low. Most new borrowing is to fund the IAS and therfore the increased borrowing cost is currently capitalised against the various projects. This has resulted in an increase in the scheme costs but has not been a charge to revenue, but it will have a greater impact, if rates remain high, when schemes are completed and the captialsied interest ends and is replaced by a loan to Reside.

2.7 Officers are closely monitoring the cost of borrowing and have increased the scheme financial models to include higher borrowing costs during the development period as well as on-lending rates.

2.8 A summary of the borrowing required for IAS to for 2023/24 to 2026/27 is below:

IAS (net costs)	2023/24	2024/25	2025/26	2026/27	Total
	£000s	£000s	£000s	£000s	£ms
Residential	275,182	157,493	111,699	18,708	563,082
Commercial	16,446	4,096	2,000	1,000	23,542
Section 106 / CIL	0	0	-1,500	-1,762	-3,262
Capital Receipt	-64,434	-64,031	-12,863	-94,527	-235,855
Total IAS Borrowing	**227,195**	**97,557**	**99,337**	**-76,581**	**347,507**

2.9 Excluding pipeline schemes, the borrowing required will take the Councils total CFR to over £2bn by 2025/26. Although the assets being purchased and built with this borrowing are in-borough and mainly residential, this exposure, especially considering the decline in investment returns and increase in cost of borrowing, needs to be reviewed from both a risk exposure but also capacity.

2.10 Capacity issues have already been experienced with recent handovers, with letting and management of the assets underperforming assumptions and benchmarks. It is also important for Members to be aware that there are assumptions in the financial models, around costs, rent collection, maintenance and lifecycle costs that are challenging and need to be achieved for the schemes to provide a return and if these are not met then returns will be lower than forecast, with current forecasts already marginal.

3. Council's Current Debt

3.1 The Council currently (at 30/11/2023) has £1.27bn of debt at an average rate of 2.90% and average duration of 22.7 years. The Council's General Fund (GF) debt is £963.9m at an average rate of 2.73% and an average duration of 19.75 years. This is broken down as follows, with the comparator figures as at 31 December 2022:

	Principal £000s	Return %	Average Life (yr)	Principal £000s	Return %	Average Life (yr)
General Fund Fixed Rate Long Term Borrowing						
PWLB	617,887	1.91%	28.59	600,692	1.91%	28.00
European Invest. Bank	74,220	2.21%	20.35	71,563	2.21%	20.35
L1 RENEWABLES	6,752	3.44%	22.85	6,711	3.44%	22.85
DEXIA BANK LOBO	10,000	3.98%	53.62	10,000	3.98%	53.62
Total GF Debt	**708,859**	**1.99%**	**28.02**	**688,967**	**1.99%**	**27.53**
General Fund Fixed Rate ST Borrowing						
Local Authority ST	**146,228**	**2.99%**	**- 0.79**	**254,980**	**4.77%**	**0.19**
GF Medium Term Borrowing	**30,000**	**0.77%**	**0.72**	**20,000**	**2.43%**	**1.46**
Total GF ST / MT Borrowing	**176,228**	**2.61**	**0.38**	**274,980**	**4.60%**	**0.28**
Total GF Debt	**784,382**	**1.85**	**26.83**	**963,946**	**2.73%**	**19.75**
HRA Borrowing						
PWLB Fixed Rate	265,912	3.50%	32.14	265,912	3.50%	32.14
Market Loans Fixed Rate	30,000	4.03%	42.07	30,000	4.03%	42.07
HRA Internal Borrowing Variable Rate				10,704	4.73%	-
Total HRA Debt	**295,912**	**3.55%**	**33.15**	**306,616**	**3.43%**	**31.99**
Total Borrowing	1,180,999	2.47%	25.04	**1,270,562**	**2.90%**	**22.71**

3.2 <u>General Fund Debt</u>

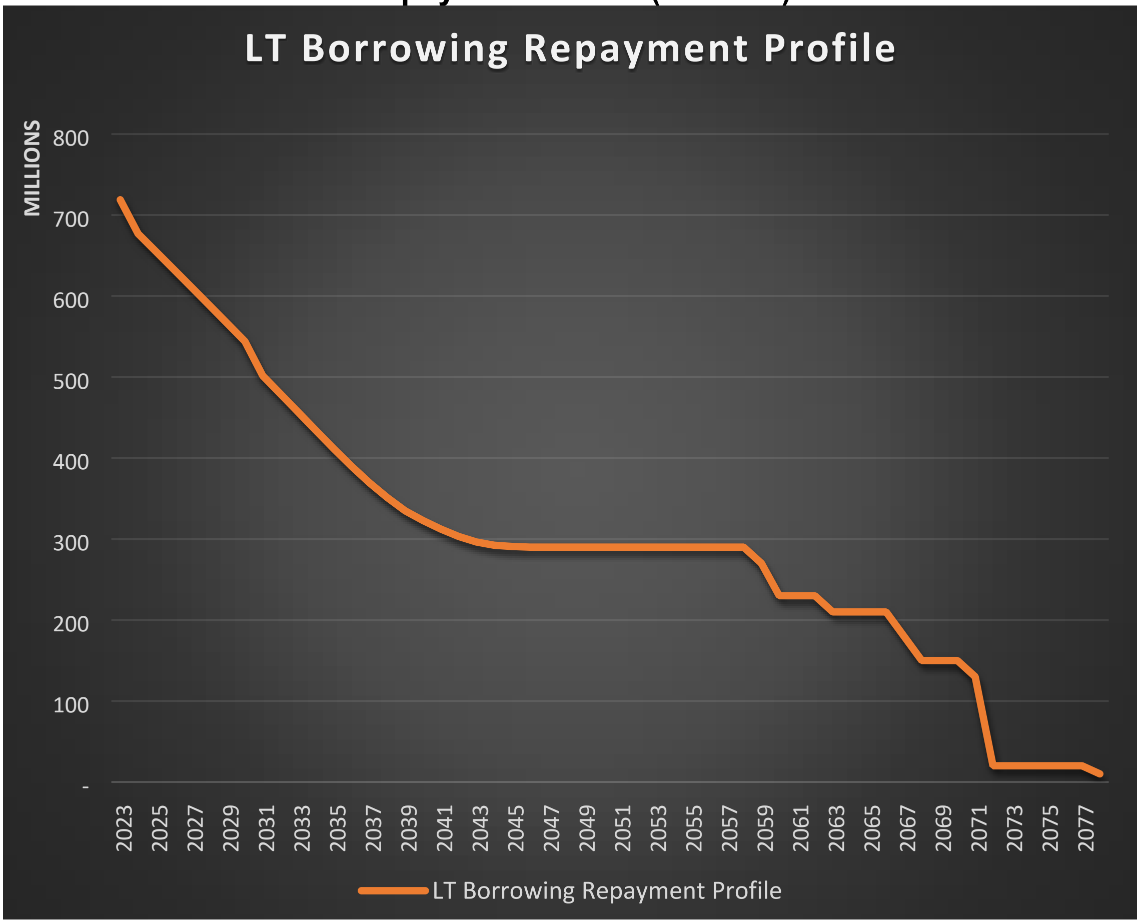
The GF debt can be split into short and long-term borrowing. Short-term borrowing is used to manage the Council's daily cash requirements and allows treasury to make strategic, longer term borrowing decisions while keeping the cost of carry low. It is also used to fund short-term commercial holdings. Annual long-term borrowing amounts are summarised below:

Year	Amount	Reason for Borrowing
Pre-2015	10	Capital Expenditure
2015	89	Abbey Road 2 & Gascoigne East Regen
2016	60	Film Studio Land
2017	120	Borrowing for Street Purchases and IAS
2018	150	IAS
2019	140	IAS
2020	60	IAS

2021	140	IAS
2022	176	IAS - mainly short and medium term
2023	80	IAS - mainly short term
Various	-61	Borrowing Repaid
Total	**964**	

Although the borrowing is long-term, a part of the Council's debt is repaid each year through annuity or equal instalment repayment. As a result, the Councils debt repayment profile is relatively smooth, as outlined in the chart below. Future borrowing will be mapped against this repayment profile and the forecast cashflows to help refinancing risk but also allow for a steady reduction in the Council's debt exposure. The chart below also shows the Council's borrowing repayment profile for long-term borrowing as at 30 November 2023:

Chart 1: Council Debt Repayment Profile (millions)



3.3 General Fund Interest Costs

Currently the average long-term interest rate on GF borrowing is 1.99% for £708.9m borrowed. This rate drops steadily to 1.64% in 2070 but on a reduced balance, as borrowing is repaid. The average rate for the duration is 1.92%.

3.4 Borrowing from Financial Institutions

Treasury officers will generally borrow from the PWLB when rates are low. However, where cheaper or more appropriate borrowing is available from other financial institutions then this is used as an additional source of financing. With the PWLB margin 0.8% above Gilts, this provides an excellent source of finance to support the Council regeneration strategy.

Currently the following loans have been borrowed from financial institutions:

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

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

The drawdown of the full £89m was completed on 30 January 2015 at a rate of 2.207% and currently the balance owed is £71.6m. The EIB loan does contain financial covenants that restrict to the Council's overall investment strategy. In 2021/22 discussions were held with the EIB to increase the financial covenants of the EIB loan. These discussions have resulted in a significant increase in the covenant limits, as outlined below but also resulted in the interest rate from the EIB increasing by 1 basis point to 2.217% and a fee of £27,597.86 was payable:

i. the Total Debt shall not exceed 150% of Operating Revenues;
ii. Financing Costs shall not exceed 10% of Operating Revenues;
iii. Liquid Assets should be at least 1.2 times Short-term debt; and
iv. Debt Service shall not exceed 10% (ten percent) of Operating Revenue.

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

At its meeting on 2 December 2015 the Council agreed to borrow £7.5m from the GIB to finance the Low Energy Street Light Replacement Programme via the UK GIB Green Loan. On 15 December 2016, a loan of £7.0m was borrowed from the GIB at a rate of 3.44% for a duration of 30 years. The borrowing drawdown period will be over a two-and-a-half-year period and will match the forecast expenditure. The repayment of the loan has been structured to best match the cashflows expected to be generated from the energy savings.

3.5 HRA Self Financing

The Council uses a two loans pool approach for long-term debt. The £265.9m of PWLB is from the HRA reform in 2012, with an additional £30m of borrowing transferred to the HRA in 2016 and 2020 to finance HRA new builds. The HRA previously had a debt cap of £291.60 but this was removed in 2018. A breakdown of the HRA borrowing is provided in table 5 below:

Loan Type	Loan Amount £'000s	Maturity profile Yrs.	Interest Rate %
PWLB	50,000	24	3.51
PWLB	50,000	34	3.52
PWLB	50,000	42	3.49
PWLB	50,000	43	3.48
PWLB	65,912	44	3.48
Barclays	10,000	60	3.98
Phoenix Life	20,000	40	4.05
Total	**295,912**		

4. Repayment of Borrowing

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

The reasons for any rescheduling to take place will include:

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

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

5. Policy on borrowing in advance of need

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

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

APPENDIX 3

The Capital Prudential and Treasury Indicators 2024/25 – 2026/27

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

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

CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021. Local Authorities were expected to fully implement the Codes reporting changes within their TMSS/AIS reports from 2023/24.

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

1. The Council's borrowing requirement (CFR)

1.1 The Council's CFR is the historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as MRP, a statutory revenue charge, reduces the borrowing need in line with each asset's life. The CFR also includes other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, they include a borrowing facility and so the Council is not required to separately borrow for these schemes. Table 1 sets out the CFR until 2026/27 and are cumulative.

Table 1: Capital Expenditure Forecast Net Financing 2023/24 to 2026/27

Capital Expenditure	*2023/24 Estimate £000s*	*2024/25 Estimate £000s*	*2025/26 Estimate £000s*	*2026/27 Estimate £000s*
General Fund				
Gf - Adults Care & Support	*3,719*	*2,918*	*0*	*0*
Gf - Inclusive Growth	*6,373*	*611*	*0*	*0*
Gf - CIL	*761*	*0*	*0*	*0*
Gf - TfL	*4,226*	*2,200*	*2,200*	*0*
Gf - IT	*3,615*	*1,200*	*2,005*	*200*
Gf - Parks Commissioning	*12,925*	*153*	*83*	*0*

Gf - Culture and Heritage	*1,121*	*294*	*294*	*0*
Gf - Enforcement	*173*	*330*	*330*	*0*
Gf - My Place	*3,919*	*1,434*	*1,000*	*0*
Gf - Public Realm	*8,510*	*5,487*	*5,287*	*0*
Gf - Education, Youth & Child	*15,254*	*8,559*	*11,466*	*0*
Gf - Other	*136*	*0*	*0*	*0*
Transformation	*0*	*0*	*0*	*0*
Total GF Capital Expenditure	***60,732***	***23,186***	***22,664***	***200***
IAS Residential	*275,184*	*157,492*	*111,699*	*18,708*
IAS Commercial	*16,446*	*4,096*	*2,000*	*1,000*
Total IAS	***291,630***	***161,588***	***113,699***	***19,708***
HRA Stock Investment	*14,000*	*20,288*	*27,934*	*37,760*
HRA Estate Renewal	*4,000*	*4,400*	*0*	
HRA New Build Schemes	*544*	*0*	*0*	
HRA Total	***18,544***	***24,688***	***27,934***	***37,760***
Total Gross Capital Programme	***370,905***	***209,462***	***164,298***	***57,668***
Financed by:				
HRA/MRR	*-20,123*	*-26,170*	*-27,827*	*-29,774*
CIL/S106	*-1,372*	*-9*	*0*	
CIL/S106 - IAS		*0*	*-1,500*	*-1,762*
Revenue	*-1,132*	*-1,700*	*-1,500*	*0*
Capital Receipts	*0*	*0*	*-232*	*-3,226*
Self-Financing (excluding IAS)	*-1,979*	*0*	*0*	*0*
Other Grant	*-28,826*	*-13,782*	*-14,159*	*0*
IAS Grants (RtB, GLA) and sales	*-64,434*	*-64,031*	*-12,863*	*-94,527*
Total Financing	***-117,865***	***-105,692***	***-58,081***	***-129,289***
Financed by Borrowing	***253,040***	***103,770***	***106,217***	***-71,621***
PFI / Finance Lease Add. & Repay.	*-4,492*	*-4,811*	*-5,111*	*-5,459*
Net financing need for the year	***248,547***	***98,959***	***101,106***	***-77,080***

2. Treasury Indicators: Limits to Borrowing Activity

2.1 **The Operational Boundary -** this is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR (within table 2) but may be lower or higher depending on the levels of actual borrowing.

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

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

The drop in operational boundary is due to the uncertainty and delays for pipeline scheme. There is the potential for the operational boundary to increase if new schemes are agreed. The Council is asked to approve the Operational Boundary and Authorised Limits below:

Table2: Capital Expenditure Forecast and Council's CFR 2023/24 – 2026/27

Capital Expenditure	*2023/24 Estimate* £000s	*2024/25 Estimate* £000s	*2025/26 Estimate* £000s	*2026/27 Estimate* £000s
Capital Financing Requirement				
Opening CFR as at 1 April	**1,707,121**	**1,936,636**	**2,022,432**	**2,108,431**
Change in Year – General Fund	229,515	85,796	85,999	-97,682
Change in Year – Housing	0	0	0	4,759
Net movement in CFR	**229,515**	**85,796**	**85,999**	**-92,923**
Total CFR as at 31 March	**1,936,636**	**2,022,432**	**2,108,431**	**2,015,508**
Net financing need for the year	**248,547**	**98,959**	**101,106**	**-77,080**
Less: MRP*	-11,333	-13,163	-15,107	-15,843
Less: Capital Receipts	-7,700	0	0	0
Movement in CFR	**229,515**	**85,796**	**85,999**	**-92,923**
Long & Short-Term Borrowing	1,350,000	1,450,000	1,550,000	1,500,000
PFI and finance lease liabilities	271,068	266,444	261,557	256,333
Total debt 31 March	**1,621,068**	**1,716,444**	**1,811,557**	**1,756,333**
Under / (Over) Borrowing	**315,567**	**305,987**	**296,873**	**259,175**
Operational Boundary	**1,850,000**	**1,900,000**	**2,000,000**	**1,850,000**
Authorised Limit	**1,950,000**	**2,000,000**	**2,100,000**	**1,950,000**

** MRP is estimated, based on when schemes will be operational and start repaying capital*

2.3 The CFR includes gross capital spend on schemes where there is GLA grant as the spend is still picked up in the CFR calculation, but the Council has received the GLA grant. The CFR will reduce by £86.5m, which will reduce the under borrowed position.

The under borrowed position is likely to reduce over time as the Council's reserves are reduced to fund shortfalls in the Council's funding. The use of reserves will result in a reduction in internal borrowing, which will also reduce the Council's cash balances, requiring the Council to borrow to closer to the CFR level.

3. Affordability prudential indicators

3.1 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. The Council is asked to approve the following indicators:

3.2 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of General Fund Capital expenditure against the net revenue stream. MRP is net of self-financing, which includes the investment strategy and leases. MRP will be much higher but will be funded from the income streams generated from rent. The interest budget will also change significantly with a large increase in interest payable and receivable. The net budget has been used but there is an expectation that interest costs will be lower than the net budget.

General Fund Cost of Capital	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£000s	£000s	£000s	£000s
Net Cost of Services	**194,460**	**221,745**	**233,990**	**247,026**
Cost of Capital				
GF Interest Payable	10,139	30,849	33,903	38,561
GF Interest receivable	-6,503	-25,629	-29,338	-34,280
MRP (excluding leases)	11,216	10,792	10,792	11,034
Investment Strategy & Other Income	-5,816	-6,245	-5,590	-5,306
Total Net Budget	**9,036**	**9,767**	**9,767**	**10,009**
Financing Cost to Net Revenue	**4.65%**	**4.40%**	**4.17%**	**4.05%**

Excluding investment income, the cost of capital is higher at between 7.64% and 6.20%, as outlined in the table below:

General Fund Cost of Capital	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£000s	£000s	£000s	£000s
Net Cost of Services	**194,460**	**221,745**	**233,990**	**247,026**
Cost of Capital				
GF Interest Payable	10,139	30,849	33,903	38,561
GF Interest receivable	-6,503	-25,629	-29,338	-34,280
MRP (excluding leases)	11,216	10,792	10,792	11,034
Total Net Budget	**14,852**	**16,012**	**15,357**	**15,315**
Financing Cost to Net Revenue	**7.64%**	**7.22%**	**6.56%**	**6.20%**

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

4.1 The limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. They are based on the availability of funds at yearend. The maximum principal sums invested greater than 364 days has been reduced as the capital programme reduces and there is a reduced need to hold cash outside of liquidity requirements. If significant asset sales were to occur over the next few years then levels will be reviewed. The Council is asked to approve the treasury indicator and limit:

£'000s	2023/24	2024/25	2025/26	2026/27
Max. principal sums invested>364 days	50,000	50,000	50,000	50,000

5. Treasury Indicators: Limits to Borrowing Activity

5.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs / improve performance. These are no longer required as PIs but are included as a local indicator. The indicators are:

- Upper limits on variable interest rate exposure: identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure: is similar to the previous indicator and covers a maximum limit on fixed interest rates; and
- Maturity structure of borrowing: gross limits to reduce the Council's exposure to large fixed rate sums requiring refinancing.

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

Interest rate exposures	2024/25	2025/26	2026/27
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates:			
• ***Debt only***	100%	100%	100%
• ***Investments only***	90%	90%	90%
Limits on variable interest rates			
• ***Debt only***	70%	70%	70%
• ***Investments only***	80%	80%	80%

Maturity structure of fixed interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years	0%	60%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	100%

Maturity structure of variable interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	40%
12 months to 2 years	0%	40%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	80%

5.2 HRA CFR Forecast

HRA Debt £'000s	2023/24 Approved	2024/25 Estimate	2025/26 Estimate	2025/26 Estimate
Total	**310,628**	**310,628**	**310,628**	**310,628**

6. Liability Benchmark Treasury Indicator

6.1 There are four components to the liability benchmark:

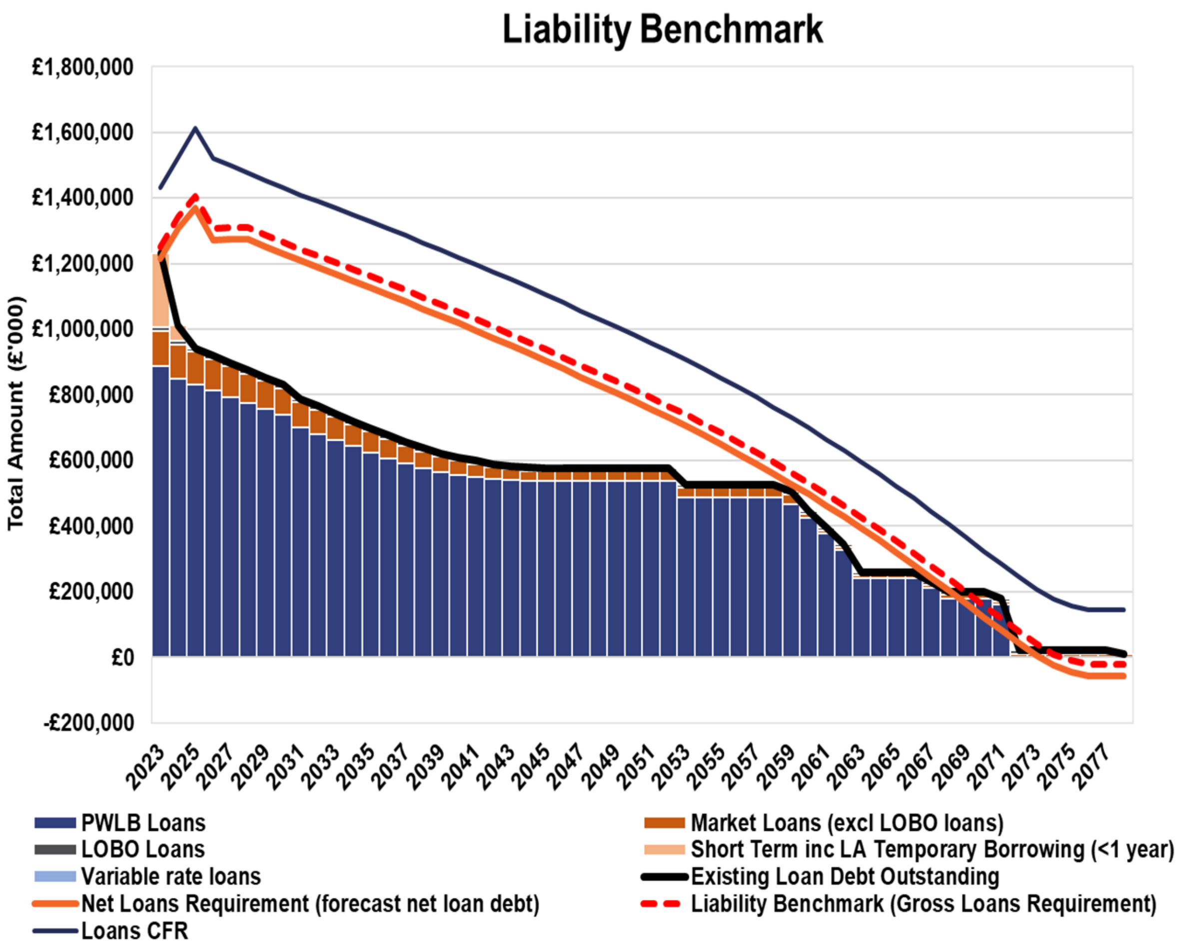
i. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.

ii. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

iii. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

iv. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

6.2 The liability benchmark shows the Council's liabilities, excluding PFI and finance leases over time. It shows how much has been borrowed, how much needs to be borrowed and the repayment profile.



6.3 The liability benchmark shows there is a significant borrowing requirement for both completion of the current capital programme but also to refinance borrowing, including the current significant short-term borrowing position. It is important to note that the borrowing requirement is lower than in past years as the capital programme has reduced. To reduce the gap will require borrowing or the sale of assets and both options are being looked at. A liquidity allowance has been included in the chart at £30m.

6.4 As outlined in section 2.3, the CFR and loans CFR is higher than would be expected due to the GLA grant of £86.5m not been used, yet, to reduce the CFR.

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Appendix 4

Capital Strategy and Capital Programme 2024/25 to 2026/27

1. Introduction

1.1 Under the Prudential Code the Council is required to have a Capital Strategy which sets out the long-term context in which capital expenditure and investment decisions are made. The strategy should consider how capital investment is aligned with corporate priorities. Capital plans must also be affordable and sustainable.

1.2 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will deliver an economic benefit for more than one year. In local government this could include expenditure on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure.

1.3 The Council has a wide range of capital resources which it uses to both deliver its services and meet strategic objectives. It is important that where these are physical assets that they are maintained in an acceptable state of repair to enable them to continue to be used and/or maintain their value. For Barking & Dagenham capital investment will be in four main areas:

- Corporate - e.g. on-lending to subsidiaries or equity stakes
- Corporate assets - e.g. office space
- Directorate - to enable service delivery e.g. operational assets
- Economic growth - to facilitate regeneration in the borough

1.4 For corporate and operational assets investment, this should be underpinned by Asset Management Strategies and plans which, among other things, looks at the value-for-money aspect of investment needs. Often changes in law and compliance with regulations means that some assets are no longer economic to maintain and/or efficient to use in service delivery. Consideration may need to be given to asset disposal.

1.5 As well as providing the overarching framework to support capital investment in the Council's proposed capital programme, the Capital Strategy should consider the financing of those investment plans. By their nature, capital investment has financial consequences for many years into the future and it is important to consider the impact on future council taxpayers when considering the affordability and sustainability of the Council's plans.

1.6 Funding for capital investment is derived from:

- Capital grants from central government or other bodies e.g. TFL
- General Fund revenue contributions
- Capital receipts (excluding HRA right-to-buy receipts) from asset disposal
- Reserves (revenue reserves can be used)
- S106/CIL funds
- Debt (borrowing, leasing, PFIs)

1.7 Where borrowing is undertaken, the Council is required to set aside amounts each year in its General Fund revenue budgets to meet Minimum Revenue Provision (MRP) costs in line with its approved MRP Policy (see Appendix 5). Charging MRP each year to the Council's revenue budget is a way of setting aside funds to repay the borrowing that has been undertaken.

1.8 An important consideration in formulating capital investment plans is, therefore, how much will need to be funded through borrowing and what is affordable in the Council's proposed revenue budgets.

1.9 Capital investment impacts the prudential indicators which are required under the 2020 Prudential Code, and these are outlined in Appendix 3. One of those indicators demonstrates net financing costs as a percentage of the Council's net revenue budget. Consideration will need to be given to any proposed significant increases in this indicator as this may give an indication as to affordability.

1.10 High inflation and increased interest rates have had a significant impact on the Council's capital strategy particularly in relation to its Investment & Acquisition Strategy (see below). Whilst a number of schemes are still progress and assets under construction, viability of new schemes has been severely impacted with many pipeline schemes now stalled pending appropriate solutions being found to viability.

1.11 The Capital Programme sets out the strategic direction for the Council's capital management and investment plans and is an integral part of the medium to long term financial and service planning and budget setting process.

1.12 The Local Government Act 2003 Section 25 sets a specific duty on an Authority's Chief Financial Officer (S151 Officer) to make a report to the authority for full Council to consider when it is considering its budget and funding for the forthcoming year. The Capital Programme forms part of the budget and funding for 2024/25 to 2026/27.

1.13 This report sets out the Capital Programme for 2024-27 for the Council's General Fund (GF), Investment and Acquisition Strategy (IAS) and HRA.

2. The Council's Strategy

2.1 The Council is undertaking a comprehensive review of its core operational and commercial assets and a revised Asset Management Strategy and plan will be presented to Members in the next financial year.

2.2 This review will look at its current assets, whether they are currently meeting service needs and, if so, what investment is needed and when. To ensure that any investment delivers value-for-money over the revised MTFS, any capital investment has therefore been limited to that investment which meets either Health & Safety priorities or compliance with changes in regulations.

2.3 Capital bids have been subject to scrutiny by the Capital & Assets Board and investment kept to essential investment only pending the revised Asset Management Strategy. A capital bidding process was completed towards the end of 2023 and the recommended projects are included for agreement in section 4.

2.4 A project is underway to identify any assets which could be earmarked for disposal based on a business case basis and any proposals for disposal will be presented to Members in due course.

2.5 Any capital receipts generated could be used to provide additional funding to reduce MRP charges or could be used to fund revenue transformation fund costs providing that the Council has approved the flexible capital receipts policy. This must be approved annually and is a specific recommendation in the Council's General Fund Revenue Budget for 2024/25.

2.6 Historically the Council has either been debt free or has had a very low-level of debt with most of the Council's capital spend being funded from cash balances or from its revenue budget.

2.7 However, in November 2016, Cabinet approved the establishment of an Investment & Acquisition Strategy (IAS). The purpose of the IAS is to support the Borough's growth opportunities and to ensure that the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets.

2.8 This changed significantly in 2012 when, as part of the HRA reform, £265.9m of debt was transferred to the Council's HRA. Subsequently, in January 2015, £89m was borrowed for the Council's General Fund (GF) from the European Investment Bank (EIB) to fund the regeneration of Abbey Road 2 and Gascoigne East (Weavers).

2.9 Since then, the Council has continued to deliver significant housing supply in the borough with a significant number of housing units planned to be delivered in the capital programme as proposed.

2.10 Investment and Acquisition Strategy (IAS) schemes are self-financing and are partly funded by grant and sales, with borrowing funded by rental income expected to pay for the borrowing costs and provide an income stream to the Council. Under the arrangements, loan and lease agreements are entered into with the Reside Group with fixed interest payable to the Council and a principal repayment under an annuity method.

2.11 The Council continues to deliver significant capital investment across the borough, both through the General Fund and through the IAS, which will provide much needed growth within the borough, as well as improvements to facilities and infrastructure, whilst ensuring the impact on debt costs within the revenue budget is managed.

3. Capital Programme including Investment and IAS 2023/24 to 2026/27

3.1 Given the current pressures on the General Fund revenue budget and the lack of previously accumulated General Fund capital receipts, the main resource available to meet future capital demands is prudential borrowing for 2024/25, limiting any new capital schemes which are not externally funded.

3.2 The Council's current gross capital programme, including forecast IAS slippage and acceleration for 2024/25 is £23.186m for the GF Services, £161.588m for the IAS strategy and £24.689m for the HRA. For a total gross budget of £209.462m. With estimated financing totals £105.692m there is an estimated borrowing requirement for 2024/25 of £103.770m.

3.3 The Council's Indicative GF Capital Programme 2023/24 to 2026/27 is set out below. The capital programme is only set out for three years pending the revised Asset Management Strategy. Slippage from the IAS could well move spend into 2027/28 but currently there is no certainty over the capital budgets beyond three years.

3.4 A detailed breakdown of the 2023/24 to 2026/27 capital programme, including slippage/acceleration and funding is set out in Annex A. The capital spend in the annex is gross, with financing noted next to each scheme. Cabinet is asked to approve the updated 2023/24 programme and the proposed 2024/25 to 2026/27 programme.

Table 1: Capital Programme 2023/24 to 2026/27

Capital Expenditure	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s
General Fund				
Gf - Adults Care & Support	3,719	2,918	0	0
Gf - Inclusive Growth	6,373	611	0	0
Gf - CIL	761	0	0	0
Gf - TfL	4,226	2,200	2,200	0
Gf - IT	3,615	1,200	2,005	200
Gf - Parks Commissioning	12,925	153	83	0
Gf - Culture and Heritage	1,121	294	294	0
Gf - Enforcement	173	330	330	0
Gf - My Place	3,919	1,434	1,000	0
Gf - Public Realm	8,510	5,487	5,287	0
Gf - Education, Youth & Child	15,254	8,559	11,466	0
Gf - Other	136	0	0	0
Transformation	0	0	0	0
Total GF Capital Expenditure	**60,732**	**23,186**	**22,665**	**200**
IAS Residential	275,182	157,493	111,699	18,708
IAS Commercial	16,446	4,096	2,000	1,000
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HRA Stock Investment	14,000	20,288	27,934	37,760
HRA Estate Renewal	4,000	4,400	0	
HRA New Build Schemes	544	0	0	
HRA Total	**18,544**	**24,688**	**27,934**	**37,760**
Total Gross Capital Programme	***370,905***	***209,462***	***164,298***	***57,668***
Financed by:				
HRA/MRR	(20,123)	(26,170)	(27,827)	(29,774)
CIL/S106	(1,372)	(9)		
CIL/S106 - IAS			(1,500)	(1,762)
Revenue	(1,132)	(1,700)	(1,500)	
Capital Receipts			(232)	(3,226)
Self-Financing (excluding IAS)	(1,979)			
Other Grant	(28,826)	(13,782)	(14,159)	

IAS Grants (RtB, GLA) sales	(64,434)	(64,031)	(12,863)	(94,527)
Total Financing	**(117,866)**	**(105,692)**	**(58,081)**	**(129,289)**
Financed by Borrowing	**253,040**	**103,770**	**106,217**	**(71,621)**
PFI / Finance Lease Add. & Repay.	(4,492)	(4,811)	(5,111)	(5,459)
Net financing need for the year	**248,548**	**98,959**	**101,106**	**(77,080)**

4. Investment and Acquisition Strategy

4.1 The IAS has increased the Council's borrowing requirement as well as its capital programme, with the IAS requiring over £2 billion of spend, before financing, for nearly 60 schemes, including residential and commercial. MRP for IAS properties is charged after a two-year stabilisation period and then for 50 years based on an annuity repayment schedule for residential properties. The stabilisation period allows schemes to be fully let and/or sold before MRP is charged.

4.2 The budgets include estimates of IAS roll-forwards budgets from 2023/24 and are indicative with possibility of further slippages and changes to budget at year end.

4.3 Over the past two years several regeneration schemes have become unviable and have been put on hold and/or reviewed. The schemes that are on hold have been removed from the capital programme. Members are asked to note that in-year movements to the IAS budgets will occur if viability improves for these schemes and they are added back to the capital programme. If this is required, this will require full Council approval. Members are asked to approve the capital expenditure forecasts included in table 1.

4.4 A breakdown of the IAS gross forecast spend is in Table 2.

Table 2: IAS Gross Expenditure Forecast 2023/24 to 2026/27

IAS Schemes 2023/24 to 2026/27 Forecast £000s	23/24 Forecast £000s	24/25 Budget £000s	25/26 Budget £000s	2026/27 Budget £000s
Becontree Avenue 200	65.6	-	-	-
Becontree Heath GW5	327.5	-	-	-
Chequers Lane	316.8	-	-	-
Crown House	1,795.6	-	-	-
Gascoigne East Phase 2 Block C	-11,300.0	-	-	-
Gascoigne East Phase 2 Block E2	4,938.5	-455.5	10.3	-
Gascoigne East Phase 2 Block F	20,897.7	3,408.5	-	-
Gascoigne West Phase 1	1,108.7	-	-	-
Gascoigne West Phase 2	40,227.2	1,639.7	-	-
House for Artists	130.7	-	-	-
Sacred Heart	115.5	-	-	-
Sebastian Court	352.5	-	-	-
Completed & Handed Over at 31/12/2023	**58,976.4**	**4,592.7**	**10.3**	**0.0**
12 Thames Road	20,549.0	5,127.1	993.7	-
Beam Park Phase 6	44,592.8	49,223.2	54,571.1	7,201.8
Gascoigne East 3B	33,936.9	62,570.7	51,913.3	10,453.5
Gascoigne East Phase 3A Plot I	28,154.6	2,133.1	597.4	-
Gascoigne East Phase 3A Plot J	15,211.8	617.2	-	-

Oxlow Lane	9,417.1	294.6	-	-
Padnall Lake Phase 1	5,969.5	193.5	218.3	-
Padnall Lake Phase 2	5,597.4	811.5	384.4	-
Roxwell Road	12,918.8	10,393.7	1,085.4	403.3
Town Quay Wharf	10,497.4	5,687.1	559.6	-
Transport House	20,928.6	13,395.2	504.6	-
Trocoll House	582.0	199.4	119.9	649.3
Woodward Road	3,802.8	2,253.8	741.5	-
On-Site (Post-G4)	**212,158.5**	**152,900.1**	**111,689.2**	**18,707.8**
Barking Riverside Health & Leisure	6.6	-	-	-
Brocklebank Lodge	-	-	-	-
Gascoigne East Phase 2 Block E1	2,416.5	-	-	-
Gascoigne West Phase 3	1,566.5	-	-	-
Jervis Court	28.4	-	-	-
Padnall Lake Phase 3	29.2	-	-	-
IP Approved (Pre-G4)	**4,047.2**	**-**	**-**	**-**
DAGENHAM HEATHWAY	523.5	-	-	-
Dagenham Trades Hall	1,471.7	-	-	-
FILM STUDIOS	53.9	-	-	-
INDUSTRIA	2,924.1	1,095.7	-	-
Purchase of Edwards Waste Site	8,844.9	-	-	-
Purchase of Maritime House	1,152.6	-	-	-
WELBECK WHARF	10.9	-	-	-
Thames Road	1,464.5			
Unallocated	-	3,000.0	2,000.0	1,000.0
Total Commercial	**16,446.0**	**4,095.7**	**2,000.0**	**1,000.0**
Total IAS Expenditure	**291,628.1**	**161,588.5**	**113,699.4**	**19,707.8**

5. Capital Bids 2024/25 and 2025/26

5.1 The MTFS includes provision of £730k for 2024/25 and £819k for 2025/26 to fund a corporate capital programme of £16.699m of new capital schemes for 2024/25 to 2025/26. This budget is split between interest and Minimum Revenue Provision and follows a bidding round held towards the end of 2023.

5.2 As highlighted above, a review of the bids was carried out by Assets and Capital Board, and further clarification was requested for some of the bids. Bids for 2025/26 will be reviewed again as part of the 2025/26 budget-setting process and the revised Capital Strategy incorporating the revised Asset Management Strategy.

5.3 The commitments for General Fund financing costs of the proposed new schemes can be summarised as follows:

Scheme Name	Description	Net cost 24/25	Net cost 25/26	Finance 24/25	Finance 25/26
		£'000	£'000	£'000	£'000
Highways Improvement Programme	Planned maintenance programme for highways to address the roads assessed as 'poor condition' by surveys to allow them to safely operate and meet our statutory obligations.	**3,172**	**3,372**	244	259
Bridges and Structures	Funding is essential to undertake our Statutory Duty of Bi-annual inspections of the 48 Designated Structures (24 per annum) and intrusive Principal Structural inspections every 6 years, equating to 8 per annum, plus undertake the visual inspections of our over line footbridges.	**387**	**387**	30	30
Stock Investment - Corporate Portfolio	The existing 4 year funding to replace major components and capital works associated with the corporate portfolio, ends in 2024/25 . This capital budget is used for major works including replacement of Mech & Elec plant (boilers, ventilation systems, security etc), roofs, windows, external repairs and compliance works (fire doors, electrical systems).	**1,000**	**1,000**	67	67
Bridges in parks - Backlog Inspection & Repair	Following inspections of park bridges in November 2023, it is anticipated that the associated reports will identify a backlog of urgent health and safety related repairs and essential maintenance. This bid seeks funding to delivery of this work.	**83**	**58**	8	5
Dagenham Corridor - Tree and Woodland Asset Health & Safety	In order to meet our health and safety standards, to comply with relevant legal and regulatory requirements, and secure stakeholder confidence and trust, we need to ensure that the tree and woodland stock throughout the Dagenham Corridor is managed and maintained. Priority 1 works required in 24/25 (urgent public safety work posing imminent danger to people or property, storm damaged trees posing safety risk, large limbs snapped and hung up over areas of high vehicular and pedestrian flow). Priority 2 works required within 1-2 years to avoid safety issues developing (especially trees in high pedestrian and traffic flow areas).	**70**	**25**	4	1
Housing (Capita Open Housing)	To implement additional functionality within the Capita Open Housing system (see linked sheet for details)	**425**	**-**	15	-
Hardware - Laptops and peripherals	ICT need to have the ability to purchase laptop and supporting equipment to enable officers across the organisation to perform their duties. This is an estimate based on previous years	**150**	**210**	42	59
Oracle R12 ERP System	Oracle R12 was replaced in April 2022 and contains legacy data from 2014 which must be retained for legal/compliance/retention requirements and historical reference until at least 2030. Oracle R12 EBS ERP will need to be transitioned from its hosting arrangement with Brent due to their migration off of Oracle R12 in the next 18 months.	**-**	**225**	-	38

Keep The Lights On (KTLO)	There is an annual need for IT Services to maintain the Council's Networks, Infrastructure, Software and Security products. These tend to be driven more by the 3rd party suppliers upgrading their products. We have just reviewed the known requirements for 2024/25 it is estimated circa 700k and for 25/26 circa 700k. The key projects: Move away from LGFL, Firewall replacements, Cyber Assessments, Patching software, Replacement of Zscaler, Review of AVD, Azure , DBA and Sharepoint services as well as WAN procurement	**700**	**700**	159	159
ERP inc E5 upgrade and MHR upgrade	25/26 - Project team to support E5 and MHR upgrades 26/27 (£480k required in future bidding round) - Driving efficiencies from self-service, automation and BPM, will require BPR and digital service design to re-design processes to maximise efficiencies, automation.	**-**	**520**	-	118
ICT - Single property view for My Place	My Place require a single view of homes & asset management. This would be a 'virtual' read-only view with data being fed from the following systems: Open Housing; Total Compliance. Currently the data for homes and property assets are held in a number of business applications.	**150**	**150**	6	6
Enforcement system	A replacement of the enforcement system that is currently used for services within the following areas: - Environmental Health, Trading Standards, Licensing, Health and Safety, Private Sector Housing, ASB team and Community Safety, Environmental Protection & Enforcement services.	**330**	**330**	75	75
	Total	**6,467**	**6,977**	**650**	**819**

Annex A – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
General Fund											
C00100	AIDS & ADAPTATIONS	1,079	1,079	0	1,000	1,000	0	0	2,079	0	2,079
C00106	DISABLED FACILITIES GRANT-PRVT	2,023	1,861	162	1,857	2,019	0	0	3,880	0	3,880
C05125	FAMILY HUBS	117	117	0	61	61	0	0	178	0	178
C05127	Care Tech	500	500	0	0	0	0	0	500	0	500
CAP01	**GF - CARE & SUPPORT**	**3,719**	**3,557**	**162**	**2,918**	**3,080**	**0**	**0**	**6,637**	**0**	**6,637**
C03028	CORPORATE RETROFIT	2,881	2,551	330	0	330	0	0	2,881	2,881	0
C03099	ABBEY GREEN & BTC CONS HLF	277	80	197	0	197	0	0	277	177	100
C05084	DECARBONISATION	0	0	0	0	0	0	0	0	0	0
C05114	UK SHARED PROSPERITY FUND	236	348	-111	611	500	0	0	847	0	847
C05136	Local Authority Delivery Ph 3	2,461	2,461	-0	0	-0	0	0	2,461	0	2,461
C05137	Home Upgrade Grant Ph 1	519	457	61	0	61	0	0	519	0	519
CAP02	**GF - INCLUSIVE GROWTH**	**6,373**	**5,897**	**476**	**611**	**1,087**	**0**	**0**	**6,985**	**3,058**	**3,927**
C05028	BOX UP CRIME	455	455	-0	0	-0	0	0	455	300	155
C05029	WOMEN'S MUSEUM	210	175	35	0	35	0	0	210	0	210
C05062	LITTER IN PARKS (CIL)	96	96	0	0	0	0	0	96	0	96
CAP03	**GF - CIL**	**761**	**726**	**35**	**0**	**35**	**0**	**0**	**761**	**300**	**461**
C02898	LOCAL TRANSPORT PLANS	310	224	86	0	86	0	0	310	0	310
C05052	HEATHWAY HEALTHY STREETS	330	330	0	0	0	0	0	330	0	330
C05055	ROAD SAFETY AND ACCESS	422	422	-0	0	-0	0	0	422	0	422
C05058	TFL MINOR WORKS - VARIOUS LOCS	155	155	0	0	0	0	0	155	0	155
C05079	CYCLE ROUTE CFR10	507	500	7	0	7	0	0	507	0	507
C05080	LOW TRAFFIC NEIGHBOURHOODS	241	241	0	0	0	0	0	241	0	241
C05083	BUS PRIORITY	1,765	852	913	0	913	0	0	1,765	0	1,765
C05056	VALANCE AVENUE HEALTHY STREETS	43	43	0	0	0	0	0	43	0	43
C05128	Porters Avenue Healthy Streets	105	105	0	0	0	0	0	105	0	105
C05129	Dagenham Road Healthy Streets	172	172	0	0	0	0	0	172	0	172
C05130	High Road Healthy Streets	100	100	0	0	0	0	0	100	0	100
24-25-003	TFL LIP			0	2,200	2,200	2,200	0	4,400	0	4,400
C05131	Gascoigne Healthy Streets	77	77	0	0	0	0	0	77	0	77

CAP04	**GF - TFL**	**4,226**	**3,221**	**1,005**	**2,200**	**3,205**	**2,200**	**0**	**8,626**	**0**	**8,626**
C04042	COMMUNITY HALLS	6	6	0	0	0	0	0	6	6	0
CAP05	**GF - COMMUNITY SOLUTIONS**	**6**	**6**	**0**	**0**	**0**	**0**	**0**	**6**	**6**	**0**
C03052	KEEP THE LIGHTS ON	575	575	0	0	0	0	0	575	303	272
C03068	ICT END USER COMPUTING	12	0	12	0	12	0	0	12	12	0
C05132	Laptop Replacement Programme	2,698	2,687	11	200	211	200	200	3,298	2,700	598
24-25-08	Hardware - laptops			0	150	150	210	0	360	360	0
24-25-09	Oracle R12			0	0	0	225	0	225	225	0
24-25-10	KTLO			0	700	700	700	0	1,400	1,400	0
24-25-11	ERP Upgrade			0	0	0	520	0	520	520	0
24-25-12	Single Property View (My Place)			0	150	150	150	0	300	50	250
C05088	ERP Phase 2	330	300	30	0	30	0	0	330	330	0
CAP06	**GF - IT**	**3,615**	**3,561**	**53**	**1,200**	**1,253**	**2,005**	**200**	**7,020**	**5,900**	**1,120**
C04031	RE IMAGINING EASTBURY	4	4	0	0	0	0	0	4	4	0
C04033	REDRESSING VALENCE	211	70	141	0	141	0	0	211	211	0
C04043	THE ABBEY: UNLOCKING BARKING	347	26	321	0	321	0	0	347	212	135
C05115	WOODWARD ARTS & CULTURE Ctr	266	266	-0	0	-0	0	0	266	0	266
C05138	MEND Valence House	294	162	132	294	425	294	0	881	0	881
CAP07	**GF - CULTURE & HERITAGE**	**1,121**	**527**	**594**	**294**	**888**	**294**	**0**	**1,709**	**427**	**1,282**
C03032	PARSLOES PARK (CIL)	8,501	8,501	-0	0	-0	0	0	8,501	5,996	2,505
C04080	CHILDREN'S PLAY SPCS & FAC (CIL)	94	94	0	0	0	0	0	94	0	94
C04081	PARKS & OPEN SPCS STRAT 17 (CIL)	169	169	-0	0	-0	0	0	169	167	2
C05060	SAFER PARKS (CIL)	52	52	0	0	0	0	0	52	0	52
C05061	B & D LOCAL FOOTBALL FACILITY (CIL)	157	0	157	0	157	0	0	157	0	157
C03090	LAKES	437	150	287	0	287	0	0	437	437	0
C04013	PARK INFRASTRUCTURE ENHNCMTS	2	2	0	0	0	0	0	2	2	0
C04017	FIXED PLAY FACILITIES	73	73	0	0	0	0	0	73	73	0
C04018	PARK BUILDINGS – BLDNG SUR	62	62	-0	0	-0	0	0	62	62	0
C04084	CENTRAL PARK MASTERPLAN IMP	716	716	0	0	0	0	0	716	716	0
C05089	DE-CONTAMINATION AT ECP	1,897	500	1,397	0	1,397	0	0	1,897	0	1,897
C05113	OLD DAGENHAM PARK LEVELLING UP	48	48	0	0	0	0	0	48	0	48
C05122	CENTRAL PARK PAVILION	175	11	164	0	164	0	0	175	175	0
C05123	TENNIS COURT DEVELOPMENT	403	403	-0	0	-0	0	0	403	0	403

C05126	GREATFIELDS PARK PLAY	90	90	0	0	0	0	0	90	0	90
24-25-006	Bridges In Parks			0	83	83	58	0	141	141	0
24-25-007	Dagenham Tree H&S			0	70	70	25	0	95	95	0
C05142	OLD DAGENHAM PARK PLAY EQUIPT	50	50	0	0	0	0	0	50	0	50
CAP11	**GF - PARKS COMMISSIONING**	**12,925**	**10,921**	**2,004**	**153**	**2,157**	**83**	**0**	**13,161**	**7,865**	**5,296**
C04015	ENFORCEMENT EQUIPMENT	173	173	0	0	0	0	0	173	173	0
24-25-12	ENFORCEMENT System			0	330	330	330	0	660	660	0
CAP08	**GF - ENFORCEMENT**	**173**	**173**	**0**	**330**	**330**	**330**	**0**	**833**	**833**	**0**
C02811	WARD CAPITAL BUDGETS	787	787	-0	0	-0	0	0	787	787	0
C05018	STOCK CONDITION SURVEY	1,693	700	993	0	993	0	0	1,693	1,693	0
C05038	82A AND 82B OVAL ROAD SOUTH	271	0	271	0	271	0	0	271	271	0
C05077	DISPERSED WORKING	471	270	201	0	201	0	0	471	471	0
C04032	HABITAT FOR HUMANITY	356	300	56	0	56	0	0	356	356	0
C05140	MULTI-FAITH CHAD HEATH CEM.CIL	341	341	-0	9	9	0	0	350	0	350
24-25-004	Stock Investment Corp Portfolio			0	1,000	1,000	1,000	0	2,000	2,000	0
24-25-005	Capita Open Housing			0	425	425	0	0	425	68	357
C03027	EST ENERGY SUPPLY CO (ESCO)	0	0	0	0	0	0	0	0	0	0
CAP09	**GF - MY PLACE**	**3,919**	**2,398**	**1,521**	**1,434**	**2,955**	**1,000**	**0**	**6,353**	**5,646**	**707**
C04012	PARKS BINS RATIONALISATION	27	27	0	0	0	0	0	27	27	0
C04070	VEHICLE FLEET REPLACEMENT	1,023	110	913	0	913	0	0	1,023	1,023	0
C03083	CHADWELL HEATH CEMETERY EXT	83	83	0	0	0	0	0	83	83	0
C05048	PROCURING IN CAB TECH	171	171	0	0	0	0	0	171	171	0
C04016	ON-VEHICLE BIN WEIGHING SYS	0	0	0	0	0	0	0	0	0	0
C02982	CONTROLLED PARKING ZONES	1,979	325	1,654	0	1,654	0	0	1,979	1,979	0
C03011	STRUCT REP'S & MAINTCE-BRIDGES	27	0	27	0	27	0	0	27	27	0
C03065	HIGHWAYS INV PROG	3,860	4,100	-240	0	-240	0	0	3,860	3,504	356
C04019	REPLACEMENT OF WINTER EQUIP	3	3	0	0	0	0	0	3	3	0
C04029	ENGINEERING WORKS (RD SAFETY)	0	0	0	0	0	0	0	0	0	0
C04063	FLOOD SURVEY	141	141	0	0	0	0	0	141	131	10
C04064	BRIDGES AND STRUCTURES	826	350	476	0	476	0	0	826	826	0
24-25-001	Highways Imp Programme			0	4,900	4,900	4,900	0	9,800	6,400	3,400
24-25-002	Bridges & Structures			0	387	387	387	0	774	774	0
C05117	HEALTHY STREETS	369	369	0	200	200	0	0	569	0	569

CAP10	**GF - PUBLIC REALM**	**8,510**	**5,680**	**2,830**	**5,487**	**8,317**	**5,287**	**0**	**19,284**	**14,948**	**4,335**
C03020	DAGENHAM PARK	77	77	-0	0	-0	0	0	77	0	77
C03022	GREATFIELD SECONDARY SCH (NEW)	500	500	-0	0	-0	0	0	500	0	500
C03053	GASCOIGNE PRMRY - 5FE TO 4FE	34	34	0	0	0	0	0	34	0	34
C03054	LYMINGTON FIELDS SCHOOL 2016	6	6	-0	0	-0	0	0	6	0	6
C04052	SEND 2018-21	0	0	0	0	0	0	0	0	0	0
C04058	MARKS GATE INFS & JNRS 18-20	55	55	0	0	0	0	0	55	0	55
C04059	CHADWELL HEATH ADDI CAPACITY	0	0	0	0	0	7,000	0	7,000	0	7,000
C04072	SCHOOL CONDITION ALCTNS 18-19	0	0	0	0	0	0	0	0	0	0
C04087	SCA 2019/20 (A)	0	0	0	0	0	0	0	0	0	0
C04098	RIPPLE PRIMARY SUFFOLK ROAD	5	5	-0	0	-0	0	0	5	0	5
C05033	SCA PRIORITY WORKS 20/22	0	0	0	0	0	0	0	0	0	0
C05034	SCHOOLS EXPANSION PROG 20/22	750	750	0	600	600	493	0	1,844	0	1,844
C05040	HEALTHY SCHOOL	121	0	121	0	121	0	0	121	0	121
C05069	SCA 20-21	400	400	0	413	413	0	0	813	0	813
C05078	GREATFIELDS PRIMARY	7,500	7,500	-0	2,746	2,746	0	0	10,246	0	10,246
C05098	SCA 21-22	600	600	0	381	381	0	0	981	0	981
C05099	SEND 21	728	728	0	0	0	0	0	728	0	728
C05105	BASIC NEEDS 21/22	600	100	500	722	1,222	0	0	1,322	0	1,322
C05107	SCA 22-23	1,500	3,500	-2,000	800	-1,200	322	0	2,622	0	2,622
C05118	MAYESBROOK ADDITIONAL CLASSROOM	400	25	375	0	375	0	0	400	0	400
C05119	SPECIAL SCHOOL FEASIBILITY STUDIES	50	10	40	50	90	0	0	100	0	100
C05120	MONTEAGLE DINING HALL EXTENSION	500	250	250	700	950	0	0	1,200	0	1,200
C05141	SCA 23-24	600	1,200	-600	1,000	400	3,650	0	5,250	0	5,250
C05139	Padnall Hall (Youth Inv Fund)	827	827	-0	1,148	1,148	0	0	1,975	0	1,975
CAP20	**GF - EDUCATION, YOUTH & CHILD**	**15,254**	**16,567**	**-1,313**	**8,559**	**7,246**	**11,466**	**0**	**35,279**	**0**	**35,279**
C05135	Salix Projects	130	130	-0	0	-0	0	0	130	0	130
CAP55	**SALIX SCHEMES**	**130**	**130**	**-0**	**0**	**-0**	**0**	**0**	**130**	**0**	**130**
	GF TOTAL	**60,732**	**53,365**	**7,368**	**23,186**	**30,553**	**22,664**	**200**	**106,783**	**38,983**	**67,800**

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HRA											
C02933	CAPITAL VOIDS	1,500	1,500	0		0			1,500	0	1,500
C04002	LIFT REPLACEMENT	504	504	0		0			504	0	504
C04003	DOMESTIC HEATING	260	260	0		0			260	0	260
C04006	MINOR WORKS & REPLACEMENTS	200	200	0		0			200	0	200
C05000	DH INTERNAL	900	900	-0		-0			900	0	900
C05002	EXTERNALS 1 - HOUSES & BLOCKS	2,062	2,062	0		0			2,062	0	2,062
C05003	EXTERNALS 2 - HOUSES & BLOCKS	2,112	2,112	-0		-0			2,112	0	2,112
C05004	DOOR ENTRY SYSTEMS	550	550	0		0			550	0	550
C05005	COMPLIANCE	210	210	0		0			210	0	210
C05006	FIRE SAFETY WORKS	200	200	0		0			200	0	200
C05007	FIRE DOORS	961	961	0		0			961	0	961
C05009	ELECTRICAL PROGRAMMES	200	200	0		0			200	0	200
C05011	COMMUNAL BOILERS	2	2	0		0			2	0	2
C05014	ENERGY EFFICIENCY	1,930	1,930	0		0			1,930	0	1,930
C05015	FEES and CONTINGENCY	1,178	1,804	-626		0			1,178	0	1,178
C05068	ADAPTATIONS AND EXTENSIONS	92	92	0		0			92	0	92
C05116	ESTATE IMPROVEMENT	113	113	0		0			113	0	113
C05121	COLNE & MERSEA	1,026	400	626		0			1,026	0	1,026
24-25-HRA-001	Internal Works				4,058	4,058	5,587	7,552	17,197	0	17,197
24-25-HRA-002	External Works				5,072	5,072	6,983	9,440	21,495	4,759	16,736
24-25-HRA-003	Compliance / Communal				4,666	4,666	6,425	8,685	19,776	0	19,776
24-25-HRA-004	Estate Environs				2,029	2,029	2,793	3,776	8,598	0	8,598
24-25-HRA-005	Landlord Works				2,029	2,029	2,793	3,776	8,598	0	8,598
24-25-HRA-006	Other				2,435	2,435	3,352	4,531	10,318	0	10,318
CAP30	**HRA STOCK INVESTMENT**	**14,000**	**14,000**	**-0**	**20,289**	**20,289**	**27,933**	**37,760**	**99,982**	**4,759**	**95,223**
C02820	ESTATE RENEWAL	4,000	4,000	0	4,400	4,400	0	0	8,400	0	8,400
CAP31	**HRA ESTATE RENEWAL**	**4,000**	**4,000**	**0**	**4,400**	**4,400**	**0**	**0**	**8,400**	**0**	**8,400**
C05102	MELLISH CLOSE - AUSTIN HOUSE	544	820	-276	0	-276	0	0	544	0	544
CAP32	**HRA NEW BUILD SCHEMES**	**544**	**820**	**-276**	**0**	**-276**	**0**	**0**	**544**	**0**	**544**
	HRA TOTAL	**18,544**	**18,820**	**-276**	**24,689**	**24,413**	**27,933**	**37,760**	**108,926**	**4,759**	**104,167**

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IAS											
C03072	PURCHASE OF SACRED HEART CONT	125	116	9	-9	0	0	0	116	116	0
C03080	ACQSTN OF ROYAL BRITISH LEGION	36	28	7	-7	0	0	0	28	28	0
C03084	SEBASTIAN COURT - REDEVELOP	350	353	-3	3	0	0	0	353	353	0
C03086	LAND AT BEC - LIVE WORK SCHEME	131	131	0	0	0	0	0	131	-119	250
C03089	BECONTREE HEATH NEW BUILD	328	328	0	0	0	0	0	328	328	0
C04062	GASCOIGNE EAST PH2	-11,300	-11,300	0	-0	0	0	0	-11,300	-11,300	0
C04065	200 BECONTREE AVE	75	66	9	-9	0	0	0	66	66	0
C04066	ROXWELL RD	11,565	12,919	-1,353	11,747	10,394	1,085	403	24,801	14,196	10,605
C04067	12 THAMES RD	17,166	20,549	-3,383	8,510	5,127	994	0	26,670	12,650	14,020
C04068	OXLOW LNE	8,907	9,417	-510	804	295	0	0	9,712	3,793	5,919
C04069	CROWN HOUSE	2,355	1,796	559	-559	0	0	0	1,796	-2,632	4,428
C04077	WEIGHBRIDGE	143	0	143	-143	0	0	0	0	0	0
C04099	GASCOIGNE WEST P1	1,109	1,109	0	-0	0	0	0	1,109	669	440
C05020	WOODWARD ROAD	5,518	3,803	1,715	539	2,254	742	0	6,798	-1,879	8,677
C05025	GASCOIGNE WEST PHASE 2	32,829	40,227	-7,398	9,038	1,640	0	0	41,867	22,477	19,390
C05026	GASCOIGNE EAST PHASE 3A	16,933	15,212	1,722	-1,104	617	0	0	15,829	6,349	9,480
C05035	PADNALL LAKE PHASE 1	5,452	5,970	-518	712	194	218	0	6,381	6,381	0
C05041	TRANSPORT HOUSE	18,719	20,929	-2,210	15,605	13,395	505	0	34,828	28,945	5,884
C05047	GASCOIGNE WEST PHASE 3	1,994	1,567	427	-427	0	0	0	1,567	1,567	0
C05065	CHEQUERS LANE	317	317	-0	0	0	0	0	317	317	0
C05066	BEAM PARK Phase 6	40,005	44,593	-4,588	53,811	49,223	54,571	7,202	155,589	112,732	42,857
C05071	BROCKLEBANK LODGE	20	0	20	-20	0	0	0	0	0	0
C05073	GASCOIGNE EAST 3B	8,041	33,937	-25,896	88,467	62,571	51,913	10,453	158,874	95,687	63,187
C05076	GASCOIGNE EAST PHASE 2 (E1)	2,386	2,416	-30	30	0	0	0	2,416	2,416	0
C05082	TROCOLL HOUSE	584	582	2	198	199	120	649	1,551	1,551	0
C05090	GASCOIGNE EAST 3A - BLOCK I	27,339	28,155	-816	2,949	2,133	597	0	30,885	12,217	18,668
C05091	GASCOIGNE EAST PHASE 2 F	28,981	20,898	8,083	-4,675	3,408	0	0	24,306	5,071	19,235
C05092	GASCOIGNE EAST PHASE 2 E2	8,432	4,938	3,493	-3,949	-456	10	0	4,493	3,233	1,260
C05093	PADNALL LAKE PHASE 2	4,561	5,597	-1,037	1,848	812	384	0	6,793	-3,587	10,380
C05094	PADNALL LAKE PHASE 3	259	29	230	-230	0	0	0	29	29	0
C05100	BARKING RIVERSIDE HEALTH	7	7	0	-0	0	0	0	7	7	0
C05103	TOWN QUAY WHARF	8,904	10,497	-1,594	7,281	5,687	560	0	16,744	12,508	4,236

C05106	GASCOIGNE ROAD	30	0	30	-30	0	0	0	0	-200	200
CAP40	**IAS RESIDENTIAL**	**242,297**	**275,182**	**-32,885**	**190,378**	**157,493**	**111,699**	**18,708**	**563,082**	**323,966**	**239,117**
C03088	14-16 Thames Road	0	1	-1	1	0	0	0	1	1	0
C04091	PURCHASE OF WELBECK WHARF	0	11	-11	11	0	0	0	11	11	0
C04104	1-4 Riverside Industrial	223	133	90	-90	0	0	0	133	133	0
C05023	3 GALLIONS CLOSE	30	34	-4	4	0	0	0	34	34	0
C05024	FILM STUDIOS	46	54	-8	8	0	0	0	54	54	0
C05042	26 THAMES RD	1,020	1,021	-1	1	0	0	0	1,021	1,021	0
C05043	47 THAMES RD	70	70	0	0	0	0	0	70	70	0
C05046	11-12 RIVERSIDE INDUSTRIAL	1	1	0	-0	0	0	0	1	1	0
C05067	DAGENHAM HEATHWAY	426	523	-97	97	0	0	0	523	523	0
C05070	23 THAMES ROAD	0	1	-1	1	0	0	0	1	1	0
C05072	INDUSTRIA	4,019	2,924	1,095	0	1,096	0	0	4,020	4,020	0
C05074	BARKING BUSINESS CENTRE	200	203	-3	3	0	0	0	203	203	0
C05110	Purchase of Maritime House	1,069	1,153	-84	84	0	0	0	1,153	1,153	0
C05112	Purchase of Edwards Waste Site	8,844	8,845	-1	1	0	0	0	8,845	8,845	0
C05133	Dagenham Trades Hall	1,502	1,472	30	-30	0	0	0	1,472	1,472	0
	Unallocated			0	3,000	3,000	2,000	1,000	6,000	6,000	0
CAP42	**IAS COMMERCIAL**	**17,450**	**16,446**	**1,004**	**3,092**	**4,096**	**2,000**	**1,000**	**23,542**	**23,542**	**0**
	IAS TOTAL	**259,747**	**291,628**	**-31,881**	**193,469**	**161,588**	**113,699**	**19,708**	**586,624**	**347,507**	**239,117**
	TOTAL CAPITAL PROGRAMME	**339,024**	**363,813**	**-24,789**	**241,344**	**216,555**	**164,297**	**57,668**	**802,333**	**391,249**	**411,084**

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Appendix 5

Minimum Revenue Provision Policy Statement 2024/25

Background

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

2. The scheme of MRP was set out in former regulations 27, 28 and 29 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This system was radically revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

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

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

5. The S151 Officer has delegated responsibility for implementing the Annual MRP Statement. The S151 Officer also has executive, managerial, operational and financial discretion to determine MRP and any practical interpretation issues.

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

7. The S151 Officer may make additional revenue provisions, above those set out, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the general fund. The S151 Officer may make a capital provision in place of any revenue MRP provision.

8. This MRP Policy Statement takes into consideration the Council's investment strategy, which requires the use of MRP to be outlined in more detail, as well as to agree additional MRP options that are available for long-term property investments.

9. DLUHC is conducting a consultation on draft regs and statutory guidance changes which may require a revised MRP Policy to be brought back in 2024/25.

10. Issues will relate to loans to 3rd parties, use of capital receipts and not excluding specific elements of the CFR from the requirement to make MRP.

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

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

12. In addition, the calculation method and the rate or the period of amortisation referred to in the guidance may be varied by the S151 Officer in the interest of affordability.

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

General Fund Self- Financed Capital Expenditure from 1 April 2008

14. Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP has previously been made in instalments over the life of the asset, with the calculation method and the rate or the period of amortisation determined by the S151 Officer.

15. From 1 April 2019 MRP for capital expenditure incurred from 1 April 2008 have been calculated using the annuity method. All balances as at 31 March 2019 were carried at the same value and the same remaining life of the asset but a revised MRP calculation was completed using the annuity method of MRP for 2019/20 and onwards. The annuity method is also used for the IAS assets.

16. The S151 Officer shall determine how much and which capital expenditure is funded from borrowing and which from other sources. Where expenditure is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply. Nor shall any annual MRP apply where spend is anticipated to be funded from capital receipts or grants due in the future but is in the meantime funded from borrowing, subject to a maximum of three years or the year the receipt or grant is received, if sooner.

17. The asset life method shall be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The S151 Officer shall determine the asset life. When borrowing to construct an asset, the asset life may be treated as commencing two years after the asset first becomes operational and postpone MRP until that year. Where capital expenditure involves repayable loans or grants to third parties no MRP is required where the loan or grant is repayable. By exception, based on a business case and risk assessment, this approach may be amended by the S151 Officer.

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

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

Capital Loans to Companies

19. As part of its IAS, the Council will use several companies to manage and / or hold its property regeneration schemes. This requires the Council to borrow to provide funding to the companies and to repay the loan based on the cashflow forecast to be generated from the properties.

20. MRP using the annuity method will be charged over a period of 50 years for each scheme. An MRP period of 40 years will be used for modular / prefabricated properties. The MRP will reflect the repayment profile of each scheme.

21. For each IAS scheme a set two-year stabilisation period will be used, although this can be extended, with the agreement of the S151 Officer, to three years in cases where there are significant pressures on a scheme's cashflow. A stabilisation period for each scheme is required to:

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

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

23. Where the Council has provided loan(s) to a third party to support capital expenditure which is due to be repaid in full under the terms of the contractual agreements, the loan repayments are classed as a capital receipt. Any principal sum repaid will be set aside to reduce the increase in the CFR which relates to any such loan(s) provided.

MRP on Commercial Purchases and Land Assembly

24. As part of the Council's IAS, commercial property purchased as part of land assembly will have MRP charged based on the asset life and in the year after the property is operational. MRP will not be set aside where a Gateway 2 proposal to develop or sell the land has been agreed.

25. Where commercial property is purchased, and it is not for immediate regeneration purposes, MRP will be charged based on the commercial properties' useful asset life.

PFI, Leases and Lease and Lease Back (income strips)

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

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Appendix 6

Economic Background

The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.

- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.

- CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.

- Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.

- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.

- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- However the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.

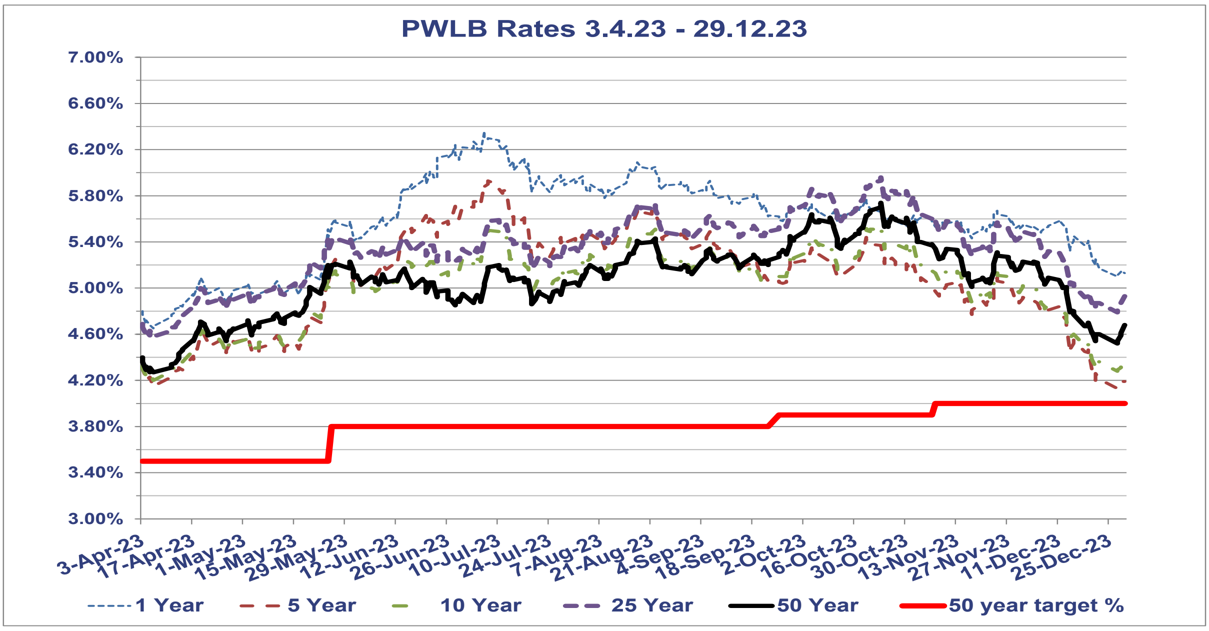
- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

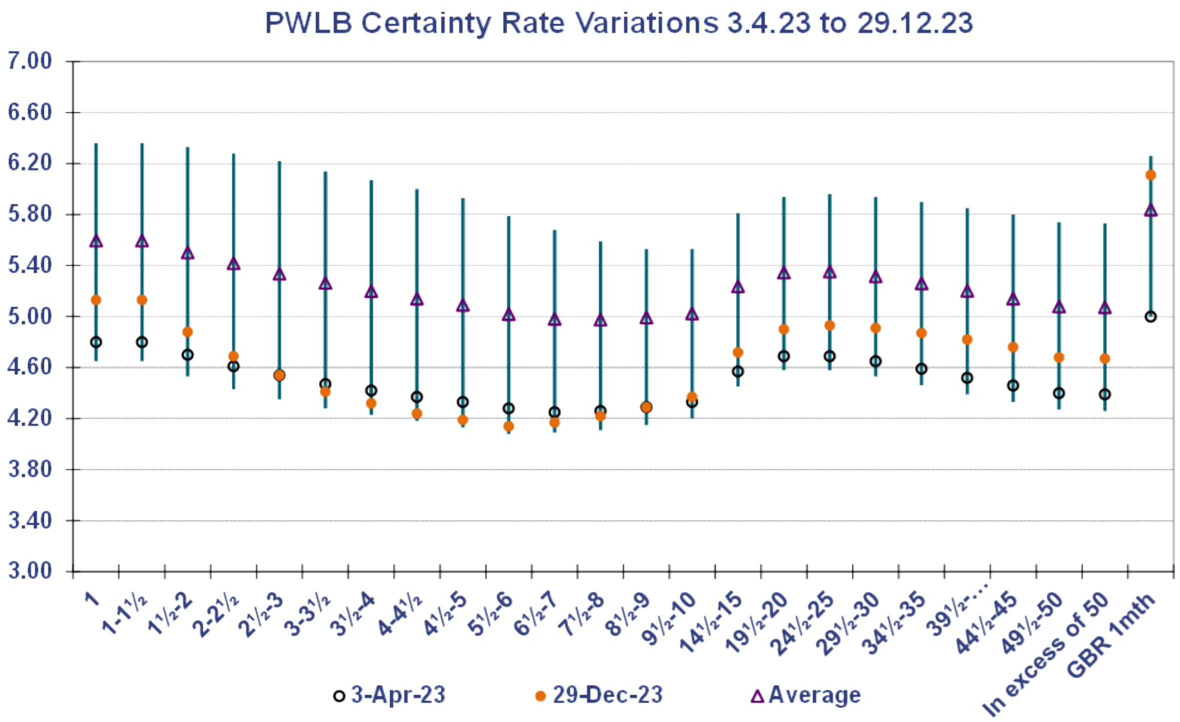
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

APPENDIX 7

Scheme of Delegation and Section 151 Officer Responsibilities

Treasury management scheme of delegation

(i) Full board/council

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

(ii) Boards/committees/council/responsible body

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

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

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

The treasury management role of the section 151 officer

The S151 (responsible) officer

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

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CABINET

19 February 2024

Title: Innovative Sites Programme	
Report of the Cabinet Member for Regeneration and Economic Development	
Open Report with Exempt Appendix 1 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended)	**For Decision**
Wards Affected: All	**Key Decision:** Yes
Report Author: Selasi Setufe, Senior Architect & Innovative Sites Manager, Be First	**Contact Details:** Tel: 07866 887 678 E-mail: selasi.setufe@befirst.london
Accountable Director: Carolne Harper, Deputy Managing Director, Be First	
Accountable Executive Team Director: James Coulstock, Strategic Director Inclusive Growth	

Summary

This report offers a status update on the Innovative Sites Programme (ISP), providing a summary of completed tasks, the strategy employed for site disposals and an update on financial implications. Given insights gained from stakeholder and industry engagement, along with evolving considerations regarding the leasehold sale of houses, the report proposes amendments to certain approvals granted in connection to the “Housing Innovation Programme – Small Sites” report approved by Cabinet on 16 June 2020 (Minute 10).

Recommendation(s)

The Cabinet is recommended to:

(i) Approve the freehold disposal of sites within Workstream 1 of the Innovative Sites Programme, as listed under paragraph 1.14 of the report;

(ii) Delegate authority to the Strategic Director of Inclusive Growth to approve the inclusion (or exclusion) of sites to the ISP and allocations to the three ISP workstreams, acting on the advice of the Council’s Assets and Capital Board;

(iii) Delegate authority to the Strategic Director, Inclusive Growth, in consultation with the Cabinet Member for Regeneration and Economic Development, to approve the assessment criteria for schemes put forward by external organisations / groups;

(iv) Delegate authority to the Strategic Director, Resources, acting on the advice of the Assets and Capital Board, to approve final land values and disposals; and

(v)	Delegate authority to the Head of Legal, 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 proposals.
Reason(s) The recommendations aim to enhance the effectiveness of the ISP disposal workstream. They seek to optimise sales potential and enhance the appeal of disposal sites to the market by proposing freehold disposal while promoting the delivery of high-quality homes. Additionally, these recommendations outline an updated governance strategy, ensuring the efficient implementation of the ISP. The aims of the programme are aligned to the Council's priorities relating to inclusive growth, participation and engagement, prevention, independence, and resilience as set out in the Corporate Plan.	

1. Introduction and Background

1.1 The Innovative Sites Programme (ISP) was initiated by LBBD in 2019 as a parallel to Be First's direct delivery programme of larger projects. The programme consists of sites ranging in scale from 0.02 hectares up to 0.3 hectares.

1.2 The objectives of the ISP were formalised in the "Housing Innovation Programme – Small Sites" report to Cabinet on 16 June 2020 (Minute 10 refers). Cabinet approved the programme to focus on three areas:

i. Innovative and specialist housing meeting particular housing needs (such as the housing needs of vulnerable groups), with this likely funded through the Housing Revenue Account (HRA) subject to the relevant approvals;

ii. Community participation and engagement, including the facilitation of community led housing;

iii. Innovate housing design/delivery methods such as modern methods of construction (MMC) and innovations in building sustainability.

1.3 Cabinet approved two methods of delivery for the ISP via:

i. Be First's direct delivery programme with funding via the General Fund or HRA;

ii. Third parties such as small builders, community groups or small and specialist Housing Associations. As a recipient of the Small Sites Small Builders (SSSB) grant from the GLA, LBBD is committed to using the GLA's competitive disposal service via its Small Sites Small Builders portal. This service combines some of the conveniences of land auctions with the delivery and quality control of development agreements. Using the GLA's disposal service, Be First, acting on behalf of LBBD, will welcome bids from SME developers and builders capable of building high quality homes with innovative solutions for complex sites.

1.4 In response to the objectives of the 2020 report, the ISP has been divided into three workstreams:

1. Disposal for small builders;
2. Disposal for community led housing; and,
3. Council-led non-general needs housing.

1.5 The objective of Workstream 1 is to dispose of LBBD owned sites to SME developers for the delivery of housing for local people. SMEs have the resource and capabilities to invest in and deliver small sites in innovative ways that would typically not be economical for Be First to deliver. In support of SME delivery, Be First successfully applied for two grants from the GLA's (SSSB) programme. The first grant was approved in February 2020 for £173,037.80 and the second in December 2020 for £292,875.50. The grants funded due diligence surveys and reports on several sites which help to de-risk the sites. Receiving the grants committed LBBD to using the GLA's SSSB portal to dispose the sites; failure to bring grant funded sites through the GLA's portal will require LBBD to repay grants back to the GLA. In addition to due diligence work, Be First has undertaken feasibility studies, conducted soft market testing, and engaged with industry experts, ward councillors and LBBD stakeholders. In anticipation of approvals of the recommendations made in this report, Be First will commence marketing of the first tranche of sites via the GLA's portal and other local channels.

1.6 The objective of Workstream 2 is to dispose of LBBD owned sites for community led housing, specifically for the benefit of groups based in Barking and Dagenham or the surrounding areas. In 2021, Be First successfully applied for a grant of £895,000 from the One Public Estate 9 Brownfield Land Release Fund – Self & Custom Build (SCB2). The grant covers capital costs of servicing sites with utilities, remediation, decontamination and other site enabling works. It is proposed that LBBD passes the grant to the successful bidders for the sites. To date, Be First has undertaken feasibility studies and engagement with industry experts, ward councillors, and LBBD stakeholders. The next phase of work under this workstream will involve community engagement and capacity building.

1.7 The objective of Workstream 3 is to facilitate Be First delivery of non-general needs housing on behalf of the council to help address growing need for specialist housing. To date, LBBD has funded a study on homes for care leavers and Be First has conducted feasibility studies for the sites. Be First successfully applied for a grant of £41,160 through the GLA's 2023 SSSB round 2 funding to undertake a study on the use of MMC on small sites. In collaboration with LBBD stakeholders, further work is required to inform project briefs as well as the design and viability of potential projects under Workstream 3.

ISP sites and estimated housing capacities

1.8 The 2020 Cabinet report listed an initial five sites for the ISP and made provision for the inclusion or exclusion of sites. Through recommendations by key LBBD stakeholders and upon review of sites identified under previous small site initiatives, Be First compiled a master list of 88 council owned small sites for consideration for the ISP.

1.9 Following a review and analysis of all 88 sites, Be First made recommendations to include 29 of the sites within the ISP. These sites were assessed as the most viable for the three workstreams based on for their suitability to deliver the programme objectives, estimated land values, site capacity and a review of site constraints. The 29 sites were selected in consultation with My Place, Ward Councillors, Inclusive Growth and the Portfolio holder for Regeneration and Economic Development. Site visits and due diligence work were undertaken to inform site allocations into the three ISP workstreams.

1.10 The ISP will be delivered in a phased approach to ensure adequate resourcing while providing opportunity to learn from previous phases and implement changes where needed.

1.11 Workstream 1 has a total allocation of thirteen sites to be systematically disposed of in three phases through the GLA's portal. As the first recipient of external funding and owing to funding commitments, this is the most progressed workstream. Further details about the first tranche of disposals (Workstream 1 Tranche 1) are presented in paragraph 1.15 below.

1.12 Workstream 2 has a total allocation of four sites to be disposed in a phased approach across two tranches via the GLA's small sites portal. These sites were assessed for their capacity to deliver homes for a small community or group of people.

1.13 Workstream 3 has a total allocation of twelve sites. These sites were assessed for their suitability to deliver homes for various vulnerable groups.

1.14 The table below illustrates sites earmarked for the ISP. With the exception of Workstream 1 Tranche 1, further consultation with LBBD stakeholders and ward councillors is required to ensure agreement with the inclusion of sites and delivery strategies.

No	Address	Tranche	Site Type	Est Housing capacity
Workstream 1				
1	Goresbrook Road	1	Infill	2
2	Becontree Avenue	2	Infill	3
3	57 Davington Road	2	Infill	1
4	Keir Hardie Way	1	Garage	9
5	Farmbridge Road East	1	Garage	3
6	Farmbridge Road West	1	Garage	3
7	Castle Road West	2	Garage	1
8	Castle Road East	2	Garage	1
9	Bull Lane	3	Garage	1
10	Wren Road	3	Garage	3
11	Highland Avenue	1	Garage	2
12	Hooks Hall Drive	2	Garage	4
13	East Road	3	Garage	4
				TOTAL UNITS: 37

Workstream 2				
14	Rossyln Avenue	1	Garage	12
15	Chelmer Crescent	1	Garage	12
16	Hunters Hall Road	1	Garage	16
17	Roosevelt Way	2	Garage	12
				TOTAL UNITS: 52
Workstream 3				
18	Vicars Walk	tbc	Garage	1
19	Stone Close West	tbc	Garage	1
20	Stone Close East	tbc	Garage	2
21	Forsters Road	tbc	Garage	13
22	Beamway	tbc	Garage	5
23	Hollidge Way North	tbc	Garage	2
24	Hollidge Way South	tbc	Garage	2
25	Claridge Road West	tbc	Garage	1
26	Claridge Road East	tbc	Garage	1
27	Lansbury Avenue	tbc	Garage	10
28	Margaret Bondfield Avenue	tbc	Garage	8
29	John Burns Drive	tbc	Garage	21
				TOTAL UNITS: 66

Workstream 1 Tranche 1

1.15 The Workstream 1 Tranche 1 site disposal strategy has been taken through the Be First Gateway 2 process in consultation with Inclusive Growth, RDWG, ACB and IP.

1.16 Title reports and marketing material have been prepared for Workstream 1 Tranche 1 sites. Further consultation has been held with ward councillors who have demonstrated full support for disposal of the sites. Workstream 1 Tranche 1 sites are therefore ready to be marketed for disposal. This first tranche of disposals consists of five sites ranging in scale from 0.02 hectares to 0.17 hectares. An estimated total of 19 homes will be delivered across the five sites, many of which will be suitable for families.

1.17 As the other tranches and workstreams progress to Gateway 2, further consultation and due diligence will take place with the LBBD stakeholders, ward councillors and governance forums.

1.18 The table below presents the five Workstream 1 Tranche 1 sites and the estimated housing capacities.

No	Address	Site Type	Size (HA)	Unit Mix	Housing capacity
Workstream 1					
1	Goresbrook Road	Infill	0.02	3b6p	2
2	Keir Hardie Way	Garage	0.17	3b5p	9

3	Farmbridge Road East	Garage	0.06	3b6p	3
4	Farmbridge Road West	Garage	0.06	2b4p	3
5	Highland Avenue	Garage	0.06	3b6p	2
					TOTAL UNITS: 19

2. Proposal and Issues

2.1 This report makes proposals to address five key matters relating to the disposal of sites within the ISP

1. Terms of disposal (freehold vs leasehold)
2. Assessment criteria for disposal bids
3. De-risking sites
4. Land value
5. Appropriation and disposal of HRA land

Terms of disposal

2.2 Since approval of the 2020 Housing Innovation Cabinet report, a significant amount of engagement with industry experts and key stakeholders has taken place regarding the ISP disposal workstreams. This has helped to shape the programme to best deliver the objectives of the Cabinet report. Lessons learnt have included a better understanding of key delivery constraints, uncertainties within the market and how they may impact the ISP.

2.3 The 2020 Housing Innovation Cabinet report approved leasehold disposal of 250 years. In November 2023, a leasehold and freehold reform Bill was presented to Parliament as part of the Government's 'Long-Term Plan for Housing'. One of the objectives of the Bill is to ban the sale of new leasehold houses so that, other than in exceptional circumstances, every new house in England and Wales will be freehold from the outset. The proposal to ban leasehold sale directly impacts the ISP as the existing approval is not in line with emerging national policy.

2.4 Research, stakeholder, and market engagement as part of the ISP has demonstrated that compared to leasehold disposal, freehold disposal would generate better capital receipts for LBBD and minimise administrative burdens. Additionally, freehold disposals will eliminate the need to negotiate complex lease terms and conditions, therefore streamlining the development process.

2.5 Since 2020, the construction industry and property market have experienced significant changes. Build costs are up 24% since 2020 according to BICS and interests rates are at a 15 year high of 5.25% compared to 0.1% in 2020. Industry engagement through the ISP has highlighted preference for freehold disposal in response to current market challenges.

2.6 Be First, in consultation with Inclusive Growth, recommends that freehold disposal will help ensure a balance of risk and reward to LBBD, make sites more attractive to the market, prevent under valuing of sites and provide more security to the end users and homeowners.

2.7 This report therefore seeks Cabinet approval for freehold sale. Options considered are presented in item 3 of this report.

Assessment Criteria for disposal bids

2.8 The 2020 Cabinet paper approved assessment criteria for schemes put forward by external organisations/groups. Through review of case studies of comparable programmes and consultation with industry experts, the assessment criteria are identified as an important tool to establishing the level of design quality the ISP seeks to facilitate. In light of this understanding and recognising the significant changes witnessed in the industry since 2020, it is deemed necessary to amend the criteria to enhance their robustness and better align them with the ISP objectives.

2.9 This paper therefore recommends delegated authority to the Strategic Director of Inclusive Growth to approve amendments to the assessment criteria.

2.10 Through this delegation, any changes required to the criteria for future tranches in light of lessons learnt from tranche 1 disposals can be consulted upon and approved.

De-risking ISP sites

2.11 ISP Workstream 1 sites have benefited from due diligence funded by the GLA's Small Sites Small Builders grant. As set out in the 2020 Housing Innovation Report, the GLA grant funding was used to undertake due diligence on ISP sites as a means of de-risking the sites. LBBD is obligated to dispose of grant funded sites via the GLA portal as a recipient of the GLA grant. Disposals within the ISP are subject to planning and finance.

2.12 As part of the due diligence process, the option to dispose of sites with planning approval was considered by Be First in consultation with LBBD. Whilst there would be some potential to further de-risk sites and increase value, the option of selling sites with planning permission was discounted because the resource needed to develop planning applications may not be covered by the increased land value.

Land value

2.13 Sites within the ISP are typically small, constrained, and tricky to deliver. Due to uncertainties with the residential land market and complex nature of the sites, assumptions on land value are a risk and can only be tested via the market. Final land values will therefore be determined through the bidding process. The estimated values have been modelled by the Be First Commercial Team with land values calculated based on a modified BCIS build cost adjusted to reflect site size – the values are set out in 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.. These values are conservative estimates and are subject to change according to land purchaser design proposals and other details of bids received.

Appropriation and disposal of HRA land

2.14 Workstream 1 sites are HRA lands. The 2020 Cabinet report gave approval for sites to be appropriated. Following recent consultation with the Interim Head of Finance and the Investment Fund Manager, the Council has requested that Workstream 1 sites should not be appropriated to the General Fund for disposal. Sites will therefore be disposed through the HRA and land receipts from sales will be returned directly to the HRA fund.

2.15 As the sites are HRA assets, any revenue generated from disposals will be owed to the HRA. The original proposal to appropriate sites would require an extra layer of administrative process to return Workstream 1 disposal revenue from the General Fund to the HRA. Keeping sites within the HRA has been considered the best option as it reduces the need for additional administrative processes and helps ensure revenue generated through the ISP is dedicated exclusively to housing-related expenses. Additionally, revenue generated from HRA disposals will help maintain the financial health of the HRA.

2.16 Be First fees associated with Workstream 1 will therefore be covered by the HRA fund. Further details on financial implications of the ISP to date are provided in section 5 of this report.

3. Options Appraisal

Approval for freehold disposal

3.1. In response to proposed national reforms to the leasehold system as well as industry preference, two disposal options have been considered by Be First in consultation with Inclusive Growth as follows:

Option 1 – do nothing (not recommended)

3.2. The ISP has successfully secured two rounds of grant funding from the GLA's Small Sites Small Builder's programme totalling £465,913.30. These grants have been used to fund due diligence works on ISP sites. The do-nothing option will require the return of grant funding to the GLA.

Option 2 – Follow previous approvals (not recommended)

3.3. The 2020 Housing Innovation Cabinet report gave approval for leasehold disposal of sites in this programme and recommended that this would typically be a 250-year leasehold. The do-nothing option will mean the ISP proceeds with leasehold disposal.

3.4. This option is not recommended as it is not in line with the direction of travel regarding leasehold reforms by national government which proposes a ban on the creation of new leasehold houses. The ban will ensure new houses are sold with freehold title except in exceptional circumstances.

3.5. This option is the least attractive to the industry and could result in a lack of interest in the programme and make the sites unviable.

Option 3 – Agree new recommendations (recommended)

3.6. Option 3 seeks the approval of the new recommendations made in this report as follows:

(i) Approve the freehold disposal of sites within Workstream 1 the ISP.
(ii) Delegate authority to the Strategic Director, Inclusive Growth to approve the assessment criteria for schemes put forward by external organisations/groups.

3.7. This option will ensure new homes can be sold with freehold titles in line with the proposed leasehold and freehold reforms proposed by national government.

3.8. This option minimises administrative burdens on LBBD, eliminates the need to negotiate complex lease terms and conditions and streamlines the development process.

3.9. This option will make sites more attractive to small scale builders and help make sites more viable for development.

4. Consultation

4.1 Consultation has taken place with Ward Members, My Place colleagues, HRA stakeholders, Inclusive Growth, the portfolio holder for Regeneration and Economic Development, ACB, IP, RDWG and SME Developers.

4.2 The proposals in this report were considered and endorsed by the Assets & Capital Board at its meeting on 10 January 2024.

5. Financial Implications

Implications completed by: Alison Gebbett, Capital Accountant and Alex Essilfie-Bondzie, Interim Head of Finance (My Place and Inclusive Growth)

5.1 This report proposes progressing Workstream 1 of the Innovative Sites Programme (ISP) which involves disposing of sites to small builders for development.

5.2 The sites captured in this report are currently held within the Housing Revenue Account (HRA) as non-dwelling sites. Based on the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulation 2003, capital receipts from the disposal of non-dwelling HRA sites can be retained in full by local authorities so long us they are used to fund affordable housing, regeneration projects or pay down debt. It is therefore unnecessary for the site to be appropriated from the HRA to the General Fund to enable their use for these purposes. The capital receipts expected from the project are expected to be offset by the disposal costs and other costs relating to the ISP workstreams.

5.3 Be First has incurred costs on the ISP to date of £150,000 with GLA grant able to cover £40,120 of this fee based on the restrictions on the grant. This leaves £109,880 to be funded from the HRA capital programme initially until reimbursed from the capital receipts from the site disposals. Other grants awarded to the scheme are all for specific activities aimed at de-risking the site and exclude Be First fees.

5.4 Be First fees in the next stages of the programme will be charged at the agreed Be First day rates and will be capped at 4.5% of the land sale of each site, including any overages, unless prior agreement is obtained. Fees will be charged at each gateway. If a project doesn't reach a gateway, the project will be closed, and fees settled. For the first tranche of Workstream 1 the fee to the Council is an estimated £33,750.

5.5 If a disposal fails after costs have been incurred then the HRA stands the risk of the cost being charged back to revenue as aborted costs because the expenditure would not represent an investment that enhance the values of the assets in question.

5.6 The ISP has received £465,913.30 in grant funding from the GLA's Small Sites Small Builders Programme (SSSB) to carry out due diligence on disposal sites. Under the grant terms, LBBD is required to market sites for disposal via the GLA portal. Failure to adhere to this requirement may lead to the clawback of the grant funding. Risk of clawback will be avoided providing sites are marketed as soon as possible.

5.7 Programme managers are expected to update and seek approval from Cabinet as work progresses on the future tranches of the workstreams in the ISP.

6. Legal Implications

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

6.1 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.

6.2 The Council participating in the proposals as a local authority 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 detailed at other than as a commercial transaction and a valuation will be required. Being new legislation while guidance has been issued there is no case law yet established setting out the application in real circumstances.

6.3 The sites must be disposed in accordance with the Local Government Act 1972 Section 123 at best consideration. The proposal is through market bidding. Thought should be given to establishing a reserve value. 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. The final consideration value shall duly be credited to its former holding account be it the Housing Revenue Account or General Fund.

6.4 Given that the sites are within well-established developed locations it will be inevitable that there will be displacement of utilities and services such as electricity substation(s), gas and water mains, telecommunications cables etc plus changes to highways and facilities, which may necessitate leases, licenses and agreements for highway and diversions of sewers. These are already familiar matters in a development context to the Council and Be First, and should, if managed soundly, avoid seemingly lengthy and intractable issues. Early surveying and research of the site's history will minimise costs and risks of delays and ensure a credible valuation.

6.5 Potential risk arising include, but are not limited to, any third-party rights or restrictions or incumbrances which may frustrate or prevent the regeneration objectives and development of the land. In terms of environmental risks, caution must be exercised in that the sites may raise risks of land contamination and if so, any remedial action and the costs of such remediation would need to be factored into the feasibility and viability considerations. Specifically, there should be early due diligence before contractually committing earmarking sites for the construction of dwellings. So, there will need to be investigation into whether there is a risk of the presence of historical contamination, and that it is capable of being remedied. Such costs need to be factored into the valuation(s) to ensure it does not compromise the viability or design of any residential development.

6.6 In terms of persons who may be affected by the proposals it does not appear that any existing residents will be affected or displaced. So, the question of the proposals having any impact on any human rights. However, this must be kept under review.

7. Other Implications

7.1 **Risk Management -** Potential risks arising include, but are not limited to, any third-party rights or restrictions.

i. Due to the small and challenging nature of the sites, there is a risk that some bidders may submit proposals under Be First's estimated valuation. To mitigate against this, estimated land have been calculated conservatively. In addition, no onerous covenants have been placed on the sites to help reduce any impacts on viability.

ii. There is a risk of receiving bids from developers who seek to landbank the sites to drive up future resale value. To mitigate against this, clawback clauses and milestone dates will be included within the draft heads of terms and embedded in the disposal agreement.

iii. The risk of poorly designed and constructed developments is mitigated through the use of robust assessment criteria for all bids received. Additionally, the condition of sale being subject to planning further incentivises prospective buyers to propose good quality developments

iv. The amount and duration of legal negotiations required for each site and preferred proposal is unknown and therefore the cost of legal fees associated with finalising the sale is unknown. LBBD will cover up to £1,500 of legal fees per site from land sale receipts. Any additional legal fees associated with finalising the sale will be covered by the selected buyer.

7.2 **Contractual Issues –** All legal documentation will be reviewed and agreed with LBBD Legal

7.3 **Corporate Policy and Equality Impact –** An Equality Impact Assessment Screening Tool has been completed and is attached at Appendix 2. The aims and objectives of the Innovative Sites Programme seek to provide an inclusive and equitable alternative to standard models of housing for the benefit of local people. The process through which the programme is delivered provides various opportunities to positively impact residents of Barking and Dagenham including those within the protected characteristic groups.

7.4 **Health Issues -** The intention of supplying innovative housing for vulnerable groups will need to address specific access/design needs relating to health, ageing, and mental health needs and should be taken into consideration for approval of new sites. Whilst helpful to invite community groups to develop appropriate housing this would be well supported by a framework to ask key questions such as placement near safe and well-lit routes, as well as basic checks around on accessibility, heating, ventilation, overcrowding, affordability, noise. Additionally due consideration of any previous usage of sites that may pose ongoing health risks.

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

List of appendices:

- **Appendix 1** – Estimated Land Values (exempt document)
- **Appendix 2** – Equality Impact Assessment Screening Tool

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

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APPENDIX 2

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	Innovative Sites Programme
Service Area	Place and Design, Be First
Officer completing the EIA Screening Tool	Selasi Setufe, Senior Architect and Innovative Sites Programme Manager
Head of Service	Caroline Harper, Deputy Managing Director
Date	09/01/2024
Brief Summary of the Proposal/Project/Policy Include main aims, proposed outcomes, recommendations/ decisions sought.	The Innovative Sites Programme (ISP) was initiated by LBBD in 2019 as a parallel to Be First's direct delivery programme of larger projects. The programme consists of sites ranging in scale from 0.02 hectares up to 0.3 hectares and aims to support SME builders and developers where possible. The objectives focus on three areas, 1) Innovative and specialist housing meeting particular housing needs (such as the housing needs of vulnerable groups), with this likely funded through the Housing Revenue Account (HRA) subject to the relevant approvals. 2) Community participation and engagement, including the facilitation of community led housing. 3) Innovative housing design/delivery methods such as modern methods of construction (MMC) and innovations in

<table>
<tr><td></td><td colspan="2">building sustainability.

Two methods of delivery for the programme include

1) direct delivery by Be First with projects funded via the General Fund or HRA and will focus primarily on delivering homes that meet the non-general housing needs for vulnerable residents

2) third parties such as small scale builders, community groups or small and specialist Housing Associations.

The programme is divided into three workstreams as follows:

Workstream 1: disposal of LBBD owned sites to SME developers for the delivery of housing for local people.

Workstream 2: dispose of LBBD owned sites for community led housing, specifically for the benefit of groups based in Barking and Dagenham

Workstream 3: facilitate Council-Led delivery of non-general needs housing to help address growing need for specialist housing

In fulfilment of the programme’s main objectives, all three workstreams provide opportunities to make positive and lasting impact for local residents. Workstreams 2 and 3 further provide opportunities to directly respond to the needs of people within the protected characteristics.</td></tr>
<tr><th>Protected characteristic</th><th>Impact</th><th>Description</th></tr>
<tr><td>Age</td><td>Positive impact (L)</td><td>The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people of varying ages to access alternative housing solutions for example purpose built homes for the elderly and homes for care leavers</td></tr>
<tr><td>Disability</td><td>Positive impact (L)</td><td>The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people of varying abilities to access housing solutions that can be tailored to their needs. As an example, workstream 3 of the programme will consider opportunities to develop</td></tr>
</table>

		accessible homes for wheelchair users.
Gender re-assignment	Positive impact (L)	The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people to access alternative housing solutions that can be tailored to their needs.
Marriage and civil partnership	Positive impact (L)	The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people to access alternative housing solutions that can be tailored to their needs
Pregnancy and maternity	Positive impact (L)	The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people to access alternative housing solutions that can be tailored to their needs
Race	Positive impact (L)	The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people to access alternative housing solutions that can be tailored to their needs
Religion	Positive impact (L)	The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people to access alternative housing solutions that can be tailored to their needs
Sex	Positive impact (L)	The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people to access alternative housing solutions that can be tailored to their needs
Sexual orientation	Positive impact (L)	The programme facilitates housing projects through tailored procurement

		methods. This process provides opportunities for a diverse range of people to access alternative housing solutions that can be tailored to their needs
Socio-Economic Disadvantage[1]	Positive impact (L)	The programme facilitates housing projects through tailored procurement methods. This process provides opportunities for a diverse range of people to access alternative housing solutions that can be tailored to their needs. Where possible this programme will provide opportunities to deliver some affordable housing. Further details will be discussed in future cabinet reports and EIAs once Workstreams 2 and 3 of the programme have been fully developed.

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 repuation (L)**

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

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

The aims and objectives of the Innovative Sites Programme seek to provide an inclusive and equitable alternative to standard models of housing for the benefit of local people. The process through which the programme is delivered provides various opportunities to positively impact residents of Barking and Dagenham including those within the protected characteristic groups.

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.

[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.

CABINET

19 February 2024

Title: Padnall Lake Phase 2, Gascoigne East Phase 3A Block I and Gascoigne West Phase 2 - 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: Chadwell Heath 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, Inclusive Growth	

Summary

This report follows multiple reports of this nature presented to Cabinet between June 2023 and January 2024. In total, these reports have secured approvals for loans and leases to allow 1147 new homes to transfer into the Reside portfolio. This report lists 558 new homes relating to the following developments: Padnall Lake Phase 2 (PP2), Gascoigne East Phase 3A Block I (GE3AI) and Gascoigne West Phase 2 (GWP2).

These properties have been delivered within the Council's Investment and Acquisitions Strategy (IAS) which was most recently presented to Cabinet in November 2023.

The report also seeks delegated approval to complete the documents required to dispose of the new build schemes mentioned above by way of a lease to the appropriate Reside entities, alongside loans to enable the acquisition of the said properties.

Recommendation(s)

The Cabinet is recommended to:

(i) Approve, in principle, the disposal of the New Build schemes below by the granting of long leases to the to the appropriate Reside entity identified in the report;

Padnall Lake Phase 2
- 1-26 Feldwick Road, Chadwell Heath, Romford, RM6 5BF
- Flat 1-44 Newcombe House, Feldwick Road, Chadwell Heath, Romford, RM6 5BG

Gascoigne East Phase 3A Block I
- Trilene House, Bowline Street

Gascoigne West Phase 2

- Chand House, St Pauls Road, Barking, IG11 7AU
- Plaice House, St Pauls Road, Barking, IG11 7AN
- Trawler House, St Pauls Road, Barking, IG11 7QH
- 9, 11, 13, 15, 17, 19, 21, 23, 25 and 27 St Pauls Road, Barking, IG11 7DT
- Fishmonger House, Healey Street, Barking, IG11 7HJ
- Gilderson House, Healey Street, Barking, IG11 7EW
- 1-12 Healey Street, Barking, IG11 7ET
- 1-4 Sole Walk Barking, IG11 7HE
- 32, 34, 36, 38 and 40 Gascoigne Road Barking IG11 7LG

(ii) Approve, in principle, the indicative draft Heads of Terms for leases and loans for Padnall Lake Phase 2, Gascoigne East Phase 3A Block I and Gascoigne West Phase 2 to the appropriate Reside entity, as set out in section 2 of the report;

(iii) Delegate authority to the Strategic Director, Resources, 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 provided that such action does not materially affect the approvals granted by Cabinet; and

(iv) Delegate authority to the Head of Legal, 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 the new build schemes mentioned in this report to the relevant Reside companies, helping to meet the Council’s aim to increase the supply of affordable housing options for residents and to ensure efficient property management.

1 Introduction and Background

1.1 Since June 2023, Cabinet has approved arrangements for 1147 new homes built across the borough to transfer to Reside entities. Reports presented to Cabinet between June 2023 and January 2024 gave similar delegated authorities to those contained in this report to allow leases and loans to be entered into for other new build properties.

1.2 Previous reports have noted that before these leases and loans can be executed best consideration and subsidy control matters need to be satisfied and in January 2024 (Minute 12), Cabinet noted that the Strategic Director, Resources, would be declaring various schemes on the national subsidy database and making referrals to the Subsidy Advice Unit. As noted in January the three schemes included in this report will be referred to the Subsidy Advice Unit. At the time of writing, work to draft the relevant referrals is still underway.

1.3 All previous reports of this nature advised that similar reports would follow in the future for new build schemes that are to be transferred to Reside. This report now seeks approval for Padnall Lake Phase 2, Gascogne East Phase 3A Block I and Gascoigne West Phase 2 with a total of 558 new homes that are being built by Be First, the regeneration arm of the Council, to also transfer into the Reside portfolio.

1.4 The Planning Committee agreed to the approval of the Padnall Lake development in November 2020. Phase 2 consists of 70 new homes at 100% affordable tenures. This development is estimated to achieve practical completion in May 2024.

1.5 Gascoigne East Phase 3A Block I is a part of the Gascoigne Estate Renewal Programme approved by Cabinet through a series of reports between July 2010 and July 2016. The proposals for Phase 3A were approved by the Planning Committee in June 2022. This development will provide 102 affordable new homes and is estimated to achieve practical completion in May 2024.

1.6 Gascoigne West Phase 2 is also a part of the Gascoigne Estate Renewal Programme approved by Cabinet through a series of reports between July 2010 and July 2016. It is expected to achieve practical completion in early March 2024. This scheme offers a range of accommodation options to residents in the borough with 59% of the new homes provided at affordable tenures.

1.7 In order to ensure the efficient management of the new properties, the Council set up several companies and limited liability partnerships (LLPs) under the 'Reside' banner, together with Barking and Dagenham Homes Ltd, 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, or to Barking and Dagenham Homes Ltd by way of leases, with the specific 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 entities is contained in section 3 below.

1.8 This report updates Members on the estimated practical completion and handover to the Council of the three developments mentioned in this report. 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 paragraphs 2.7 and 2.13.

2 Proposal and Issues

2.1 The Investment and Acquisition 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 schemes have not yet completed and the lease premium and loan amount is directly related to the final cost of the scheme, the figures included in this report are based on the forecasted final account. Members should note that there may be some minor changes to the premium and loan amounts when practical completion is achieved, and final account is agreed. To ensure that the units can be let as soon as possible after completion the recommendation seeks delegated authority to the Strategic Director, Resources to finalise the loan terms, including the final lease premium and loan amount, to reflect this (rather than waiting for final account to be confirmed before commencing the governance process).

Best Consideration

2.2 To comply with section 123 of the Local Government Act 1972, the schemes in this report must be disposed of at best consideration reasonably obtainable evidenced by professional valuation. To ensure that we comply with this legislation, we will obtain a Red Book valuation and the proposed leases and loan will only be executed should the S151 Officer be satisfied that Best Consideration has been achieved. The Red Book valuation will be undertaken as close to disposal of the units as is reasonably possible to ensure that it is based on an up-to-date market valuation.

Subsidy Control

2.3 In order to ensure that the schemes offering affordable tenures can be held within the Reside structure in a viable way, the interest rate charged on the loan will be below a commercial market rate. Under the terms of the Subsidy Control Act 2022 this represents a subsidy to the Reside entity or to Barking and Dagenham Homes Ltd. Legal and commercial advice has been obtained and we believe the subsidy is in line with the principles that Local Authorities are required to consider when giving a subsidy. Nevertheless, as noted in the January 2024 Cabinet report, subsidies for these schemes will need to be declared to the Subsidy Advice Unit (SAU). At the time of writing this workstream is still in progress. Following submission of the referral, the SAU will provide a report giving an assessment of the scheme's compliance with the legislation. Members should note that the loan cannot be entered into until the Council has considered the information within this report and satisfied itself that the loan is compliant with the Act. Cabinet will be kept up to date on any progress with this action and any feedback received from the SAU.

Scheme and proposed lease

2.4 The Investment and Acquisition 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 this scheme.

2.5 The lease premium and loan amount is directly related to the final cost of the scheme. As these new build schemes are not yet completed the figures included in this report are based on the forecasted final account. Members should therefore note that there may be some minor changes to the premium and loan amounts when practical completion is achieved, and final account is agreed. To ensure that the units can be let as soon as possible after completion the recommendation seeks delegated authority to the Strategic Director Resources to finalise the loan terms, including the final lease premium and loan amount, to reflect this (rather than waiting for final account to be confirmed before commencing the governance process).

2.6 The disposal of these three schemes will happen by the way of granting long leases and linked loans. The following sections set out the high level heads of terms for the headlease and loan facility agreement:

2.7 **Padnall Lake Phase 2 (Affordable Rent homes)**

Units and tenures	57 Affordable Rent homes
Estimated PC date	20th May 2024
Reside entity	B&D Reside Weavers LLP (Company No.: OC416198)
Draft Heads of Terms	
Lease Start date:	TBC
Lease Length:	130 Years
Lease Premium:	£23,244,543
Grant Funding:	Right to Buy
Grant Amount:	£9,297,817
Loan:	£13,946,726

2.8 **Padnall Lake Phase 2 (London Affordable Rent homes)**

Units and tenures	13 London Affordable Rent homes
Estimated PC date	20th May 2024
Reside entity	Barking & Dagenham Homes Ltd (Company No.: 12090374)
Draft Heads of Terms	
Lease Start date:	TBC
Lease Length:	130 Years
Lease Premium:	£7,597,416
Grant Funding:	GLA
Grant Amount:	£1,300,000
Loan:	£6,297,416

2.9 **Gascoigne East Phase 3A Block I (Affordable Rent homes)**

Units and tenures	102 Affordable Rent homes
Estimated PC date	31st May 2024
Reside entity	B&D Reside Weavers LLP (Company No.: OC416198)
Draft Heads of Terms	
Lease Start date:	TBC
Lease Length:	130 Years
Lease Premium:	£47,682,42
Grant Funding:	Right to Buy
Grant Amount:	£18,668,298
Loan:	£29,014,154

*The split between Right to Buy Receipts and the Lease Premium is 39.15% compared to 40% for most schemes due to the limited availability of Right to Buy receipts and the relative viability of this scheme compared to others. This will be reviewed at the completion date.

2.10 **Gascoigne West Phase 2 (Affordable Rent homes)**

Units and tenures	122 Affordable Rent units
Estimated PC date	11th March 2024
Reside entity	B&D Reside Weavers LLP (Company No.: OC416198)
Draft Heads of Terms	

Lease Start date:	TBC
Lease Length:	130 Years
Lease Premium:	£50,315,419
Grant Funding:	Right to Buy Receipts
Grant Amount:	£14,090,011*
Loan:	£36,225,408

*The split between Right to Buy Receipts and the Lease Premium is 28% compared to 40% for most schemes due to the limited availability of Right to Buy receipts and the relative viability of this scheme compared to others. This will be reviewed at the completion date.

2.11 **Gascoigne West Phase 2 (London Affordable Rent homes)**

Units and tenures	46 London Affordable Rent units
Estimated PC date	11th March 2024
Reside entity	Barking & Dagenham Homes Ltd (Company No.: 12090374)
Draft Heads of Terms	
Lease Start date:	TBC
Lease Length:	130 Years
Lease Premium:	£21,843,111 (includes £4,947,170 HRA costs)
Grant Funding:	GLA Grant
Grant Amount:	£4,600,000
Loan:	£12,295,941

2.12 **Gascoigne West Phase 2 (Target Rent homes)**

Units and tenures	60 Target Rent units
Estimated PC date	11th March 2024
Reside entity	Barking & Dagenham Homes Ltd (Company No.: 12090374)
Draft Heads of Terms	
Lease Start date:	TBC
Lease Length:	130 Years
Lease Premium:	£28,417,688 (includes £6,452,830 HRA costs)
Grant Funding:	GLA Grant
Grant Amount:	£6,000,000
Loan:	£15,964,858

2.13 **Gascoigne West Phase 2 (Market Rent homes)**

Units and tenures	158 Market Rent units
Estimated PC date	11th March 2024
Reside entity	Reside Regeneration Ltd (Company No.: 09512728)
Draft Heads of Terms	
Lease Start date:	TBC
Lease Length:	25 Years
Lease Premium:	N/A Lease terms provide a passing rent up to LBBD rather than a premium.

Grant Funding:	None
Grant Amount:	None
Development Cost (to remain with LBBD)*	£67,219,104

*Market rent properties are transferred to Reside Regeneration Ltd on a shorter lease term on the basis of rental income received less costs being passed back to LBBD. This income then allows LBBD to directly service the debt on the properties over a longer period of time than the lease to Reside Regeneration Ltd.

3 Company

3.1 The Reside collection of companies and Limited Liability Partnerships (LLPs) exist to support local people to access high quality, affordable housing. It was established by the council to create an independent but complementary service to the council's own housing services and currently consists of six limited liability partnerships and limited companies with differing financial arrangements. The Reside entities mentioned above are part of a larger scheme of Reside companies and Limited Liability Partnerships (LLPs). The relevant information regarding each entity is detailed below:

3.2 **Barking and Dagenham Homes Ltd (BDHL)** (Co No:12090374) is a company Limited by guarantee with one member, the Council, which wholly owns it. It is in the process of becoming a Registered Provider with the Regulator of Social Housing.

BDHL is wholly owned by the Council and is the proposed Registered Provider. In order to comply with regulatory requirements, it has an independent board that consists of two Reside Directors, one Council Officer and two totally independent directors.

BDHL takes on the ownership of affordable rented homes that are developed by the Council and supported by GLA grant, including London Affordable Rent and target rent. This entity has Cabinet approval to receive 56 shared ownership homes, this has not yet been implemented and is being reviewed at present.

GLA grant conditions stipulate that the affordable rented homes must be managed by a Registered Provider, which for the Council means Barking and Dagenham Homes Ltd or the Council's Housing Revenue Account. The GLA is aware that BDHL is not yet a registered provider but is comfortable that progress is being made to resolve this.

3.3 **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).

B&D Reside Weavers LLP 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, but it can provide funding from Right to Buy receipts into this vehicle.

B&D Reside Weavers LLP holds affordable rented homes (currently a mix of 50%, 65% and 80% of market rent, London Living Rent and London Affordable Rent) on a long lease from the Council. Weavers LLP pay a premium under the lease to the Council. This premium is partly financed by a documented loan (with security) from the Council and partly financed using right to buy receipts given to Weavers LLP by the Council.

3.4 **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 and directed by the Reside Board under the terms of the shareholder agreement.

Shared Ownership homes built using GLA grant currently go into this LLP. The Council additionally plans to use this LLP for any future affordable / sub-market rented homes that do not receive any form of grant / Right to Buy 141 funding.

3.5 **Barking and Dagenham Reside Regeneration Ltd** (Co No: 09512728) acts as the employing company for Reside staff and incurs Reside specific running costs which are then passed onto the individual Reside entities.

4 Options Appraisal

4.1 **Do nothing:** The Council's Investment and Acquisitions strategy highlights the importance of collaborating with Be First, Barking & Dagenham Reside and Barking and Dagenham Homes Ltd 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 lease 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 and an update was provided to Cabinet in November 2023. All relevant stakeholders are in agreement with the terms set out in this report.

5.2 The proposals in this report were considered and approved by the Executive Management Team at its meeting on 25 January 2024.

6 Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

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

6.2 The total development cost has been used to produce the lease premiums, 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 & Governance Solicitor

7.1 This report seeks Cabinet approval to agree to delegate authority to take action to transfer 57 Affordable Rent Homes at Padnall Lake, 122 Affordable Rent at Gascoigne West Phase 2 and 102 Affordable Rent Homes on Gascoigne East Phase 3A Block I to B&D Reside Weavers LLP and 13 London Affordable Rent Homes at Padnall Lake, 46 London Affordable Rent homes plus 60 Target Rent homes at Gascoigne West to Barking & Dagenham Homes Ltd. Together with 158 Market Rent homes to Reside Regeneration Ltd. This will be achieved by granting long leases to the entities and they will finance the acquisition through loans made to them by the Council.

7.2 As observed in the body of this report the construction of the new homes is as part of the Councils Investment and Acquisition Strategy developments of new homes have been sponsored by the Council. The intention being on practical completion an interest by means of a long lease be granted to the companies which will in turn grant underleases to tenants. The corporate entities which will hold the housing blocks not having financial resources in themselves will need to take out borrowing to acquire the leasehold interest by means of a loan agreement with the Council. The duration of the leases proposed are being of such length that they must be disposed of by the Council for the best consideration as required by section 123 Local Government Act 1972. It is understood a valuation has been carried out to the surveying standard ‘Red Book valuation’ which will set the value of the loan(s). It is the intention the leases will be at market value and not discounted. This approach will mean there is not the question of unfair competition in terms of the lease and will be in accordance with the fiduciary duty to the ratepayer in the sense not being disposed of at an undervalue. As explained in this report the loans are at differing rates of interest depending upon the development. Where the loans are discounted, at a lower rate than current market rate, they will need to be compliance with the recent legislation which governs competition being the Subsidy Control Act 2022.

7.3 Because the timeline of practical completion of the various new home developments has been over a period of time, the legal landscape post Brexit has changed including different regimes of law relating to competition treatment. As this is a new regime the understanding on what arrangements are compliant with the new competition regime is not yet an exact science. For this reason, the earlier recommendation to Cabinet in Reports in June 2023, July 2023, October 2023 and January 2024 recommended that the final decision to grant the loan terms be delegated to the Director of Finance and Investments after advice is obtained from property experts and legal advisors.

7.4 As the loan and lease will be completed post 4 January 2023 the arrangements are within the curtilage of the Subsidy Control Act 2022 and any loan which is not a market rate prevailing from that time will need to comply with the said 2022 Act including a referral to the Subsidy Advice Unit.

7.5 As the leases and loans are to third party entities notwithstanding the Councils interest in being shareholders, it is beholden on the recipient companies as future property holders that they satisfy themselves as to the legality and regulatory compliance of the arrangements they enter into.

8 Other Implications

8.1 **Corporate Policy and Equality Impact** - The Equality Impact Assessment Screening Tool has been completed and a full assessment is not required.

Public Background Papers Used in the Preparation of the Report:

- Treasury Management and Investment and Acquisition Strategy 2023/24 Mid-Year Review, 14 November 2023 Cabinet report (https://modgov.lbbd.gov.uk/Internet/ieListDocuments.aspx?CId=180&MId=12958&Ver=4, Minute 60)

List of appendices: None

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CABINET

19 February 2024

Title: Valence House Museum and Borough Archive Conservation project	
Report of the Cabinet Member for Community Leadership and Engagement	
Open Report	**For Decision**
Wards Affected: Valence	**Key Decision:** Yes
Report Author: AnnMarie Peña, Head of Culture and Heritage	**Contact Details:** E-mail: annmarie.pena@lbbd.gov.uk
Accountable Executive Team Director: James Coulstock, Strategic Director of Inclusive Growth	

Summary

Barking and Dagenham is a vibrant and diverse Borough with a strong and evolving history to be proud of. As the local community grows and changes, the Council needs to adapt and improve its Heritage provision to meet the needs of everyone, and to ensure all local residents feel welcome across cultural and local history sites. Valence House Museum and Archives, located in the heart of the Becontree Estate in Dagenham, has the potential to courageously celebrate the mix of identities, experiences and perspectives we represent through our diversity.

Significant fundraising has been undertaken by the Culture and Heritage Service to meet the Council's statutory responsibilities for the listed heritage site and the adjacent Borough Archives. As part of this, the Council has been successful in its application to the Arts Council of England's (ACE) Museum Estate and Development Fund (MEND) for funding towards urgent capital and conservation works related to the site.

In total the Council has awarded a capital investment of £811,250 (Reference: MEND-00559411-R2 Restricted Funds), plus an additional £70,000 smaller grant from Arts Council England towards the works. These grants are based on the terms and conditions and delivery of the Agreed Capital Project Plan as set out in the Deed of Covenant between the two parties, The London Borough of Barking and Dagenham and The Arts Council England. The project carries a partnership funding percentage of 20% that the Culture and Heritage Service has met through earmarked UK Shared Prosperity funds (£150,000) and ringfenced capital funds from Parks Commissioning for conservations works to the North Moat (£175,000).

This funding allows the Council to focus on key improvements to buildings and grounds at Valence House including (but not limited to): improved infrastructure and access provision, greater financial resilience, increased environmental performance to support the reduction in carbon emissions, amongst other benefit. The impacts and outcomes align with the deliverables as set out by the Arts Council England MEND funding and align with the Council's Corporate Plan.

Commencement of works is planned to commence immediately by end of 2023, continuing through to 2025/2026.
Recommendation(s) Cabinet is recommended to: (i) Approve the inclusion of the Valence House Museum and Borough Archive Conservation project in the Capital Programme in the sum of £1,206,250, made up of Arts Council of England grant totalling £881,250, UK Shared Prosperity capital grant of £150,000 and £175,000 from the Council's Parks Commissioning capital budget for lakes and watercourses; (ii) Note the planned trajectory for the delivery of the project, as set out in the report; and delegate authority to the Strategic Director, Inclusive Growth, in consultation with the Head of Legal, to enter into all necessary agreements with the Arts Council to fully implement and effect the proposals; and (iii) Note that further significant fundraising will be required in the next 2-5 years to meet the Council's statutory responsibilities for its listed heritage sites and the accredited Borough Archives.
Reason(s) As outlined in the 2023-2026 Corporate Plan Priority 5 "*Residents benefit from inclusive growth and regeneration",* improving our heritage offer in the borough will allow us to continue to positively transform communities and encourage local businesses to grow, supporting and attracting long term investment that benefits our residents. The National Trust has identified the borough as a key area of development into the future, whilst Arts Council England has identified Barking and Dagenham as a priority for investment as part of its work to support resilience, skill development and future economic growth in the arts and heritage sectors.

1. Introduction and Background

1.1 In September 2022, the Culture and Heritage Services were formally amalgamated and restructured to provide better strategic, financial and artistic leadership across our related programming strands and sites in the borough. Since then, we have begun to re-set the priorities, policy and programming direction of our community-focused arts and heritage initiatives.

1.2 At Valence House Museum and the adjacent Archives, Visitor Centre and surrounding green spaces, we have both historic and ongoing financial issues which impact our ability to appropriately manage the sites, and to properly meet our statutory responsibilities in caring for these important listed buildings. For more than a decade the site has been chronically underfunded and this has manifested as: a skeleton staffing structure which limits site opening hours and opportunities to develop more community-focused programming; a long list of urgent conservation and building works which have not been dealt with over the past years; and ongoing financial losses to Barking and Dagenham Council which can no longer be carried forward in the current difficult economic climate.

1.3 To meet these urgent needs and pressures, officers have embarked on fundraising and new income generation opportunities to bring in additional resource; this includes a successful bid to Arts Council England's Museum and Estate Development Fund, and the leveraging in of UK Shared Prosperity Funds for urgent works across the site.

2. Detailed works funded by the Museum Estate and Development Fund

2.1 Key areas of investment for funds include:

- Works to Medieval North Moat;
- Repairs to Valence House Museum main building;
- Replacement of roof and repairs to rooflights and shutters in visitor centre & archives building;
- Drainage repairs to north elevation of visitor centre & archives building;
- Replacement of external doors on visitor centre & archives building;
- Replastering internal spaces in visitor centre & archives building to repair water damage;
- Overhaul of air ventilation system in visitor centre & archives building.

2.2 This funding allows us to focus on key improvements to buildings and grounds at Valence House which will:

- improve infrastructure;
- reduce immediate risks to buildings, visitors, staff and collections by improving core infrastructure;
- build financial resilience and provide environmentally responsible custodianship (developing and implementing maintenance plans);
- increase environmental performance of the building assets and equipment to support the reduction in carbon emissions (supporting the museum sector);
- improve museum ability to offer independent access for disabled people and accommodation of diverse user needs;
- strengthen contribution to local community and regeneration by preserving landmark buildings and ensure public access.

2.3 Wider impacts and longer-term outcomes for Valence House include:

- Solving historic and ongoing issues of chronic underfunding to our heritage sites which manifests as ongoing losses to Barking and Dagenham Council;
- Creating resilient and solvent business models at our heritage sites which include new and improved income streams that are well networked with initiatives and priorities across the borough;
- Growing our Heritage Education provision to ensure all school children in the borough have access, and to build schools visits from outside the borough;
- Improving our commissioned projects, exhibitions and partnership opportunities to maximise the full potential of our Heritage provision across the borough and build visitor numbers;
- Improving access (including digital and physical) and representation for local people across all Heritage facilities and platforms;

- Managing and actioning urgent conservation works and repair issues across key heritage sites to meet our statutory responsibilities.

3. Museum Estate Development Fund Offer

3.1 The funding offer is subject to the acceptance of Arts Council England's Standard Terms and Conditions – Museums Estate and Development Fund (‘Terms and Conditions’), the Additional Conditions (if any) and the Monitoring Schedule and Payment Conditions.

3.2 This scheme is funded using money from Capital Grant in aid. It is restricted capital funding for the sole purpose of delivering the Agreed Project. It is shown as restricted funding in the Council accounts and capitalised on the budgetary balance in accordance with the Terms and Conditions.

3.3 If the Council spends less than the whole Grant amount on the Agreed Project, it must be returned unspent amount. If the Grant part funds the Agreed Project, the council must return the appropriate share of the unspent amount. As the Grant comes from public funds, the Council must account for any profit that is made from the Agreed Project and the Arts Council of England reserve the right to require the Council to pay back all or part of the Grant in accordance with the Terms and Conditions.

4. Proposal and Issues

4.1 Our deliverables and strategic priorities over the coming years 2023-2026 include:

- Community-led programming and custodianship platforming the rich cultural heritage and contemporary cultural landscape of Barking and Dagenham;
- Supporting delivery of aspirations for the upcoming new Joint Health and Wellbeing Strategy which embodies a vision of “working together to give the best chance in life to babies, children, young people and their families”;
- Increasing number of participants across initiatives and heritage sites by 10% annually 2023-2026;
- Vibrant commissioning models, participatory frameworks and programmes representing diversity of the borough, and supporting local organisations including: The White House, Company Drinks, BDYD, Greenshoes Arts;
- Activating greenspaces and outdoor areas of Valence House Museum, networking these with broader LBBD and National Trust initiatives to build a stronger focus on sustainability, growing spaces, environmental conservation, and wellbeing;
- Greater access to digital facilities across the borough meeting needs of residents.

4.2 The significant key issues which may prevent us from achieving our aims include:

- A lack of financial resilience and insufficient core budgets at our heritage sites;
- A deficiency in meeting our statutory requirements due to neglect and a lack of funds, including addressing urgent conservation issues at our two key listed sites.

5. Consultation

5.1 As part of the Masterplan exercise at Valence House Museum, a resident and community consultation was conducted and concluded on 31 May 2023. This was undertaken to gain valuable insight from local people around their key priorities and views of the heritage site and broader park area. We are currently distilling data from over 400 residents who have contributed their views. Further consultation will take place with Members, Officers, and key stakeholders throughout the Masterplan process.

6. Financial Implications

Implications completed by: Sandra Pillinger, Finance Manager

6.1 The Culture and Heritage service has been awarded a capital grant of £811,250 for Valence House by the Arts Council from their Museum Estate and Development Fund (MEND), plus an additional grant of £70,000 towards the works. An additional £325,000 will be contributed in partnership funding, comprising UK Shared Prosperity capital grant of £150,000 and £175,000 from Parks Commissioning capital funding for lakes and watercourses.

6.2 This project will form part of the Council's overall capital programme and will be monitored and managed through the Council's capital budget monitoring processes, to ensure adherence to grant financial conditions. It should be noted that the deadline for grant expenditure is 31 March 2026.

6. Legal Implications

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

6.1 As set out in the main body of this report, the Council has received a grant fund offer from the Arts Council of England's Museum Estate and Development Fund. This will be subject to terms and conditions which must be followed with evidenced accounting for expenditure to deliver the grant funded project(s).

7. Other Implications

7.1 **Risk Management –** The Culture and Heritage Service will respond to and prioritise key recommendations from Conservation Managements plans and Quinquennial inspections for Valence House Museum to ensure we fulfil our statutory responsibilities to listed heritage sites under our custodianship.

7.2 **Contractual Issues –** In 2021 specialist heritage-focused Project Managers Greenwood Project were appointed to lead management of repair and conservation works at Valence House Museum. With LBBD's Heritage Commissioner they are overseeing the Masterplan development work for the site with heritage consultants Caroe Architecture, who tendered and won the contract for this work in 2021/2022 through LBBD's procurement process.

Procurement of any works or services required need to be conducted in line with the Council's Contract Rules and the procurement legislation in force at the time

(currently PCR2015, after October 2024 new procurement legislation will be in place.)

7.3 **Staffing Issues –** As we consider improvements to management of our heritage sites, any changes to staff schedules which may result in a reduction of hours will be consulted upon with staff and Trade Unions, with all relevant LBBD HR processes being followed.

7.4 **Corporate Policy and Equality Impact -** The Culture and Heritage Service has developed an equal opportunities statement designed to implement the commitment of the London Borough of Barking and Dagenham to equal opportunities and dignity at work – a copy of the draft statement is at Appendix 1. It will be the responsibility of every employee, working on or off site, to ensure their own conduct conforms to the expected standards reflected in this statement. The aim of the statement is to encourage dignity, equality and respect amongst individuals as outlined in our 2023-2026 Corporate Plan, and to promote good working practices across culture and heritage programmes, with a view to maximising inclusion of residents and visitors at our borough-operated Culture and Heritage sites and across all related programming and commissioning streams. We are doing this by:

- Communication: We are working to ensure all our communications are more inclusive and reach a greater diversity of residents and visitors to our sites, making it easier for people to share their views and to increase their participation in the arts, heritage, and culture around them.
- Improving access for people of all ages and abilities: We are working on installing ramps, accessibility devices and investing in improved pathways, sensory spaces, and signage at the places we care for.
- Free and safe access: We will be increasing awareness of the free access to our sites and programmes, particularly focusing on improving access to the community during after school hours and at weekends, removing - wherever possible - any social or economic barriers which prevent local people from experiencing arts, culture and heritage.
- Increasing access to our greenspaces: We are working with our Park Rangers, local partners and other national organisations to help everyone access and enjoy the outdoors.

7.5 **Safeguarding Adults and Children -** Through our work across the Culture and Heritage Service, we are supporting delivery of aspirations for the new Joint Health and Wellbeing Strategy which embodies a vision of “working together to give the best chance in life to babies, children, young people and their families”.

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

List of appendices:

- **Appendix 1:** Culture and Heritage Service Equalities, Diversity and Inclusion Statement (draft)

APPENDIX 1

LBBD Culture and Heritage Service

EQUALITY STATEMENT

This statement relates to all programmes and culture and heritage facilities led and operated by London Borough of Barking and Dagenham's (LBBD) Culture and Heritage Service.

This equal opportunities statement is designed to implement the commitment of the London Borough of Barking and Dagenham's Culture and Heritage Service to equal opportunities and dignity at work. It is the responsibility of every employee, working on or off site, to ensure their own conduct conforms to the expected standards and reflects this statement. The aim of the statement is to encourage dignity, equality and respect amongst individuals, and to promote good working practices across culture and heritage programmes, with a view to maximising inclusion of local residents and visitors at our borough-operated Culture and Heritage sites and across all related programming and commissioning streams.

Barking and Dagenham is a vibrant and diverse Borough, which is something we are proud of. As our local community grows and changes, we need to evolve to meet the needs of everyone and ensure they continue to feel welcome across our culture and heritage sites. The Culture and Heritage Service recognises, respects and values difference. We believe that diversity, through the mix of identities, experiences and perspectives we represent, is a fertile platform for fostering creativity and building understanding. We value the diversity of people who live or work in and visit the Borough, and it is our vision to commission an aspirational and inspiring curatorial and public engagement programme where people learn about, respect and celebrate each other's differences.

We are doing this by:

- Communication: We are working to ensure all our communications are more inclusive and reach a greater diversity of local residents and visitors to our sites, making it easier for people to share their views and to increase their participation in the arts, heritage and culture around them
- Improving access for people of all ages and abilities: We're working on installing ramps, accessibility devices and investing in improved pathways, sensory spaces and signage at the places we care for
- Free and safe access: We'll be increasing awareness of the free access to our sites and programmes, particularly focusing on improving access to the community during after school hours and at weekends, removing - wherever possible - any social or economic barriers which prevent local people from experiencing arts, culture and heritage
- Increasing access to our greenspaces: We're working with our Park Rangers, local partners and other national organisations to help everyone access and enjoy the outdoors
- Improving online and offline accessibility: We are dedicated to improving access to our Museum collections and Archives for residents of the borough and beyond, as well as developing online resources and toolkits to ensure our culture and heritage is available for everyone; we are particularly committed to improving experiences for people with disabilities and different needs
- Connecting with families, children and young people: We will be increasing our engagement with children and young people to understand how to better connect with

them through history and the arts, and to ensure they have a say in the work we commission and do

- Inclusive and transparent commissioning practices: We are working to ensure our commissioning of arts, culture and heritage programmes include, represent and platform the diverse experiences and talent across the borough, and that we share our commissioning practices to include local organisations and people in decision-making processes wherever possible

We aim to be an exemplar employer and a vital part of this is ensuring we are a truly inclusive organisation that encourages diversity in all respects. The Culture and Heritage Service is committed to achieving these goals by ensuring our employment practices do not discriminate against a group or individual on any unjustifiable grounds. When possible, we support a model of flexible working and have a variety of working arrangements that allows for this.

We strongly welcome applications from people who represent the diversity of Barking and Dagenham, those who have faced socio-economic barriers and those currently underrepresented in arts and heritage sectors. We strongly welcome applications from people from the global majority. We guarantee an interview to those with disabilities and/or chronic and long-term health conditions who meet the essential requirements for the job as detailed on the person specification. We strongly welcome applications from those who identify as Lesbian, Gay, Bisexual, Transgender, Queer or Intersex. We are a Defence Employer Recognition Scheme employer, welcoming applications from members of the armed forces and guarantee them an interview them if they meet the essential requirements for the job as detailed on the person specification.

As part of this commitment:

- LBBD's Culture and Heritage Service recognises and accepts its legal obligations under the Equality Act 2010. Under this Act, age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation are protected characteristics.
- LBBD's Culture and Heritage Service will endeavour to provide a working environment free from ~~unlawful~~ discrimination and seeks to employ a workforce that increasingly reflects the diverse community at large because the council values the individual contribution of people irrespective of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
- LBBD undertakes to review its employment practices, policies and procedures, including opportunities for training and promotion, pay and benefits, discipline, selection for redundancy and retirement, to ensure that it avoids all forms of ~~unlawful~~ discrimination in the workplace.

Equality, Diversity & Inclusion Action Plan

We have identified several significant areas of new work to help us deliver the aims of this Statement, which we will take forward over the next four years. Key areas of development around staffing, communications, access, programming and curatorial priorities will be addressed through the following actions:

Action	Lead	By When	Methodology
Ensure posts are advertised in places that community from the global majority, and those under-represented in the museum sector will look	HR Consultant HR Business Support Officer Communications Team	October 2022 onwards	Internal review
Review the support that is given to managers to ensure that recruitment exercises are fair and equitable. This takes the form of either training or guidance. Ensure in particular that job descriptions and person specifications are written in plain English	LBBD Training HR Consultant Head of Culture and Heritage	July 2023	Internal review Staff away day and bespoke training sessions focused on LBBD DRIVE values and recruitment
Engage the next and future generations with Museum sites, programming and collections by developing a strategy for working with young people	Senior Curator, Culture Programmes Museum and Collections Curator Community Engagement Officer	September 2024	Stakeholder workshops and facilitated discussion, internal and external
Undertake a diversity audit of our current programmes	Culture and Heritage Commissioner Senior Curator, Culture Programmes	June 2023	Internal audit and external consultation with Fourth Street
Recognise a more representative and diverse heritage through our programming and exhibitions	Senior Curator, Heritage Commissioner, Archivist, Museum and Collections Curator	July 2023 – March 2027	Internal audit and stakeholder consultation
Give a wider range of people the opportunity to contribute to Culture and Heritage programming and initiatives, providing greater representation from the diverse population of the borough, particularly	Culture and Heritage Commissioner Head of Culture and Heritage	2023 onwards	Initiation of Masterplan Community Consultation and establishment of VHM Community Steering Group

those representing the global majority			
Create key messages about how our commitment to equalities and diversity is reflected in practices, exhibitions, collections mandate and public programming	Communications Team Culture and Heritage Commissioner	2023 onwards	Stakeholder workshops and facilitated discussion internal and external
Find new ways to mark and commemorate the diverse heritage of the borough, platforming local history past, present and into the future	Culture and Heritage Commissioner Museum Collections Curator Events Team	July 2023	Stakeholder workshops and facilitated discussion internal and external
Improve online and offline accessibility	External Access Auditor LBBD Access Officer Communications Team	September/October 2022	Internal audit and access audit with independent consultant
Improve site access, including surrounding greenspaces, for those visitors with barriers to accessing arts, culture and heritage	External Access Auditor LBBD Access Officer LBBD Public Health Parks Commissioner Consulting Heritage Architects	Summer 2022	Internal audit and access audit with independent consultant

CABINET

19 February 2024

Title: Social Infrastructure Contract 2024-2028	
Report of the Cabinet Member for Community Leadership and Engagement	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
Report Author: Claire Brewin, Policy Officer (Communities) Monica Needs, Head of Participation and Engagement	**Contact Details:** E-mail: claire.brewin@lbbd.gov.uk
Accountable Directors: Rhodri Rowlands, Director of Community Participation and Prevention and Sal Asghar, Director of Strategy	
Accountable Executive Team Director: Fiona Taylor, Chief Executive	

Summary:

This report recommends that the Council proceeds with a procurement exercise to commission a social infrastructure support service. “Social infrastructure” can mean different things to different people, but it is broadly the environment in which the voluntary and community sector (VCSE) operates in, and the places and spaces people visit to connect to others. Due to the significance of the contract in how the Council works with the VCSE sector locally it is presented to Cabinet for approval, despite the four-year value of the contract being below the £500,000 procurement threshold.

In the current financial climate, the Council is looking at all spend closely to consider whether it is absolutely essential and to ensure it will provide value for money. Alongside this the VCSE sector locally is facing similar financial pressures in supporting our residents. The decision to continue to fund a social infrastructure support service is recognition of the vital role the VCSE play in the borough and that this relationship is based on an equal partnership. The issues facing our borough and our residents can only be tackled collectively with everyone playing their part. The social infrastructure support contract allows the council and VCSE partners to engage effectively with each other, the VCSE sector to come together to support one another and our residents, and continue to work together to tackle our most pressing issues.

In 2019, the Council adopted a new way of working with the voluntary and community sector. To facilitate a change in relationship between the Council and the VCSE, as well as between the Council and residents, a social infrastructure contract was developed and commissioned to provide a social infrastructure support service for the borough. The Council hopes to build on and continue the progress made in the last four years through recommissioning the contract.

The Council’s Corporate Plan 2023-2026 prioritises our relationship with people to ensure that no one is left behind. A strong social infrastructure:

- Supports more people at the earliest opportunity, making it easier for residents to get help within their own neighbourhoods and communities, ensuring that **residents are supported during the current Cost of Living Crisis.**
- Know their communities well and can support a diverse range of residents, ensuring that more **residents are safe, protected, and supported at their most vulnerable.**
- Makes it easier for people to help each other and resolve their own problems, creating resilient communities where **residents live healthier, happier, independent lives for longer.**
- Creates more opportunities to participate and for partners to provide training to local people means that more **residents prosper from good education, skills development, and secure employment.**
- Helps us to share power with our communities, meaning that more people can have a say over the things that matter to them, and that **residents benefit from inclusive growth and regeneration.**

It is essential that the Council and partners work collaboratively with the voluntary, community, and social enterprise sector (VCSE) to fulfil the ambitions set out in the Corporate Plan, including the emergent localities model we are committed to. While much progress has been made over the past few years, more is required over the next few years to support the social infrastructure in Barking and Dagenham to promote a strong community.

The ongoing financial pressures that the Council faces are not going away. A thriving social infrastructure plays a vital role in alleviating pressure from Council services as more people are able to access help within their communities before they reach crisis point.

The COVID-19 pandemic and cost-of-living crisis exemplified how strong relationships between the Council and VCSE can enable more people to access the help they need, when they need it. The Localities model will build and deepen this and the social infrastructure contract supports that work.

Recommendation(s)

The Cabinet is recommended to:

(i) Agree that the Council proceeds with the procurement of a contract for a social infrastructure support service in accordance with the strategy set out in the report; and

(ii) Delegate authority to the Chief Executive, in consultation with the Cabinet Member for Community Leadership and Engagement, the Strategic Director, Resources and the Head of Legal, to conduct the procurement and award and enter into the contract and all other necessary or ancillary agreements to fully implement and effect the proposals.

Reason(s)

Cabinet should agree these recommendations to further develop the Council's approach to supporting the vital role of the VCSE sector in achieving a shared long-term, resident-led vision for the borough. As detailed in the summary, a strong social infrastructure will help the Council achieve its Corporate Plan priorities, ensuring that more residents can access help in their communities and help each other to lead more independent and thriving lives.

As the Council experiences more financial strain, a joined-up and supported social infrastructure will enable more VCSE groups and organisations to prevent residents from reaching crisis point and in turn, reaching the Council's over-subscribed front door, saving the Council money in the long-term. Increased connection between the VCSE and Council means that resources and knowledge can be shared as we work together towards similar goals to help the diverse community of Barking and Dagenham.

1. Introduction and Background

1.1 "Social infrastructure" can mean different things to different people, but it is broadly the environment in which the voluntary and community sector (VCSE) operates in, and the places and spaces people visit to connect to others.

1.2 Our borough and the context within which the Council operates has changed radically over the last decade. A major shift in population demographics, coupled with austerity, the pandemic, and a cost-of-living crisis has forced us to think differently about how we work.

1.3 The Council has endeavoured to enact a shift from a paternalistic way of working with residents to one of partnership. Key to this is a belief that residents are core to making the borough "a place people are proud of and want to live, work, study and stay".

1.4 In 2017, we engaged with over 3,000 residents to develop a long-term vision for the borough, now known as the Borough Manifesto. Core to all themes of safety, skills and education, community engagement, employment, environment, and health and wellbeing is a thriving social infrastructure and support for individuals to help themselves.

1.5 Delivering better outcomes for residents is a shared endeavour. Many local organisations, institutions, partners, and stakeholders are equally signed up to delivering the Borough Manifesto vision and aspirations.

1.6 The COVID-19 pandemic forced us to look past traditional and out-dated service-delivery models aimed at 'meeting needs' to work together with the VCSE and residents to change lives for the better around a clear shared purpose -. BD-CAN, set up in the first few months of the pandemic, utilised existing strong relationships and rapidly strengthened a volunteer network to help residents access food, medical supplies and vital welfare and well-being connections through lockdown.

1.7 Likewise, the cost-of-living alliance, built upon this collaborative system to set up a Localities Model for residents to access help within their locality through community groups, local businesses, and through people. The model connected over 2,500 people in its first year and has prevented many from needing support from the Council. Both demonstrate the value of the borough's social infrastructure and the collective potential and impact that can be made when we work together. Building on the work of the past few years, we are now seeking to re-tender the social infrastructure support service contract to further develop this work over the next four years.

2 National and local landscape

National

2.1 Charity organisations are facing challenging times. Continued reductions in public funding, changes to commissioning, growing demand for services, the increased complexity of the issues that people face and, in some instances, dents to its reputation have all placed considerable strain on the sector.

2.2 There are an estimated 700 VCSE bodies in the UK, and the majority are likely to be social infrastructure bodies (Cohen and Kane, 2023). The social sector has witnessed a spending increase of 20% in the last ten years, but national and local infrastructure body spending has experienced very little change in the same period, with the number of VCSE infrastructure bodies declining since 2006 (ibid).

2.3 Boundaries between the roles of the public sector, business, and the voluntary and community sector are shifting with, notably, a rapidly growing social enterprise sector. According to Social Enterprise UK, there are over 100,000 social enterprises in the UK, employing about two million people and contributing an estimated £60 billion to the economy. 47% of these are under five years old (Social Enterprise UK, 2023).

2.4 In the 2021 report ‘No Going Back’ by Social Enterprise UK, the evidence showed that despite the challenges posed by the pandemic and austerity, social enterprises continue to develop economically, socially, and environmentally (Social Enterprise UK 2021).

2.5 In the UK Government’s 2018 Civil Society Strategy, civil society is referred to in loose terms as “all individuals and organisations, when undertaking activities with the primary purpose of delivering social value, independent of state control” (Cabinet Office, 2018). The strategy highlights the importance of developing thriving communities to develop social value with five foundational priorities of people, places, the social sector, the private sector, and the public sector.

2.6 There is widespread agreement both within the UK Civil Society Strategy and beyond that rebuilding our democracy and responding to a rapidly changing age must involve everyone to allow civil society groups more decision-making and control, and to devote time and resources to build trust (Unwin, 2018).

2.7 The pandemic increased the number of large one-off grants, but these grants are unlikely to be sustained. For Black and minoritised infrastructure organisations, structural inequalities have made it harder for such groups to access funding and over 50 have closed since 2010 (Kane, Cohen 2023).

2.8 In real terms, the social infrastructure of the UK remains a similar size today as it did ten years ago but is now supporting a larger voluntary sector with an increased diversity of workload. Austerity has impacted funding available from local and national government, making the sector a fragile environment where infrastructure bodies must do more with less.

Local

2.9 The social sector in Barking and Dagenham is smaller than other London boroughs, with a turnover of £24.5 million annually, and 225 registered charities (Little 2023). However, there are an estimated 5,000 civil society groups made up of around 46,000 people.

2.10 According to the National Lottery Fund, the strength of funding applications from Barking and Dagenham VCSE groups has improved in recent years, in line with the timescales of the current social infrastructure support contract in operation. This has had a positive influence on the amount of funding brought into the borough.

2.11 Research conducted by the BD_Collective in 2023 asked residents where they receive a "warm welcome in their community" and "who and where did they turn to for help". Most respondents included friends, family, and neighbours in their answer as well as faith groups, cafés, shops, and hairdressers. 75% of Barking and Dagenham residents give to charities and just under 20% are involved in social action (Little 2023). However, two thirds of residents don't feel they are able to influence decisions in their community and only 64% of residents feel "a strong sense of belonging to their neighbourhood" which is the lowest in London (ibid).

The journey since 2018

2.12 In 2019, the Council adopted a new VCSE strategy to commit to shifting the relationship with voluntary sector partners and residents from one of paternalism to partnership. The vision focused around three goals: increasing participation; enabling and embedding relationships based on trust; and building the sector's capacity.

2.13 In line with this strategy, the Council commissioned a social infrastructure support service on a three-year plus one basis, to provide support to VCSE groups in the borough to work more collaboratively, access funding together, to set up a local giving model, and to increase volunteering opportunities. This contract was awarded to the BD_Collective.

2.14 The BD_Collective has since grown significantly in respect of its reach, activity, supported networks and contribution to borough wide issues of shared importance. Examples are highlighted below and in the Together We Lead 2023 report, which can be found in Appendix 4.

2.15 The BD_Collective adopted a set of core values – which were connection, trust, shared accountability, and shared power. These shared values have since bound all its work and have been further used to underpin collective initiatives such as the Cost of Living Alliance and Locality Model.

2.16 In 2017, the Council part-funded the 'Every One Every Day' project: which set a bold aspiration to become the biggest participation platform in the country. This project supported over 10,000 residents in over 80,000 hours of activity (Every One Every Day *Places to Practise* 2023). The project has now closed its resident activity, but its legacy remains in the presence of social enterprises and civil society groups and the distribution across the borough of various assets such as equipment, machinery and skills to a range of local VCSE groups.

2.17 The pandemic showed us what can be achieved when we put our traditional service delivery mindset to one side and work together for the benefit of residents. The BD-CAN model of food and medical support during lockdown built on existing relationships between the Council and VCSE and was set up quickly to ensure that as many residents in need of support could access t (over 30k people were supported), with the Collective playing its part in facilitating.

2.18 The Locality Model of cost-of-living support utilised the learnings and relationships of BD-CAN to set up networks for residents to access cost-of-living support in their locality, from VCSE groups and from each other and would not have been possible without the social infrastructure contract and the relationships it has supported and developed. The Locality Model has helped over 2,500 residents in its first year and prevented many from reaching crisis point and needing to access Council services. This is core to the ongoing development of the localities model that is being developed from across the Council with partners. In addition, the localities have established relationships with lead GP's and at the heart of community-led work to find new ways of addressing health inequalities in the borough. Examples of impactful work emerging through these include the community / GP led well-being clinics and pop-ups as well as various resident ideas that are being developed.

2.19 The BD_Collective has set up networks of partners and VCSE groups around several shared issues such as mental health, youth work, social isolation, early help, and sport. For example, the Early Help network has brought together seven organisations and brought in £960,000 of funding to the borough to create space for families with young people to support each other. T The work of the networks is diverse but bound together by the shared values, linking people ready to put the benefit of the community ahead of their organisation.

2.20 The Food Network, also facilitated by the BD_Collective, has brought together organisations focusing on food poverty in the borough, adopting a consortia approach to £200,000 of funding. This funding has been used to develop a hot meals delivery service across Barking and Dagenham, and to fund a network lead.

2.21 The collaborations that the BD_Collective has facilitated have led to fewer local people going hungry, more people feeling connected to each other in their area, and helping health systems to understand and honour the power of community.

2.22 The Council also established a local endowment fund through CIL money, which is now managed by the ever-growing BD Giving. Over £1.67 million has been transferred by the Council and the group's investment policy was co-developed by a panel of 12 local people. Recently, grants of £25,000 were distributed to eight VCSE organisations to develop their ideas for social value in the borough. In June 2022, the Community Steering Group and LBBD's Cabinet Member for Community Leadership and Development presented their work at the Houses of Parliament.

3 Funding to VCSE

3.1 Barking and Dagenham historically has not been as successful as other boroughs in attracting external funding. This has been addressed in some ways, but there is more to be done and an effective social infrastructure locally is core to this. This includes the work of BDGiving BDCVS, BEC and BD_Collective and BD_Collective has provided an effective mechanism for coordinating conversations and relationships. This approach over the last few years has secured over £2.5 million worth of funding into the borough, which has supported local VCSE groups.

3.2 Between 2019 and 2023, 770 grants worth £174 million were received by local VCSE groups from funders using the 360Giving GrantNav tool. The most popular funder was the National Lottery Community Fund, with 159 grants, followed by the Department for Education and the Department for Culture, Media, and Sport with 116 and 81 grants respectively. A detailed breakdown of grant funding from 2018-2023 can be found in Appendix 4, providing specific values of grants over £100,000.BD Giving conducted research into grant funding that the local VCSE have received in recent years. It was recognised that organisations and groups find it difficult to successfully access funding and investment. This is typically due to them being small and lacking in some of the professional skills and expertise required to make high quality bids which demonstrate outcomes. BD Giving provides an important layer of support to help VCSE organisations access funders and funding.2.21

3.3 Desk research was conducted to understand the landscape of social infrastructure support across other London boroughs. A table detailing the funding given to social infrastructure support as well as VCSE grant funding is provided below. As shown below, the approach to funding varies significantly across boroughs.

Borough	Social Infrastructure funding per year	Other grant funding
Barking and Dagenham (current landscape)	£100,000	£300,000 NCIL and smaller incidental grants plus Commissioned contracts across the Council.
Greenwich	£175k over 4 years (2023-27) -£57k per annum	£3,665,000 over 4 years (including £100k per annum for community centres)
Hounslow	£130,000 per annum	Unknown
Kensington and Chelsea	£1,645 invested in external capacity building support to the VCSE in 2022-2023.	£23 million in total, including £15.7m in contracts
Lewisham	£180,000 including £40,000 for a community directory. In addition, 3 full time equivalent fundraising posts hosted in VCSE orgs in Lewisham -cost: £150,000 per annum	£1.4M main programme, £620k social prescribing (BCF), £325k for arts and culture.
Oldham	£270,500	£550,000 per annum for wider social infrastructure and in addition small grants schemes funded annually.
Redbridge	£330,000 including £270,000 for anchor institutions (one being the CVS)	Unknown
Southwark	£401,000	Unknown

4. Proposed Procurement Strategy

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

4.1.1 The Council seeks a provider for a social infrastructure support service on a three year plus one year basis. The provider will offer support for VCSE groups across Barking and Dagenham in the following areas:

- Develop strong networks of organisations and places across the borough that act as gateways to information, advice, and support.
- Create spaces for shared learning and practices to support smaller organisations to grow their capacity and reach a wider range of residents.
- Work alongside the Council to ensure that there is VCSE representation at boards and committees to enable wider representation of communities in policymaking.
- Help social infrastructure groups to work together and with statutory partners towards common goals, understanding that we are stronger when we work in collaboration.

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

4.2.1 The contract value is estimated at £100,000 per annum, for a period of four years on three years plus one year extension basis, totalling £400,000. This includes management and staff costs. There will be no possibility for uplift.

4.3 Duration of the contract, including any options for extension

4.3.1 The contract will run for three years with a possible one-year extension at the sole discretion of the Council.

4.4 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?

4.4.1 Yes

4.5 Recommended procurement procedure and reasons for the recommendation

4.5.1 An open procurement procedure is recommended to allow multiple organisations to bid for the contract. This also creates the opportunity for a new provider to come forward with a fresh perspective and experience, and to offer something different to the last four years. An open process should increase trust levels towards the Council, as it shares power with multiple organisations rather than maintaining funding within one organisation. While any UK organisation will be eligible, the method statement will prioritise local relationships and knowledge.

4.6 The contract delivery methodology and documentation to be adopted

4.6.1 The Council's standard contract terms and conditions shall be used for the provision of this support service contract.

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

4.7.1 The outcomes of the contract will be delivered through a collaborative approach to working with Council, partner, and VCSE colleagues. A stronger and more connected social sector is expected through increased support for networked approaches and diverse representation of organisations on decision-making boards.

4.7.2 The Council can expect to save money in the long-term as more VCSE partners are equipped with the tools and resources to help more residents in their communities. This will have a positive knock-on effect on overstretched Council services as the number of people accessing them decreases with more people able to resolve their problems through the community and with each other.

4.7.3 Better outcomes for residents will be achieved with more joined up working, as civil society groups have strong connections with specific communities that a centralised system simply cannot replicate. When a seat at the table is given to these groups, we are collectively able to pool our resources and respond to problems in the best interests of residents.

4.7.4 The provider will provide quarterly updates in the form of an activity tracker, which will detail how work has progressed in the last quarter. The activity tracker could include for example: new network that has been set up, what funding has been accessed, and progress on consortium approaches. It will also detail how many groups, and which ones are actively involved in each network.

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

4.8.1 The evaluation criteria used for the tendering selection process will be allocated on a quality: price: social value basis, with a ratio of 70:20:10.

4.8.2 The weighting of the quality evaluation will be split into 80% method statement and 20% presentation. The evaluation will be a two-stage process and only providers who meet the minimum method statement quality standard of 50% out of the possible 80% will be considered to make a presentation and have their pricing schedule evaluated for the award of the contract.

4.9 **How the procurement will address and implement the Council's Social Value policy**

4.9.1 Barking and Dagenham Council is working to deliver wider social, economic, and environmental benefits in the borough. Together with partners, the Council wants to do all it can to deliver for residents in the context of limited resources. That means seeking to work with organisations who share the Council's values and commitment to the borough and using resources as efficiently as possible.

4.9.2 The Council is committed to sharing power and resources to deliver a wide range of benefits to local communities, building capacity within the social infrastructure to allow more organisations the space to get their voices heard and to influence change in the borough.

4.9.3 The provider will help to improve the lives of residents by:

- Developing strong networks of organisations and places across the borough that act as gateways to information, advice, and support.
- Creating spaces for shared learning and practices to support smaller organisations to grow their capacity and reach a wider range of residents.
- Working alongside the Council to ensure that there is VCSE representation at boards and committees to enable wider representation of communities in policymaking.
- Help social infrastructure groups to work together and with statutory partners towards common goals, understanding that we are stronger when we work in collaboration.

4.10 **How the Procurement will impact/support the Net Zero Carbon Target and Sustainability**

4.11 The provider will be based within the borough which will keep transport emissions for staff to a minimum.

4.12 The provider will work to establish more collaboration between VCSE organisations to help tackle challenges jointly, such as those of an environmental nature. The contractor will support groups aiming to improve conservation efforts, increase civil society involvement in parks and green spaces, and work alongside Council efforts to encourage more resident involvement in Net Zero plans and activity through the Citizens' Alliance Network.

4.13 As climate catastrophes increase in the borough, the VCSE sector will play a crucial role in supporting residents in ensuring the safety of their lives, their homes, and supporting them through challenging circumstances.

4.14 The provider will work with the Council to progress a borough assets policy. Through this, community groups will have shared access to spaces. By encouraging collaboration of asset use, fewer buildings will be used, and emissions will be cut as multiple groups use the same space.

5. Options Appraisal

5.1 **Option 1 (PREFERRED OPTION): Commission a VCSE organisation(s) to deliver the social infrastructure support at £100,000 per year.**

5.1.1 We propose the commissioning of a social infrastructure contract to lead the continuous change towards a thriving VCSE with stronger outcomes for residents. This would involve closer working between public, private, and civic institutions to increase resident participation and wellbeing to achieve the Borough Manifesto targets.

5.1.2 This option will allow multiple groups to apply for the contract, offering competition and allowing the potential for anew provider to step forward with fresh perspective and experience, while still providing scope for existing providers to bid.

5.1.3 This option will contribute towards demand pressures on Council services as people access help within their communities, further the co-development of locality infrastructure and capacity, increase feelings of trust towards the Council through joint working, support more residents through challenging times as VCSE groups have a wider reach than the Council alone, and help fewer people reach crisis point.

5.1.4 An increase to the £100k per year contract value was considered but ruled out as unviable given the Council's overall financial position.

5.2 **Option 2: Fund a social infrastructure support service at half the cost i.e., £50,000 per year**

5.2.1 This option is unfavourable because of the great ambition the borough has for working towards the goals set out in the Borough Manifesto. A reduction in funding would inevitably lead to cuts to the work that can be achieved, would impact the relationships between the Council and local VCSE partners and undermine the capacity and ability of the sector to meaningfully engage in initiatives of shared interest.

5.2.2 The financial strain already felt by VCSE organisations due to inflation and funding scarcity following the pandemic, combined with a growing population means the social sector is already trying to do more with less. A reduction in funding would make the targets unattainable and necessitate an upheaval of what is set out in the specification.

5.3 **Option 3: Do not fund.**

5.3.1 This option should be rejected because the social infrastructure in Barking in Dagenham has undergone a change in landscape over the past few years and continues to require support from a centralised body to ensure resources, knowledge, and best practice are shared between groups and organisations across the borough.

5.3.2 This option would save the Council £400,000 over four years. However, deciding against funding a social infrastructure support service will decrease resources within the social sector, meaning fewer help people can access help in their communities. This would likely also cause significant financial implications elsewhere as pressure on Council services increases.

5.3.3 This option may also decrease trust in the Council as a partner as VCSE groups lack the opportunities to collaborate and connect through joint projects and discussions.

6. Waiver

6.1 Not applicable.

7. Consultation

7.1 Two workshops, online and in person, with representatives from the VCSE sector were held in November 2023. These workshops were combined with an online survey which ran for four weeks through the Council's One Borough Voice platform. A total of 12 representatives from the VCSE offered feedback at the workshops or through the survey. The questions and feedback discussed in these workshops and the survey can be found in Appendix 1.

7.2 A consultation workshop with senior Council officers was also held in December 2023, including officers from Public Health, Culture and Heritage, Strategy, Education, and Commissioning. A summary of the questions and feedback gathered through this workshop can be found in Appendix 2.

7.3 The proposals in this report were considered and endorsed by the Executive Management Team at its meeting on 25th of January 2024.

8. Corporate Procurement

Implications completed by: Sam Woolvett, Category Manager, Resources

8.1 An open tender is likely to yield the best value for money for this requirement and is suitable for this level of spend.

8.2 This approach complies with LBBD's Contract Rules and the Public Contracts Regulations 2015. As the value of this procurement exceeds the threshold for services under the Public Contracts Regulations 2015 (the Regulations), standstill periods will be adhered to.

8.3 Corporate Procurement will be managing the procurement process and will work with the service area to draft the tender documents.

9. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

9.1 The award of a 4-year (3+1) Social Infrastructure Contract is outlined in the business case above. In taking this course of action the Director of Community Participation and Prevention needs to be satisfied that this provides best value for the Council. The Participation and Engagement Service has budget of £100,000 for the Social Infrastructure, and the annual contract cost will be contained within this budget envelope. There will be no uplift in the contract period.

10. Legal Implications

Implications completed by: Lauren Van Arendonk, Principal Lawyer Contracts

10.1 This report seeks to approve the procurement of a contract for a social infrastructure support service in accordance with the proposals set out herein. The proposed procurement route is via an open procurement. The anticipated value of the total contract, being a 3+1-year format, is £400,000.

10.2 The open procurement must follow a compliant exercise in accordance with the Public Contract Regulations 2015, the Council's Contract Rules and the procurement strategy set out in the Procurement Strategy Report.

10.3 In accordance with r 59.2(a), the contract must be sealed as it is over the value of £250,000. Legal will be on side to assist with this and prepare any terms and conditions as is necessary.

11. Other Implications

11.1 Risk and Risk Management

Risk	Likelihood	Impact	Risk Category	Mitigation
Delay to/failed procurement process	Low	Medium	Low	A realistic timeline has been set for this procurement process, allowing two months between provider selection and the commencement of the contract.
No tender received	Low	High	Medium	Barking and Dagenham has a high number of VCSE organisations in the borough, many of whom are aware and/or have been involved in the work of the BD_Collective (current holders of the contract) over the last few years and are keen to remain involved and for some, step up to take on the contract. Interest has already been recognised.
Successful provider is unable to deliver the service	Low	Low	Low	During the initial few months of contract delivery, regular check-ins will be held with the provider to understand progress and any challenges or setbacks, and to support the provider. It is likely that a consortium bid to the contract will come forward which, if successful, would mean that multiple groups would be responsible for the contract and hence, lessening the pressure on any sole organisation.
Contract award decision challenged by unsuccessful provider(s)	Low	Low	Low	The procurement process will be carried out in line with Council's contract rules and UK Public Contracts Regulations. Legal and corporate procurement will be consulted, and documentation will be kept for the required amount of time.

11.2 **TUPE, other staffing, and trade union implications –** Eligible staff currently employed in the service will, in the event of change in service provision, transfer their employment to the new provider under the Transfer of Undertakings (Protection of Employment) Regulations 2014. All TUPE information will be made available. Responsibility for assessing TUPE requirements will remain with the bidding providers.

11.3 **Corporate Policy and Equality Impact –** The proposed Social Infrastructure Contract aims to create the conditions and environment that will strengthen partnership working with VCSE to fulfil the ambitions set out in the Borough Manifesto and the Corporate Plan 2023-26. It also relevant to several of the principles set out in the Corporate Plan, that drive the way we work: working in partnership; engaging and facilitating co-production; and focusing on prevention and early intervention.

The Council's vision is to create and foster the conditions and opportunities for people to thrive here – and for our residents to live healthy, fulfilling lives for longer, with more choice and control, better financial resilience, in safe, supportive, and inclusive communities. In doing so, we are committed to leaving no-one behind, placing issues of equality, diversity, inclusion, and fairness at the heart of everything we do. VCSE organisations are well-placed to support this vision, through their close relationships with our residents, to better understand their experiences and needs, and help to address inequalities of access or outcome. An Equality Impact Assessment (Appendix 5) has been undertaken, which specifies the positive impacts the contract will have on residents and community groups with protected characteristics, and outlines steps to mitigate any potential negative impacts.

11.4 **Health Issues –** The Barking and Dagenham Joint Health and Wellbeing Strategy 2023-28 sets out an aim to 'develop approaches that better enable and empower local communities to shape and contribute to how the strategy tackles health inequalities and improves health and well-being on an ongoing basis': with a commitment to co-production. It also explicitly recognises the assets within communities, such as the skills and knowledge, social networks, local groups, and community organisations, as building blocks for good health. The ongoing social infrastructure procurement will be a core enabler to achieve this; and lack of funding may challenge this.

11.5 **Net Zero/Sustainability -** The Council is committed to becoming a net zero local authority by 2030, requiring it to reduce its current annual operational footprint of an estimated 119,000 tCO_2e. 77% of those emissions come from 'indirect' Scope 3 emissions which the Council is not in control of, with 53% of that coming from contractors, supply chains and service providers.

Given the prominent role VCS sector plays in community engagement on issues relating to fuel poverty, energy efficiency advice and general sustainability initiatives, the Council should expect suppliers of the service evidence the organisations' own carbon reduction credentials. This can be through commitments underpinned in existing net zero strategies the provider has adopted or a commitment to engage with the Council in the development of one over the early stages of the contract. Incidentally, the provider should already be looking at the sustainability KPIs which Procurement have set.

11.6 **Business Continuity / Disaster Recovery –** In the specification, it will be a requirement for organisations applying to have a business continuity and disaster recovery plan in place. If an organisation doesn't already have a plan and are successfully awarded the contract, they will need to develop one with the Council within first three months of the contract.

Public Background Papers Used in the Preparation of the Report:

Good Growth by Design: Connective Social Infrastructure. Mayor of London.
https://www.london.gov.uk/sites/default/files/connective_social_infrastructure_0_0.pdf

List of appendices:

- **Appendix 1:** The questions used in the consultation with VCSE representatives, both online and in person, with feedback summarised.
- **Appendix 2:** The questions used in the consultation with Council officers, with feedback summarised.
- **Appendix 3:** Grants in B&D, 2018-2023
- **Appendix 4:** Together-We-Lead
- **Appendix 5:** Equality Impact Assessment

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Appendix 1

Social Infrastructure Report: VCSE consultation questions and feedback

Context:

- Two workshops, online and in person, with representatives from the VCSE sector were held in November 2023. A total of 12 VCSE representatives took part in these workshops as well as an online survey which was shared on the council's consultation platform.

- Respondents noted that in the last few years while the current contract has been in operation, trust has grown between VCSE groups and organisations; there is more diversity in decision-making, including resident involvement; networked approaches have enabled groups with similar goals to share resources and knowledge to strengthen their missions; and Barking and Dagenham is now recognised as a place of radical innovation in the social sector.

- Positive support that representatives acknowledged through the current contract's provision included spaces to learn from and support one another as well as the inclusion of a learning partner to help colleagues think outside the box and progress work in the best interests of residents.

- To achieve organisational vision, VCSE representatives noted the importance of training, capacity building, encouraging collaboration and ensuring smaller groups are given opportunities to get involved and share views, access to shared spaces, longevity of funding and projects, and a coordination function to support groups collectively.

- To build trust, transparency and honesty were the main themes noted in the VCSE consultation. These can be improved through joint events to heighten communication between groups and between sectors, sharing best practice, and being open to adapting.

- To help organisations work together more collaboratively, shared spaces and events were again noted as the key themes. Using stories and sharing learnings and experiences can help inspire organisations to work differently.

- The relationship management between the VCSE sector and the council that the provider will play should act as a point of independent influence and challenge, acting on behalf of the sector for any issues that arise, with the ability to negotiate for smaller groups.

Questions used, in both in person and online workshops:

1. What has happened across the VCSE sector over the last four years that you are most proud of?

2. Over the last few years, what types of support have you received from the BD_Collective?
3. Going forward, what do you need to achieve your organizational vision?
4. How can we continue to build trust across the sector and with the council and other partners?
5. The borough has a wide breadth and depth of civil society organizations. What would help you work together more often to support residents?
6. What is the primary role you want the social infrastructure provider to play with regards to the VCSE’s relationship with the council?
7. What have we missed? What else would you like to suggest and see from a support service?

Appendix 2

Social Infrastructure Report: Officer consultation and feedback

Context and feedback:

- A consultation workshop with senior council officers was held in December 2023, attended by officers from Strategy, Education, Commissioning, Culture and Heritage, and Public Health. Colleagues noted that awareness of local VCSE groups had increased because of the work of the current social infrastructure contract provider, that funding has been brought into the borough that wouldn't have otherwise been available, for example, £70,000 into the culture and heritage function. Colleagues also noted an increased recognition of Barking and Dagenham as a place that is embedding innovative and exciting work into practice.
- Officers noted several challenges in working with the VCSE that may be brought into focus in the new contract from July 2024. Noted was a tension between the provider's role and that of the CVS. There was also a lack of clarity around the best ways to engage with the provider and what was acceptable to ask for. A clear description of outcomes and deliverables will be required to mitigate against this confusion in the next phase.
- To build trust and partnerships in the next phase, more information was requested from council officers about what is in scope and the role of the VCSE sector, as well as consistency of meetings with VCSE representatives. These desired outcomes can be achieved by more joint meetings between sectors to share knowledge and increase understanding.
- To improve the relationship between the VCSE and council, officers expressed preference for a representative role of the provider on behalf of the VCSE, to engage organisations and to help council officers understand the borough's communities.

Questions used:

1. What has gone well in working with the VCSE/BD Collective over the last few years from your perspective?
2. What obstacles have you faced in working with the BD Collective or VCSE in the past few years, and what could improve that?
3. How can we continue to build trust and effective partnerships with our VCSE partners? What would support this?
4. Are you aware of Discourse? Have you or your staff used it, and if so, have you found it effective?
5. What role(s) would you like the provider to play in relation to the relationship between the council and the sector?

Desk based research
Drawn in funding in Barking and Dagenham.

FUNDING YEARS
2019, 2020, 2021, 2022, 2023

Using GrantNav tool by 360 Giving

Total grants: 771
Total amount: £174,488,206
Funders: 50
Recipient organisations: 387
Recipient individuals: 45
Earliest grant: 01 October 2018
Latest grant: 21 Oct 2023

CAVEATS: when looking at the data please bear in mind that not all funders have published their data on 360Giving, and so there will be more money that has been distributed.

When comparing borough to borough, this is also important. Boroughs who have more corporate funders may have published more of their data publicly.

Amount awarded:

a. £0-£500 = 53 grants
b. £500-£1k = 19 grants
c. £1k-£5k = 111 grants
d. £5k-£10k = 162 grants
e. £10k-£50k = 205 grants
f. £50k-£100k = 77 grants
g. £100k-£1M = 107 grants
h. £1M-£10M = 34 grants

Date awarded:

2019 = 168 grants
2020 = 243 grants
2021 = 200 grants
2022 = 108 grants
2023 = 51 grants

TREND: Over the 5-year period, almost all 'grant award categories' have seen a general decline, though 'a. 0-£500 grants' have seen a huge increase, with 5 total grants awarded in 2019 to 43 total grants awarded in 2023.

Therefore, we have to question if this increase in smaller micro grants is a greater preference towards project short-term funding. However, this is just one assumption you could make from the data.

FUNDERS

National Lottery Community Fund = 159 grants
Department for Education = 116 grants
Department for Culture, Media & Sport = 81 grants
Department for Levelling Up, Housing & Communities = 58 grants
Department for Work & Pensions = 51 grants
City Bridge Trust = 36 grants
Co-operative Group = 28 grants
Buttle UK = 27 grants
The London Community Foundation = 21 grants
St Martin-in-the-Fields Charity = 18 grants
The Trussell Trust = 17 grants
Department for Business, Energy & Industrial Strategy = 15 grants
Department for Health & Social Care = 13 grants
BBC Children in Need = 13 grants
HM Revenue Customs = 11 grants
Trust for London = 10 grants
Home Office = 10 grants
The National Lottery Heritage Fund = 9 grants
The Charity of Sir Richard Whittington = 6 grants
The Tudor Trust = 5 grants
Lloyds Bank Foundation for England and Wales = 4 grants
Access to Justice Foundation = 4 grants
Woodward Charitable Trust = 4 grants
London Marathon Foundation = 4 grants
Essex Community Foundation = 4 grants
Department for International Development = 4 grants
The Clothworkers Foundation = 4 grants
Cabinet Office = 4 grants
The Henry Smith Charity = 4 grants
Department for Energy, Food & Rural Affairs = 3 grants
The Leathersellers’ Foundation = 2 grants
Barrow Cadbury Trust = 2 grants
Ministry of Defence = 2 grants
Wolfson Foundation = 2 grants
Department for Transport = 2 grants
The Childhood Trust = 2 grants
Mercers Charitable Foundation = 2 grants
People’s Health Trust = 1 grant
Paul Hamlyn Foundation = 1 grant
Solace Women’s Aid = 1 grant
Crisis UK = 1 grant
Masonic Charitable Foundation = 1 grant
Power to Change Trust = 1 grant
London Legal Support Trust = 1 grant
Trusthouse Charitable Foundation = 1 grant
Community for Foundation for Calderdale = 1 grant

Vision Foundation = 1 grant
True Colours Trust = 1 grant
Ministry of Justice = 1 grant
London Catalyst = 1 grant

FUNDER TYPES
Central Government = 371 grants
Grantmaking organisation = 231 grants
Lottery Distributor = 169 grants

INVESTIGATING LARGE GRANTS (100k+) FROM GRANTMAKING ORGANISATIONS & LOTTERY DISTRIBUTION (NOT CENTRAL GOVERNMENT)

Large grants to BD Giving have also not been published on 360 Giving (such as our second grant from City Bridge Trust and grant from NLCF).

To	From	Amount (£)	Info	Year
Thamesward Community Project	The National Lottery Community Fund	457,684	Continuation funding	2021
Youth League (UK) Ltd	City Bridge Trust	249,500	Over 5 years	2021
Saint Francis Hospice	City Bridge Trust	231,000	Over 5 years	2023
Company Drinks	City Bridge Trust	150,000	Over 5 years	2023
BD Giving	City Bridge Trust	248,400	Over 5 years	2020
Kingsley Hall	BBC Children In Need	114,819	Project	2019
Green Shoes Arts CIC	BBC Children In Need	100,205	Multi-art project	2021
Construction Industry Trust for Youth	Mercers' Charitable Foundation	350,000	Building Bridges project (multi locations across London)	2019
Community Resources	The National Lottery Community Fund	417,084	Community Hub at Castle Point	2018
Rwandese Abagimigambi	The National Lottery Community Fund	177,644	Positive Journey project	2022
Careers of B&D	The National Lottery Community Fund	146,897	Project and staff costs	2022
True Cadence CIC	The National Lottery Community Fund	150,027	Core costs	2022
Early Years Cocoon CIC	The National Lottery Community Fund	319,681	Multi-year funding	2022

Redbridge Respite Care Association	The National Lottery Community Fund	169,105	Project	2022
Independent Living Agency	The National Lottery Community Fund	406,074	Project	2022
BDYD	The National Lottery Community Fund	118,178	Project	2023
Create London	The National Lottery Community Fund	173,526	Project	2023
lB Barking and Dagenham Heritage Service	The National Lottery Community Fund	100,000	Project	2019
Excel Women's Association	The National Lottery Community Fund	280,385	Project	2023
Carers of Barking and Dagenham	The Henry Smith Charity	102,000	3 year core costs	2022
Carers of Barking and Dagenham	The Henry Smith Charity	138,000	3 year core costs	2019
Livability	London Marathon Foundation	100,000	Kingsley Hall, LBBD project	2020
Inspiring Futures: B&D	Paul Hamlyn Foundation	147,000	Project	2021
Barking Foodbank	The Trussell Trust	140,190	Staff costs	2022
Participatory City Foundation	The National Lottery Community Fund	1,500,000	Every One Every Day - Phase 1	2019
Participatory City Foundation	The National Lottery Community Fund	490,000	Every One Every Day - Phase 2	2021

Barking & Dagenham Giving - grantmaking

BD Giving has given a total of 100 grants since 4/5/2018, though for the sake of this research and its studied period, the organisation has awarded **89 grants** since January 2019.

Total grant amount since May 2018: £450,065
Total grant amount since January 2019: £441,480

Across 5 funds:
1. GROW Fund
2. Renew Fund (3 rounds, including Closed Collective and Covid Relief Fund)
3. Communities Pot
4. Participatory Working Group
5. Rapid Response Fund

Recipients (since May 2018)
11 Individuals
Bath Haus Spa (project, now Heal Studio)
Triangoals CIC (x4 grants)
Excel Women's Association
Barking & Dagenham Youth Dance (x4 grants)
Company Drinks CIC x7 (GROW Fund - £25,000 development grant)
Independent living agency (x2 grants)
Thames Ward Community Project x2 grant
LBBD
Barking & Dagenham Volunteer Bureau
Boathouse Barking CIC (x4 grants) (GROW Fund - £25,000 development grant)
Dungeons & Dagenham by White House create london
UKON Careers CIC (x2 grants)
Arc Theatre
Early Years Cocoon CIC (x2 grants)
Kazoku Karate-Do
The Hive
Barking and Dagenham Council for Voluntary Service
bMoney Wize
Right Development Foundation
One Room Live (x3 grants) (GROW Fund - £25,000 development grant, paired with Area44)
Afghanistan and Central Asian Association
Humourisk CIC
Ekota Academy
Deafblind UK
The Hug Support Group CIC (x2 grants)
Kingsley Hall Community Centre (x2 grants)
Sew London Project CIC (x4 grants) (GROW Fund - £25,000 development grant)
Barking Churches Unite
ACS Community Projects (ACS UK)
Am Arising CIC

The Al Madina Mosque
The Nous Organisation
HumDum UK CIC (x6 grants)
CM Production Management Ltd
East End Women's Museum
Muslimah Sports Association
Spoken Not Stirred
Talk About It CIC
Whole Body Therapy
Make Your Mark BD CIC
Books by MILE Ltd. (x2 grants)
Bobby Music
Ultimate Counselling CIC (x2 grants) (GROW Fund - £25,000 development grant)
Talkspace Mindfulness Counselling Services CIC
Snaxchange
M Music for Life
Laura I Art Gallery
Barking Rugby Club
The Future Focus Network
Future MOLDS Communities (GROW Fund - £25,000 development grant, paired with BDYD)
African Portuguese Speaking Community
Born to Excel Ltd.
Creative Wellness Wonder
Buzzin Productionz Ltd.
Fruitful Orchard CIC (GROW Fund - £25,000 development grant)
Participatory City Foundation
Area44 (GROW Fund - £25,000 development grant, paired with One Room Live)

BD COLLECTIVE

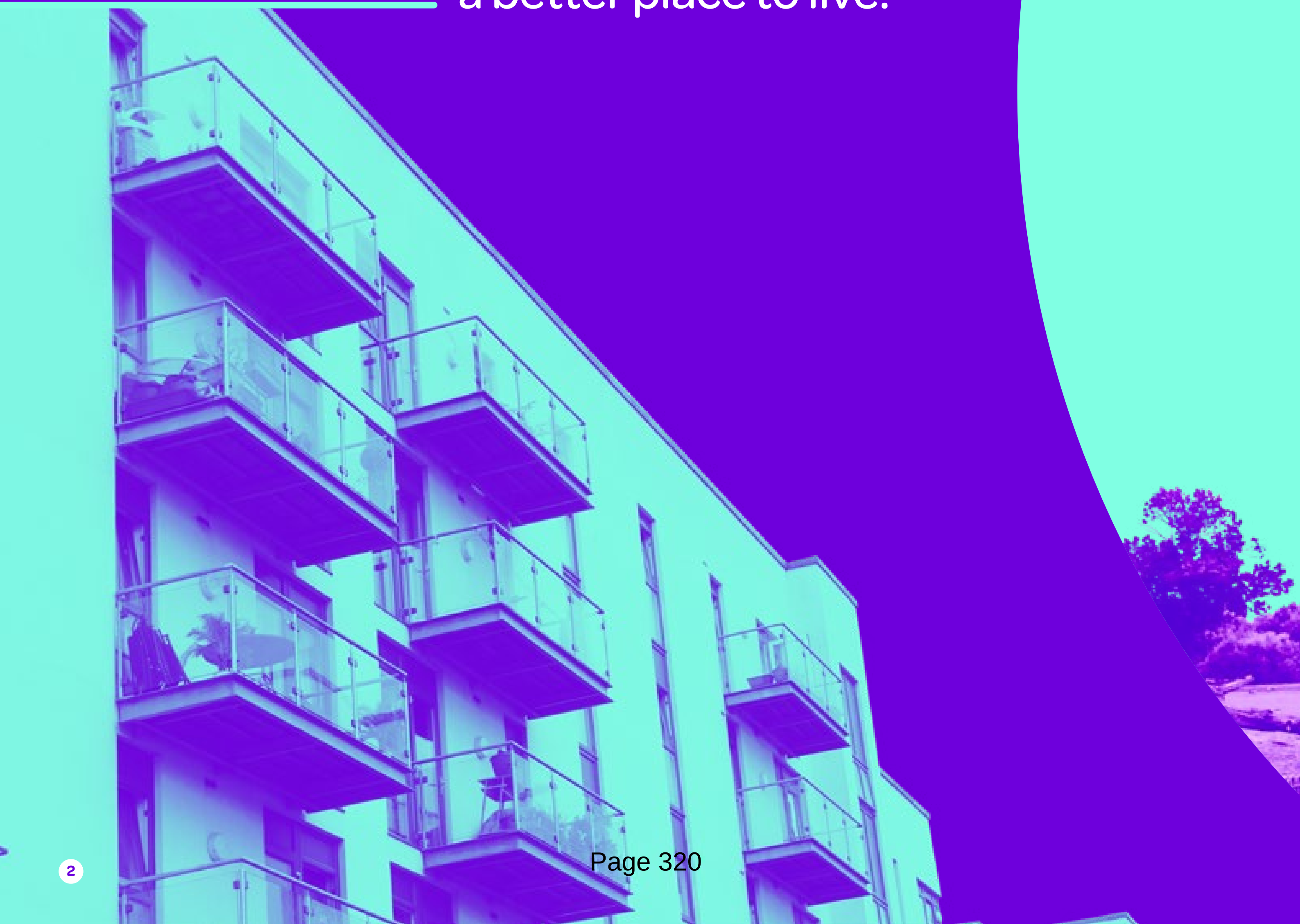
APPENDIX 4

TOGETHER WE LEAD?

what happens when civil society comes together to solve social problems

BD COLLECTIVE

The BD_Collective is a network of networks of social sector organisations, big and small, thematic or geographic, short or longer term, coming together to make the London Borough of Barking and Dagenham a better place to live.



The work of networks is diverse but is bound together by shared values. They link people ready to put the community ahead of their organisation. The fundamental basis of the Collective is that when networks are effective, they lead to civil society doing more.

This report brings together a series of reflections mirrored back to the Collective by our learning partner Ratio (a research organisation exploring how relationships shape health and well-being). This is how we learned from our mistakes and develop our ideas and practice.

Dame Julia Unwin, whose work with Civil Society Futures had a strong influence on how the Collective evolved, has provided a reflection on the work. As Convenor, I also offer my own thoughts. Finally, Michael Little from Ratio, steps away from his objective standpoint and gives his personal observations on the prospects for this collective way of working.

Many of you reading this report will have been trying similar innovations. Don't hesitate to let us know where we have been getting it wrong.
Or if you feel there is something in our work, details of which can be found at BD_Collective's website, that might be useful to you, we are ready to share.

None of this would have been possible without our funders, the London Borough of Barking and Dagenham Council and Lankelly Chase Foundation. They took a risk and give us the chance to explore a very different approach to social infrastructure support.

Avril McIntyre MBE, May 2023

Contents

The Short Story

This is a story about the relationship between civil society organisations in an outer London Borough. More precisely it is about the relationship between the leaders of those organisations, and narrower still between leaders of organisations that provide services for people described as disadvantaged. As will be seen, this is a small part of civil society as a whole.

The story describes an innovation, a new way of connecting civil society organisations, a network of networks. It is about self-organising, informal co-operation intended to benefit residents and participating organisations alike.

The work arose out of a dissatisfaction with the traditional mechanism in England for connecting what is called the social sector (the sub-set of organisations funded to respond to disadvantage).

That dissatisfaction is often described in personal terms such as 'I/We don't agree with X about Y'. But the root is structural. Commissioning procedures to drive up efficiency and impact place organisations in competition against each other. In Barking and Dagenham, the leaders of 10 social sector organisations decided it was time for change. The catalyst was the failure of the sector to respond to a Council's vision for the Borough that the 10 organisations found compelling. They sought a collective response from progressive social sector voices.

The Civil Society Futures report in 2019[1] was influential. It identified organisations supported by public systems as a contributory factor in the weakening of civil society in England. The 10 social sector leaders in Barking and Dagenham adopted the values of connection, trust, shared accountability, and power advocated by Civil Society Futures, and the BD_Collective was born. It won the Council contract for co- ordinating the relationship between the sector and the Council.

The work initially lacked direction. The leaders were clear on the problem but not the solution. They used funds from an independent foundation to involve Ratio as a learning partner, and the Collective began to learn from its mistakes.

Then came the pandemic. The system of commissioning and competition that pitted organisations against each other was put on hold. Civil society organisations had to collaborate by necessity. Their combined response was not a service

> The Collective has expanded, but it still occupies a tiny part of civil society. It needs to scale.

but a series of connections across community.

Self-governing networks began to emerge under the Collective's aegis. The Food Network, for example, is a WhatsApp group of initially 10 food banks. By working together they create a positive sum. The member organisations source more food, waste less food, and feed more people than when they worked independent of each other.

An algorithm measuring the Food Network's WhatsApp conversations showed that as connection, trust and belonging within the group increased, so did the positive sum of the network. As connection, trust and belonging waned, so did the positive sum.

Other networks began to form with different functions. Large networks met online to re-imagine sectors such as early years or adult social care. Smaller groups of small organisations came together to increase their collective power.

Relationships, the ability to put a face to a name, was a benefit of all networks. The Collective began to serve the function of what Montesquieu called 'gentle commerce', informal connections that oil the wheels of innovation. The networks naturally encouraged conversations about ethics, and a context for participants to recover the values that brought them to the sector.

The Collective began to generate a sector wide positive sum. Smaller organisations electing to join a network increased their income. The network of networks as a whole began to attract investment in collective activity from health systems, the Council and major foundations.

Progress brought more challenges. Member organisations were attuned to the dangers of free riding, organisations that benefit thanks to the efforts of others.

This was addressed using Elinor Ostrom's evidence on self-governing communities and asking members of the Collective to establish shared rules and sanctions for those breaking the rules. The potential for division to maintain power was addressed by replacing bureaucracy of agendas and minutes with conversations about ethics.

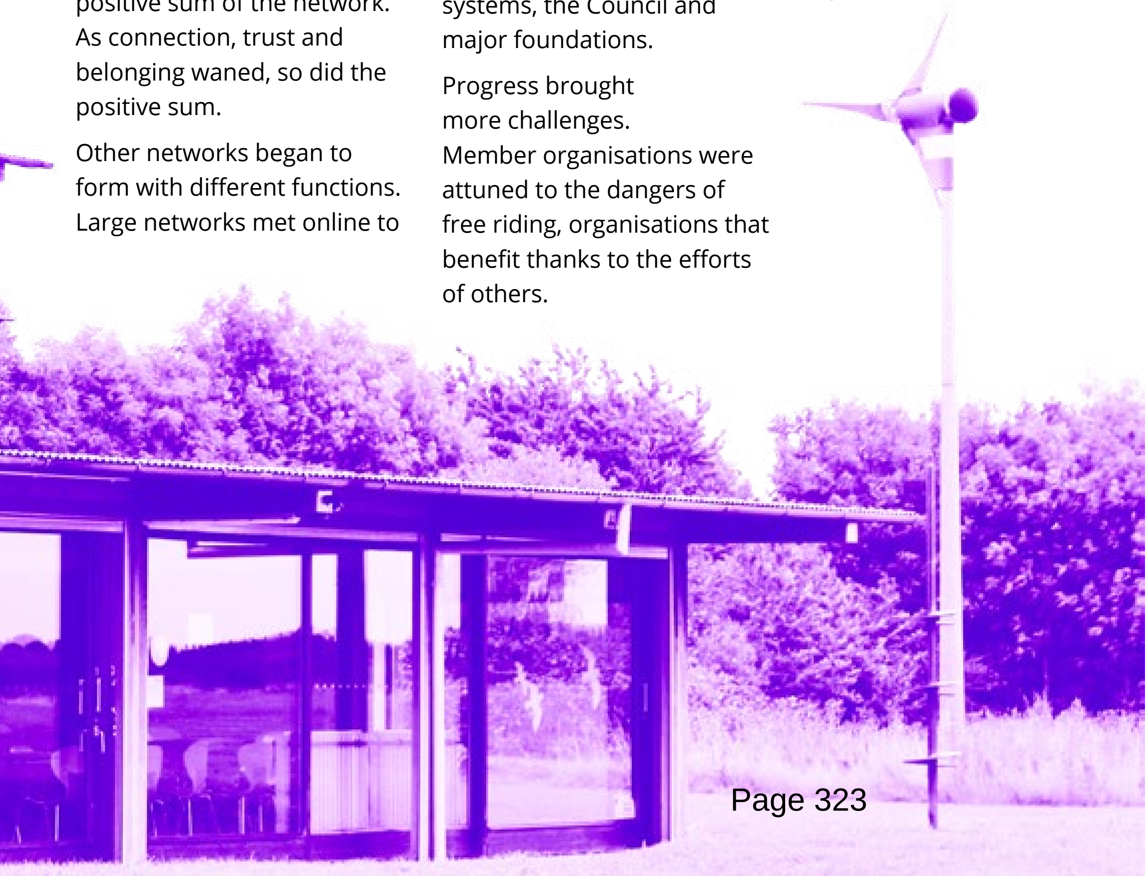
> The networks naturally encouraged conversations about ethics, and a context for participants to recover the values that brought them to the sector.

There remain significant challenges. By design the Collective is not an organisation. But it now manages significant investments.

The governance structure has to develop. The Collective has expanded, but it still occupies a tiny part of civil society. It needs to scale.

By one reckoning, the over-arching challenge is fear, and what Rebecca Solnit calls 'elite panic'.[2] As much as civil society leaders complain about commissioning processes, they are processes that they understand and can manipulate. Moving to a new relational, potentially democratic process that shares power and accountability and invites collective endeavour is frightening for people answerable to board members with buildings to maintain and staff with bills to pay.

The other side of fear is opportunity. In the last 12 months, the Collective began organise around what it called the 'fourth quadrant' that brings civil society leaders together with residents to re-define social problems and find innovative, collective solutions. Experiments in the fourth quadrant are now underway.



The Collective at the
end of this phase of learning

Free-forming and self-governing networks of civil society organisations form with the aid of a starter kit that provides step by step instructions and £500 for collective activity.

The networks are bound only by the values of connection, trust, accountability and power sharing.

Their primary mode of governance is by WhatsApp. They receive regular feedback on patterns of connection, trust and belonging in their group, the positive sum generated by their joint endeavour, and expenditure of funds.

The leader of each network has a right to participate in the Collective steering group and/ or the learning group, the two fora for setting strategy and making operational decisions.

The Collective is, therefore, a network of networks. It is not a constituted organisation.

The networks innovate and attract investment, and the Collective as a whole innovates and attracts investment, particularly in the space defined below as the 'fourth quadrant'.

When the model works, networks of civil society organisations generate a whole that is more than the sum of their parts, and the Collective, or network of networks, generate new patterns of connection and forge trusting relationships leading to shared accountability and a shifting of power from public systems to civil society as a whole.

> The Collective is, therefore, a network of networks. It is not a constituted organisation.

> When the model works, networks of civil society organisations generate a whole that is more than the sum of their parts

The Context

The boroughs of Barking and Dagenham came together into a single jurisdiction in 1965 to become one of London's 32 boroughs. There are 17 wards with 51 elected members all of whom are Labour Party members. The Borough boomed between the wars, growing between 50 and 75 per cent per decade thanks to immigrants from inner-City London attracted by new industry and good housing.

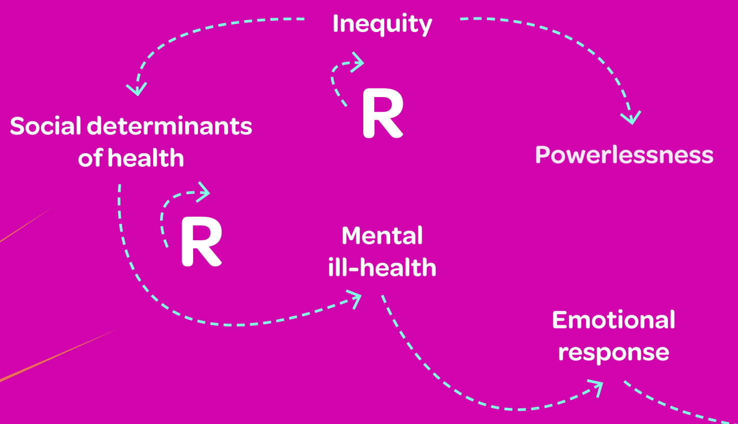
The Borough was hit by de-industrialisation and austerity, but population has continued to rise at more than 10 per cent per decade since 1990 and now stands at 218,000. The majority of residents are from minority ethnic groups, with Black people of African origin (16%) making up the largest single group.

It is one of the most deprived boroughs in London, with nearly half of children living in poverty. A quarter of people live on low pay (twice as many as the richest borough). Infant mortality is also double the rate of the London borough with the lowest rate. The inequity and stress are reflected in health. On average, a woman in Barking and Dagenham will live just under five years less than a woman in Westminster. For men the gap is more than five years.

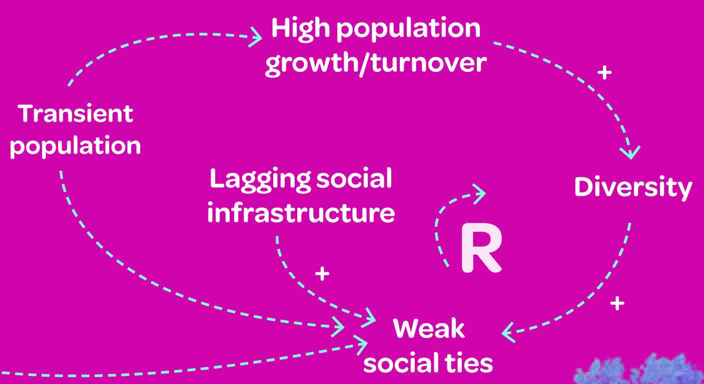
Recently, the Collective sponsored systems science mapping to understand health challenges in the Borough.

The following diagram is part of a larger systems map created by health professionals and civil society leaders. It is a work in progress and should be read as a hypothesis not a fact. But it suggests that inequity or injustice in the Borough creates a sense of powerlessness among residents that fuels the social determinants of health. The population rise, including a high transient population and expanding diversity, contributes to weaker social ties between residents. This is compounded by a fragile social infrastructure of parks, shops, transport and other connecting places in areas of new housing development.

Causal Loop



Barking and Dagenham Context Loop



Civil Society in Barking and Dagenham

There is evidence to suggest that the social sector in the Borough suffers from a lack of inward investment from external funders, increases competition for scarce resources. The social sector is smaller than elsewhere in London, with 225 charities and an annual turnover of £24.5 million. There have been concerted efforts to address this challenge including the creation of BD Giving, a new place-based funding model for building relationships, infrastructure and enhancing resident voice.

The social sector may be small but civil society is broader and more robust with an estimated 5,000 formal and informal organisations comprising about 46,000 members. This can be evidenced in three ways. First, the data are consistent with Konrad Elsdon's survey[3] of local voluntary organisations in England. Only a small number of these organisations receive funds from the Council or elsewhere. Most are clubs and associations or WhatsApp groups.

Second, an innovation sponsored by the Collective in one part of the Borough asked residents two questions: one, where did they get a 'warm welcome in their community?'; and two, 'who and where did they turn to for help?'. As well as the expected answers of family, friends and neighbours, and faith groups, residents also identified local shops, cafes, laundrettes and hairdressers. They talked about going to parks and other social spaces to decompress from daily stress. When the innovation rescued a derelict shop for locals to stop and chat, it was heavily used.

Third, data on social participation shows that although Barking and Dagenham residents are under more pressure than elsewhere in London, they remain social and altruistic. One in four volunteers informally once a month and half once a year. One in eight formally volunteer each month, and one in four once a year. These rates are lower than for London as a whole but consistent with neighbouring boroughs. Three quarters of residents give to charities, and just under a fifth are involved in social action.

The benefits of civil society for health and wellbeing are less in Barking and Dagenham. The proportion -64%- of Barking and Dagenham residents feeling a strong sense of belonging to their neighbourhood is less than elsewhere in London. The sense of powerlessness is also greater. Only a third of residents feel able to influence decisions in their local area.

The problems the Collective is seeking to solve

Depending on the analyst, we are emerging from (Berwick[4]) or captured in the midst of (Lowe and Plimmer[5]) an era of competition that, among other things, has pitched civil society organisations against each other. The expressed objective is improved outcomes for residents, and there is evidence to suggest that, in some instances, the objective is achieved. A bureaucracy called 'commissioning' has been created to manage the competitive process. It rests on mountains of information about outputs.

In the era of competition, a small proportion of civil society organisations were drawn to government funding. They became 'providers' by competing against similar organisations for contracts. The providers had to learn the rules of the bureaucracy, how to cost and pitch for tenders, and how to provide information on outputs to satisfy the commissioner. To make the bureaucracy work, both sides in the commissioner-provider contract had to learn how to game or manipulate the data so that both parties could claim success.

The competition and the gaming created significant mistrust between civil society organisations and suspicion, sometimes grounded in fact, that contractual processes were unfair. Sub-contracting between larger and smaller organisations created further divisions.

So, the first problem the Collective sought to solve was the loss of trust between civil society organisations that had become providers of services on behalf of the Council and other funders.

As the work progressed and encouraged by the break in routine practices created by the Covid-19 pandemic, the value of broader civil society to generate connection, trust and belonging between residents and a shared sense of destiny (or collective agency) was better appreciated. Using the language of Putnam and Romney Garrett[6] this broader function of civil society was described as the recovery of 'we', in contrast to work to address the needs of residents one case at a time.

The recovery of 'we' became the second focus for the Collective.

Civil Society **Futures**

The independent inquiry Civil Society Futures ran from 2017 to 2018, just as the dissatisfaction within the social sector in Barking and Dagenham was coming to a head.

Among a wide range of findings, the Inquiry concluded[7] that 'civil society organisations have too often lost their independence and willingness to stand up to government and business as boundaries blur between them (p.22).'

One of the 10 founders of the BD_Collective attended one of the launch events for Civil Society Futures in 2019. She went expecting to hear about things that might change to allow the social sector to flourish. Instead, she heard the leader of the Inquiry, Julia Unwin, tell the audience that social sector organisations were part of the problem.

This challenge was the catalyst for them to bring together 10 local leaders to create the BD_Collective. In 2019, it secured the Council contract for co-ordinating the relationship between the sector and the Council. But, if Julia Unwin's analysis was correct, securing a contract was not the remedy to the problem.

To begin with, the 10 organisations leading the Collective were agreed on what they didn't want -the culture of competition and lack of trust- but they were not clear on what should be put in its place. The primary guide for finding a way forward were the four values promoted by Civil Society Futures under the acronym PACT:

Connection
Building deeper and closer connections

Power
A great power shift

Accountability
We hold ourselves first and foremost to the people we serve

Trust
We will build trust by staying true to our values and doing what's right – being honest about our failures and successes, defending rights and calling out injustice.

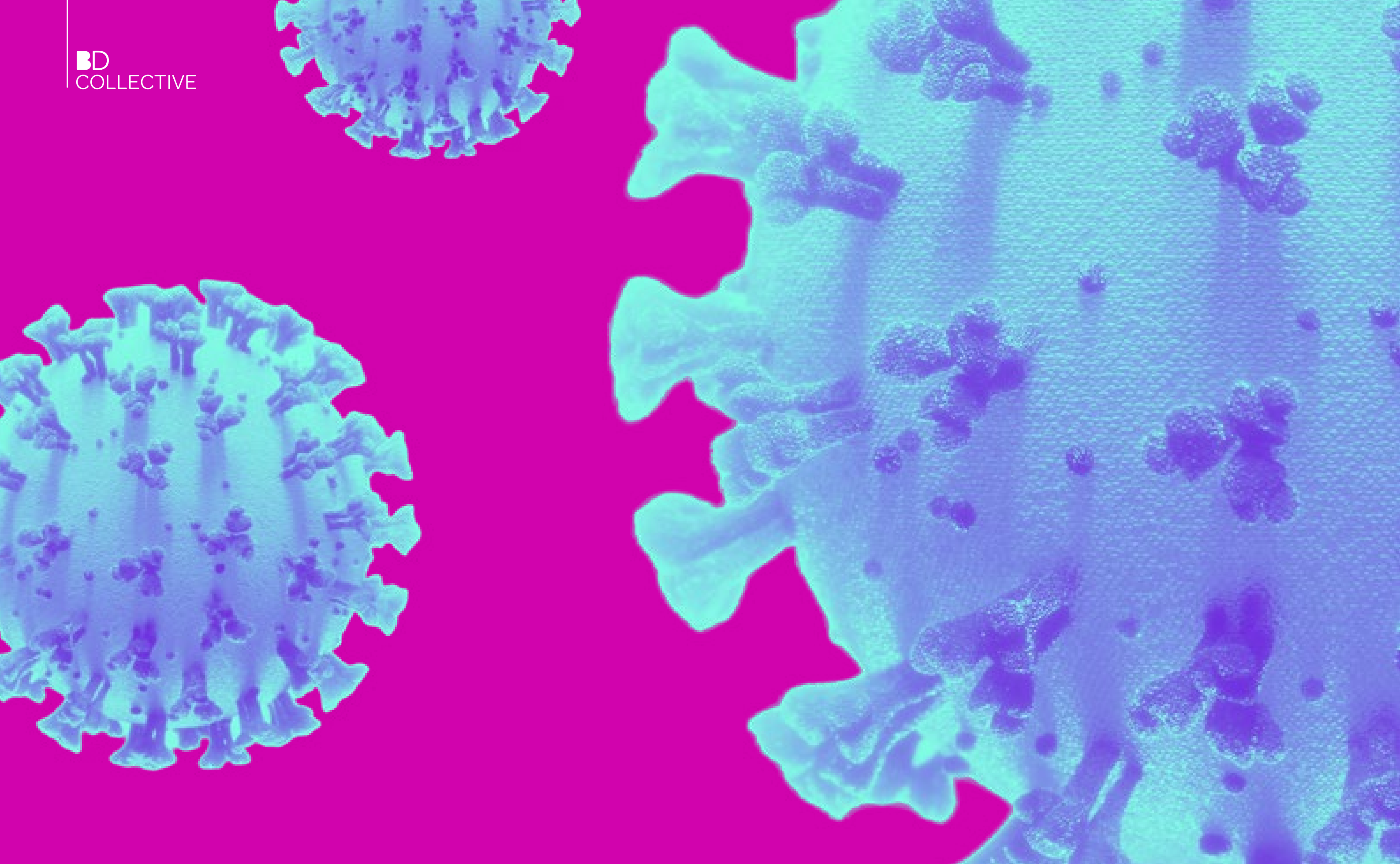
Learning from Mistakes

The 10 founding organisations formed a steering group to set the general strategy. They secured investment from the Lankelly Chase Foundation for a learning process. A design and a learning group were formed to make decisions intended to implement strategy.

Ratio mirrored back to the design and learning group the results of their decisions. The group learned from their failures, and corrected course.

The learning took many forms, from conversations with everybody involved in the process to reviews of the literature and including machine learning data from WhatsApp groups. The results included in this paper should be read as no more than hypotheses intended to inform the decision-making body of the Collective. But all of the hypotheses are replicable. They can be tested in other places.

The Collective's work was supported by a learning partnership with Ratio, an independent research centre focused on relationships and health. Ratio's approach to learning from error is described in the short publication How To Be Wrong. Ratio acted as a mirror to the Collective, reflecting back the effect of decisions made by the Design and Learning group and asking if there was a need to correct course. Ratio also developed algorithms for measuring relationships within networks and generated the feedback loops shared with network members. Ratio's work was funded by the Lankelly Chase Foundation.



THE COVID-19 PANDEMIC

The start of the learning coincided with the first lockdown of the Covid-19 pandemic. It transformed the Collective in two respects.

First, the structure of work changed. Most social sector activity had to pivot to meet the needs of the most vulnerable residents. All non-essential work shifted from face to face to online. There was widespread reflection on the future of social support leading to the creation of two 're-imagining' networks.

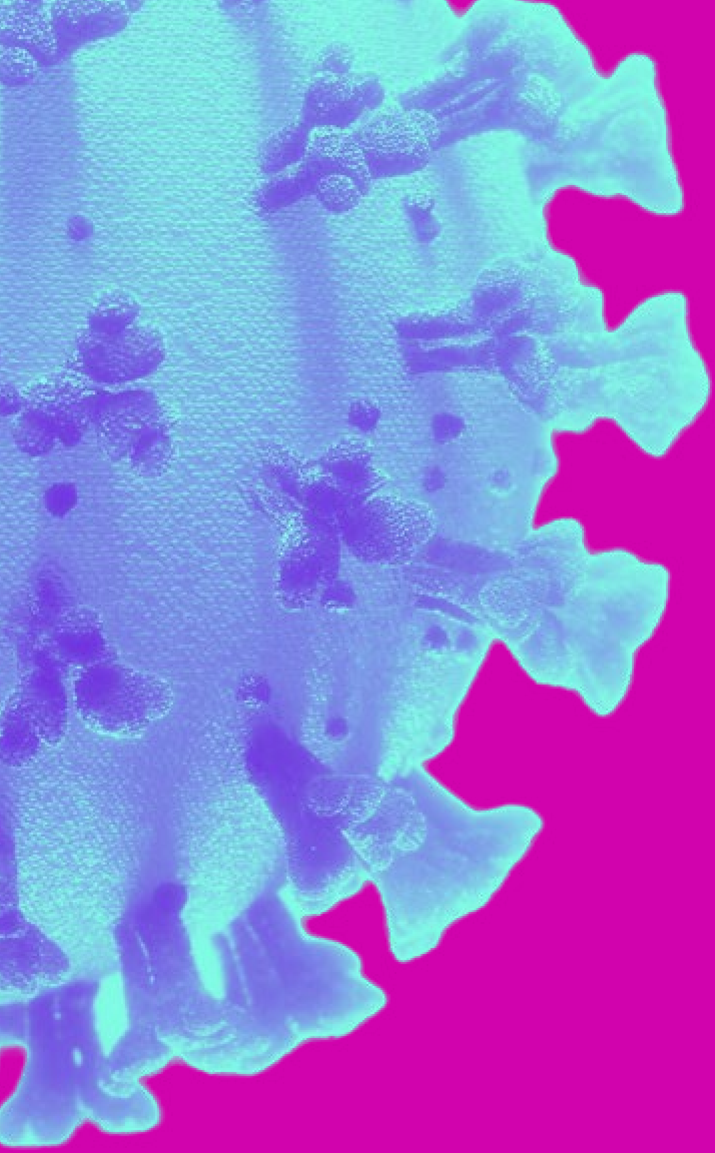
The membership of these groups crossed social sector and Council and served the most basic purpose of a network, the ability of participants to put a face to a name. The social capital generated from these relationships underpinned most of the innovation generated under the auspices of the Collective.

Second, during the pandemic, essential face-to-face work transformed the relationship between civil society organisations and public system commissioners. A partnership between and jointly designed by Council and social sector organisations became known as BD_CAN:

- focused on people shielding and unable to get their food or medication and/or were socially isolated.
- rested on the response of a broad range of civil society organisations, working in tandem, and supported by Council funds and, where necessary, specialist expertise
- loosened traditional commissioner-provider accountabilities, and placed trust in people and organisations with local relationships that could respond rapidly to resident needs.
- used shared learning about failure to improve the response, with partners more likely to pick up the phone to each other than process challenges through email and output reporting,

The pandemic created an ideal context for the values of the Collective. New connections were made across civil society organisations, and between them and Council officials. The collective response to shielded residents demanded trust between the partners.

Commissioner-purchaser contracts were replaced with what O'Neill[8] calls 'intelligent accountability'. Power shifted from public systems to civil society, and from social sector organisations to a broader spectrum of civil society supports.



The pandemic created an ideal context for the values of the Collective. New connections were made across civil society organisations, and between them and Council officials. The collective response to shielded residents demanded trust between the partners.

People, systems
and being wrong

The Collective is a network of network of civil society organisations. The networks comprise people, mostly leaders of the organisations. Like all people they are full of contradictions. Nighat leads the most successful network to date, mostly on her phone from her car as she drives around the Borough distributing food. Avril describes herself as the most controlling person on the planet but has created her role as convenor to have extremely limited powers. Natalia has been the most inventive in networking parents to support each other when their children are young but has no time to engage with the wider work of the Collective.

Sarah fights for equality of opportunity for the small organisations in her networks and is not afraid to question the validity of the Collective that has provided the small groups with opportunity to influence and shape practice.

As will be seen, the system or context around people shapes the strength of connection, trust and between them, and their sense of belonging to a common cause. In the absence of this system, a void is created. And the void is easily filled with bad feeling and anger. In the early days of the Collective, it was common for members of the social sector to talk about each other in unflattering ways. As people got to know each other, the assumptions they made about each other were called into doubt. The following quotation from the novelist Philip Roth[9] was one of the feedback loops used to draw this process to the attention of Collective members.

> *"You fight your superficiality, your shallowness, so as to try to come at people without unreal expectations, without overload or bias or hope or arrogance, as untanklike as you can be, sans cannon and machine guns and steel plating half a foot thick; you come at them unmenancingly on your own ten toes instead of tearing up the turf with your caterpillar treads, take them on with an open mind, as equals, man to man, as we used to say, and yet you never fail to get them wrong… The fact remains that getting people right is not what living is about anyway. It's getting them wrong that is living, getting them wrong and wrong and wrong and then, on careful reflection, getting them wrong again.*
>
> *That's how we know we're alive: we're wrong. Maybe the best thing would be to forget being right or wrong about people and just go along for the ride. But if you can do that-well, lucky you."*

The Functions of Networks

The Collective networks have multiple functions. Some of these functions are shared across all networks; others are specific to the purpose of the network.

Relationships are the primary function. Many people in the social sector in Barking and Dagenham did not know each other, or could not put a name to a face, prior to the Collective. This statement remains true today but less so. The Collective and its networks have facilitated hundreds of new relationships.

By the same mechanism, the Collective has brought to the surface people and organisations with significant capability who would have remained submerged in the previous competitive environment. The social sector is visibly more inclusive as a result of the Collective's work.

> The Collective and its networks have facilitated hundreds of new relationships.

When the Collective and the networks are effective, they serve the function of what French philosopher Montesquieu called 'gentle commerce'. Progress in the competitive private sector is oiled by strong relationships between businesspeople that result in sharing ideas and acting in the common good. Gentle commerce generates a 'positive sum' by growing the market in which an individual company operates, and indeed smaller organisations joining a Collective network increase their income, reach and influence. Some Collective members report recovering the values that drew them to public service, and that get lost in the struggle to protect their organisation in a competitive environment.

Underneath these cross-cutting functions, networks have been established to:

- Improve efficiencies in the response of organisations with a shared mission, e.g the Food Network
- Re-imagine the collective response to the well-being of residents, e.g. the Re- imagining Adult Social Care Network, Social Isolation Network, Early Help for Families Consortium, Mental Health for Older People Consortium, the Migrant Network.
- Increase the power of a collective of smaller organisations, e.g. the Youth Network, Sports Network and Women's Network.

The Positive Sum of Networks

The pandemic instigated networks of people meeting online and keeping in touch via 'WhatsApp' and telephone. The Food Network is the most enduring. It brings together a continually growing number of organisations responding to food poverty, typically food banks.

It was the first network to demonstrate the 'positive sum' generated by collective endeavour. Working as a group, the members found they could source more food, waste less food, and feed more people than if they had operated as single entities. The benefits are more the product of tactics than strategy. When one organisation finds a food source it cannot use, or has food that will soon perish, or has a resident it cannot feed, it connects with other network members.

An algorithm developed by Ratio for analysing the WhatsApp conversations of network members shows that connection, trust and belonging between members fluctuates over time. In the case of the Food Network, the increased 'sum' of food sourced and used to feed residents is closely associated with the strength of connection, trust and belonging.

The positive sum is instrumental to the longevity of each network. Not only do more people get fed, but the desires and needs of the leaders of each food bank in the network are satisfied.

> The Food Network was the first network to demonstrate the 'positive sum' generated by collective endeavour

Values
and Action

The tables below summarise some of the analysis of WhatsApp conversations between, in this case, Food Network members. The algorithm was designed to produce a feedback loop, a mirror to each network, reflecting back patterns of connection, trust, belonging and shared endeavour. But they also reveal something about how civil society works, when it works well.

Values are clearly important. But they take the form of a shared history, something that binds together everybody and everything in civil society. There are few explicit references to the values of power, accountability, connection and trust in the network WhatsApp feed until there is a significant challenge and members are brought back to the essence of what they are trying to do together.

If the network data are indicative of civil society more broadly, social connection, trust and belonging are closely bound up in action. As the tables below indicate, there are periods when network members are out of contact with each other.

Action brings them together. When food is sourced, or about go to waste, or when people who may go unfed come to notice, network members connect, trust is rekindled, refuelling the sense of belonging.

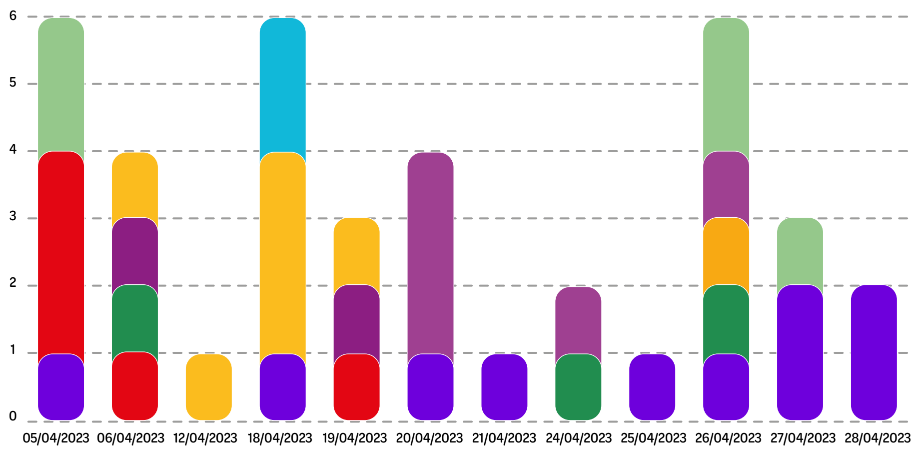
The strength of the connection, trust and belonging makes counting redundant. Nobody adds up who got what. Indeed, well-functioning networks appear to operate without bureaucracy. There are few formal meetings, no agendas, minutes, or reports.

Supporting Migrants Network

Connection/Trust/Belonging Apr 23

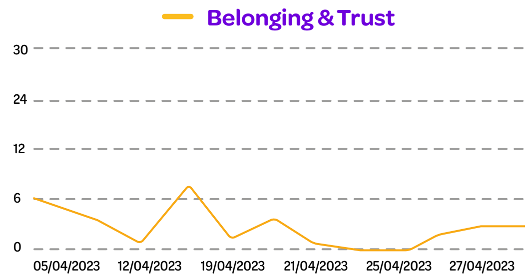
Connection

*colour indicates different person making an interaction



- 88.9% networks members active
- 39 interventions in 12 days
- 34 words that indicate belonging & trust ('we' - 50%)
- 3.25 interventions/day (min 1, max 6)
- 9 question ?

Connection Trust Belonging

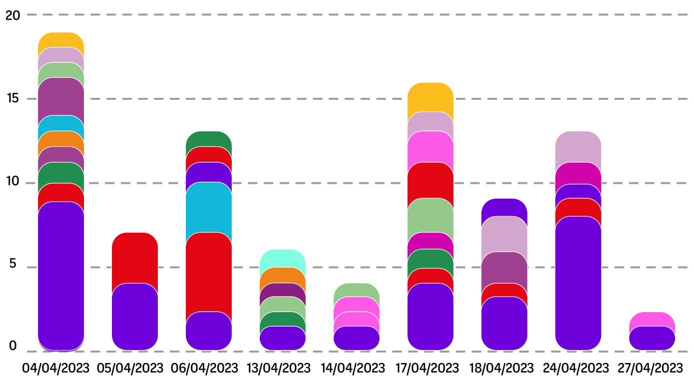


Food Network

Connection/Trust/Belonging Apr 23

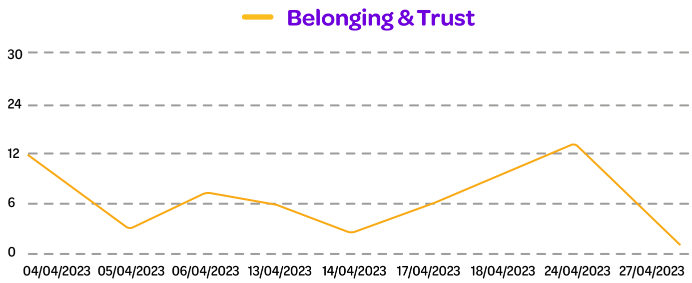
Connection

*colour indicates different person making an interaction



- 44.9% networks members active
- 89 interventions in 12 days
- 63 words that indicate belonging & trust ('we' - 42%; 'x' - 19%)
- 9.8 interventions/day (min 2, max 19)
- 5 question ?

Connection Trust Belonging



The Values in Action: The Network Kit

For the Collective to flourish, the founders had to be altruistic, to invest significant time and effort in a yet unspecified collective endeavour. For progress to sustain, it was necessary for the values -to connect, create trust, share accountability and power- to become systemic, that is automatic and not dependent on the goodwill of individuals.

Agency and decision making is fully devolved to the network members. It cannot be controlled by existing steering or learning group members.

The design and learning group developed a kit to allow any leader of the estimated 5,000 civil society organisations, however small, to start a network. Stage one gives the potential leader simple instructions and a small amount of resource to recruit people to a network. Once achieved, the group are then sent the full network kit that:

- Explains the Collective Values
- Describes the functions and benefits of a network.
- Includes a debit card with £500 of value to be spent at the discretion of network members.
- Explains the rules, to adhere to the Collective Values and sign up to a WhatsApp group.
- Sets out the function of regular feedback on patterns of connection, trust and belonging, and expenditure.
- Provides the opportunity to share ideas and benefit from opportunities broadcast on the Collective's Discourse communication platform.
- Gives any representative of the network rights to be part of the governance structure for the overall Collective.

Agency and decision making is fully devolved to the network members. It cannot be controlled by existing steering or learning group members.

Points of resistance

The Collective operates against three decades of deteriorating trust between social sector organisations. Progress and spread of networks have been uneven, and the learning has led to much adjustment to the network kit.

The primary challenge is what Olsen[10] calls the 'free-rider' or 'free-roller' problem, the fear, sometimes confirmed, that one person or group of people benefits as a result of the efforts of another person or group of people. Olsen showed that 'free rolling' is rational response in many group contexts. The philosopher David Hume[11] captured the problem very well. He observed that if two neighbours, well known to each other, share a plot of land, they will take care not to exploit each other. But when many people with fewer to no social obligations to each other share a plot of land, some will exploit the situation for private gain.

Free rolling is generally underhand and hard to see. A secondary challenge is the explicit efforts of network leaders and members to manipulate the system for private or uneven gain. This is seen when networks take on the form of organisations or special interest groups, replacing distributed leadership and open discourses with a leader, agendas, and minutes.

It is also evident in the few cases where the algorithm picked up on networks establishing a second WhatsApp group for decision making by a sub-group.

The Design and Learning Group of the Collective turned to the work of Nobel Prize Laureate Lin Ostrom to resolve these challenges.

Learning
from Ostrom

Ostrom was interested in Olsen's 'free-roller' problem. She studied how it operated in real world conditions. She visited communities that had more people fishing open access lakes than could be sustained by fish in those lakes. She watched how shared irrigation systems worked, asking why the amount of water taken by one farmer didn't deprive that available to others.

> people hate being told what to do but will follow rules that are arrived at by consensus. Most effective collectives seldom need to impose penalties.

In the competitive world of commissioning of social sector organisations, rules, boundaries and sanctions are set by the commissioner. If the social sector organisation fails to adhere to rules, or oversteps a boundary, then a penalty can be imposed, financial for example, or loss of contract.

Ostrom found that effective collectives operate differently. They define their own boundaries (how much of the lake can be fished, who has access to the irrigation system). They set their own rules (how many fish each person can take, how much water they can draw) and make decisions by consensus. They self-monitor to check if there is any free-rolling (there is no external evaluation) and, critically, they impose sanctions (there are penalties for people who take too many fish or draw off too much water).

Ostrom found that people hate being told what to do but will follow rules that are arrived at by consensus. Most effective collectives seldom need to impose penalties.

The framework identified by Ostrom is systemic. Effective networks comprise the same mix of people that make up the social sector in Barking and Dagenham. Some are smart, some are more practical. Some will bend the rules, others are rigid. Some are prone to personal attack, others less so. Some are intrinsically altruistic, others display self-interest. The boundaries, rules and sanctions of self-organising collectives bring out the better selves of all participants.

The Collective's network kit has gradually evolved to reflect this learning. The rules have been set by the Collective design and learning group. (They require that all networks adhere to the Collective values, operate via WhatsApp, and share learning and activity on Discourse). The sanctions for breaking the rules are feedback loops.

The measures of connection, trust and belonging are shared regularly, and expose for example, secondary channels of conversations opening up. The financial transactions of each network are also reported on the WhatsApp feed. The response to feedback is generally immediate, and positive.

At the end of Year 3, the design and learning group agreed a criterion for networks to claim additional funds from the Network Pot. Around 40% of the infrastructure income from the contract with the Council is placed on the Open Collective platform and is available for Networks to claim against the set criteria. This is another way trust is being built between networks.

When networks fail, the boundaries (for example membership or focus of the network) are blurred. Rules are set by a leader, often operating in self-interest or on behalf of a sub-section of the network. Struggling networks tend to exclude outsiders and eliminate feedback.

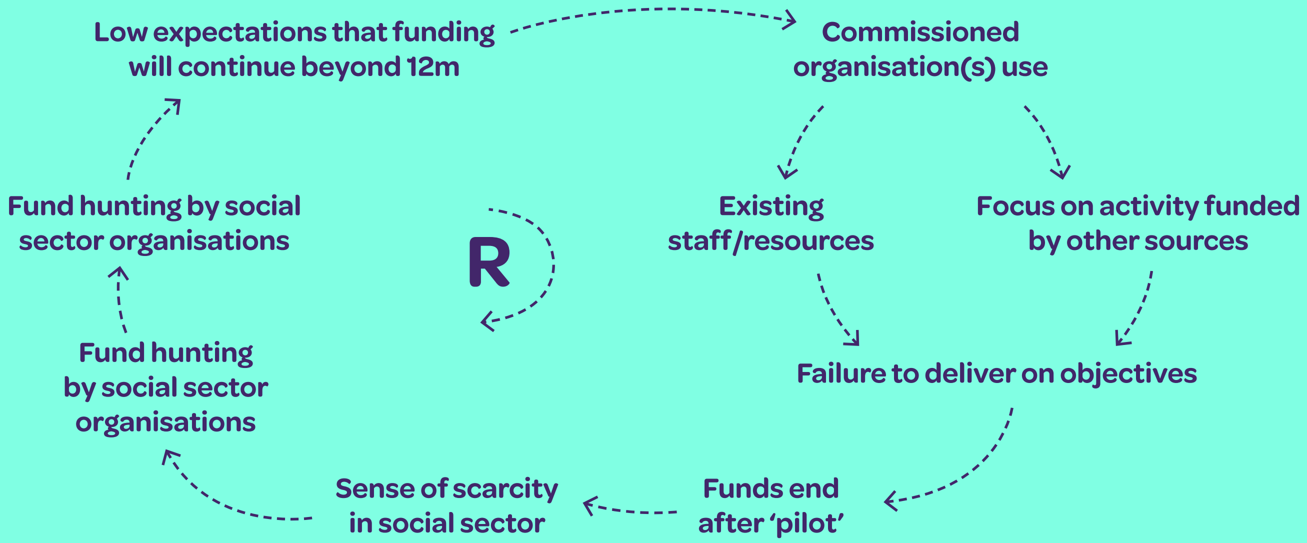
Systemic
Resistance

The Collective has evolved into a non-organisational, self-organising, self-regulating model. But it remains under the influence of the system in which it operates. One illustration of the continuing constraints emerged from analysis of stalling progress in one of the innovations sponsored by the Collective (the Localities work described below).

The work was led by five medium size social sector organisations, four receiving £50,000 of support, with the fifth -covering two areas- receiving £100,000. In the first six months, the network struggled to deliver the innovation with discipline and rigour. A primary cause was the lack of preparation time. The innovation had 14 months to prove concept, and only two months to prepare.

A secondary cause was network members' sense of scarcity around their own organisations. Leaders of these organisation are involved in a continual 'hunt' for funding to 'survive'. Funding streams are increasingly short-term, often labelled as 'pilots', and organisational leaders have little trust that funding will continue beyond testing phase'. After securing the grant, the leaders of the organisations are understandably restrained in their commitment. They dovetail the work with other funding streams and use existing staff members for delivery. Impact is limited or not recorded.

Disappointed funders pull the plug, confirming the skepticism of social sector organisations. In the language of systems science, this is a reinforcing negative feedback loop.



A Network of Networks
(not an organisation)

As its values suggest, the Collective has sought to share power and accountability. The distribution of power requires good governance. The standard response is organisational. Nearly all English local authorities have a Voluntary and Community Service or CVS organisation that acts on behalf of member social sector organisations, with an elected board and paid staff.

The Collective was established by the leaders of 10 social sector organisations. They formed a steering committee. The fiduciary responsibilities of the Collective, such as managing external grants and employing staff, were allocated to organisations in the Collective acting on the Collective's behalf and answerable to the steering committee. A small secretariat co-ordinates activity such as communications, convening events, supporting network development, and managing finances.

As networks became the primary vehicle for the work of the Collective, it was decided that any leader or representative of a network had the right to a place on the steering committee. Gradually, the leadership of the steering committee changed from founders to network leaders.

The steering group sets out the general direction of travel. The design and learning group have responsibility for decision making. The learning partner, Ratio, reflected back learning on the Collectives failures every six weeks. The design and learning Group decided how to respond.

In sum, the Collective is not an organisation. It is a network of networks. The power of the leadership groups is checked by the fact that any of the 5,000 civil society organisations in the Borough can establish a network and become part of the leadership.

THE FOURTH QUADRANT

(OPENING UP A SPACE FOR REFORM)

As the work of the Collective gained traction, questions about its functions and potential re-opened. How was it different from the CVS, which continues its work, and other infrastructure entities, such as BD Giving and Barking Enterprise Centre? The Collective might be viewed as a 'disruptive innovation' designed to cut through the competitive environment created by public system commissioning. Having disrupted the system and generated 'gentle commerce' type relationships, maybe its work was done?

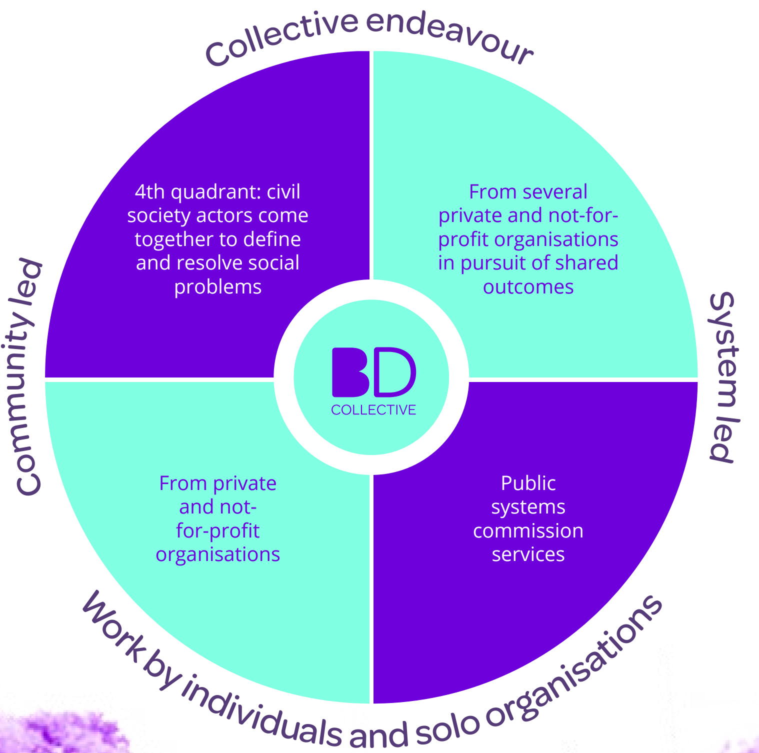
To think about this challenge, the design and learning group thought about the activity of civil society organisations in four quadrants (see diagram below). The vertical axis separates activity by solo organisations from activity by groups of organisations working in partnership. The horizontal axis separates activity that is led by public systems of health and Council from activity that is led by the community.

In the bottom two quadrants, commissioners purchase services from civil society organisations that represent their community. The Council, for example, has supported Al-Madina mosque to become a 'community hub', adding Council services to the existing array of existing, community led supports.

The two quadrants on the right-hand side of the diagram could represent a 'collective outcomes' model where the commissioner brings together multiple organisations to deliver services to achieve a shared goal.

A self-organising collective adds little value to activity in these three quadrants. It may temper the unintended consequences of competitive tendering. It could provide the networking required for a collective outcomes model. But that function could be delivered as well by other infrastructure organisations.

The fourth quadrant is different. Civil society organisations and activities come together to re-define and find shared solutions to social problems. In this space, the work should be directed and defined by residents not by owners of funding streams or leaders of individual social sector organisations. The potential is to respond to local challenges with local innovation. Collectives of civil society organisations working in tandem with residents could deliver that innovation.



Innovation

Residents are building networks of households to hold and share resources to respond to shared challenges.

The Fourth Quadrant has taken the Collective beyond changing relationships between social sector organisations and into changing relationships between residents, civil society, including business, and public services. It has resulted in a series of innovations, all designed with residents. It has generated small but significant additional investments (circa £2.5 million) in social sector activity in the Borough.

The Neighbourhood Networks initiative supported by the National Lottery Community Fund and the Council brings together groups of small civil society organisations to innovate with residents. The process is managed by the Collective and supported by BD Giving.

The Localities work brings together five medium to large size civil society organisations with leads from health services and the Council to engage with residents, re-imagine community agency and power with the objective of recovering the average of five years lost from healthy life expectancy in the Borough.

The Early Help for Families consortium was formed through the Department for Education's Start4Life funding strand. This brings seven organisations together to explore how to develop a new model in which families are enabled to build community infrastructure that slows or shuts the 'revolving door to services'.

Another set of collaborations is building prototypes to tackle social isolation.

All of this work is nascent, and so far, is generating as much failure as success. The culture of gaming that characterises relationships in the bottom two quadrants of the above diagram is hard to shake off. Medium to large size organisations can struggle to connect with smaller organisations in their neighbourhoods. The idea of building out from ideas generated by residents is new and, in some cases, threatening. The Collective values can get lost along the way.

Nonetheless, although experimental and tentative, the work is producing innovation that would not have been considered prior to the Collective developed by people who would not have been given a role prior to the Collective. It includes space recovered in unused shops for residents to meet and talk and engage in mutual aid activities.

Maps drawn by and shared between residents that capture the places and spaces where they find a 'warm welcome' and people who can provide useful, practical advice about shared problems. There is triage used as permission to have conversations and learn about how residents are coping with major stressors, and to share information about places, spaces and other resources that bind a community. Residents are building networks of households to hold and share resources to respond to shared challenges. Young people are working to recover shared space in 'new build' communities to compensate for and challenge the shortcomings of developers.

These early prototypes suggest a modern twist on pre-competition social sector activities, as exemplified for example by the Settlement movement, focused on communities not individuals, and produced with the residents not for residents. A shorthand to describe this shift is the recovery of a 'we' society from an 'I' society.

The Learning
Brought Together

The learning continues. The idea of 4th Quadrant innovation emerged 15 month's ago. Today it is generating investment and innovation. In 15 month's time it may be swept away and replaced by a new idea. Or the Collective itself may be swept away and replaced by a better way of connecting, building trust, sharing accountability and shifting power.

There are a series of lessons from the last three years to inform whatever comes next. They are summarised in the diagram below.

It is now possible to imagine a different way to link civil society organisations, and to cut across the negative side effects of commissioning and competition. It starts with strong, shared values. Building connections across civil society. Recovering trust by having difficult conversations and finding shared resolution. Sharing accountability across civil society (and beyond social sector organisations). Re-balancing the power of government systems, civil society and residents.

Coming together to agree boundaries, rules and sanctions is an essential building block for effective collective endeavour. Simple feedback loops that mirror back how we behave are effective and powerful sanctions.

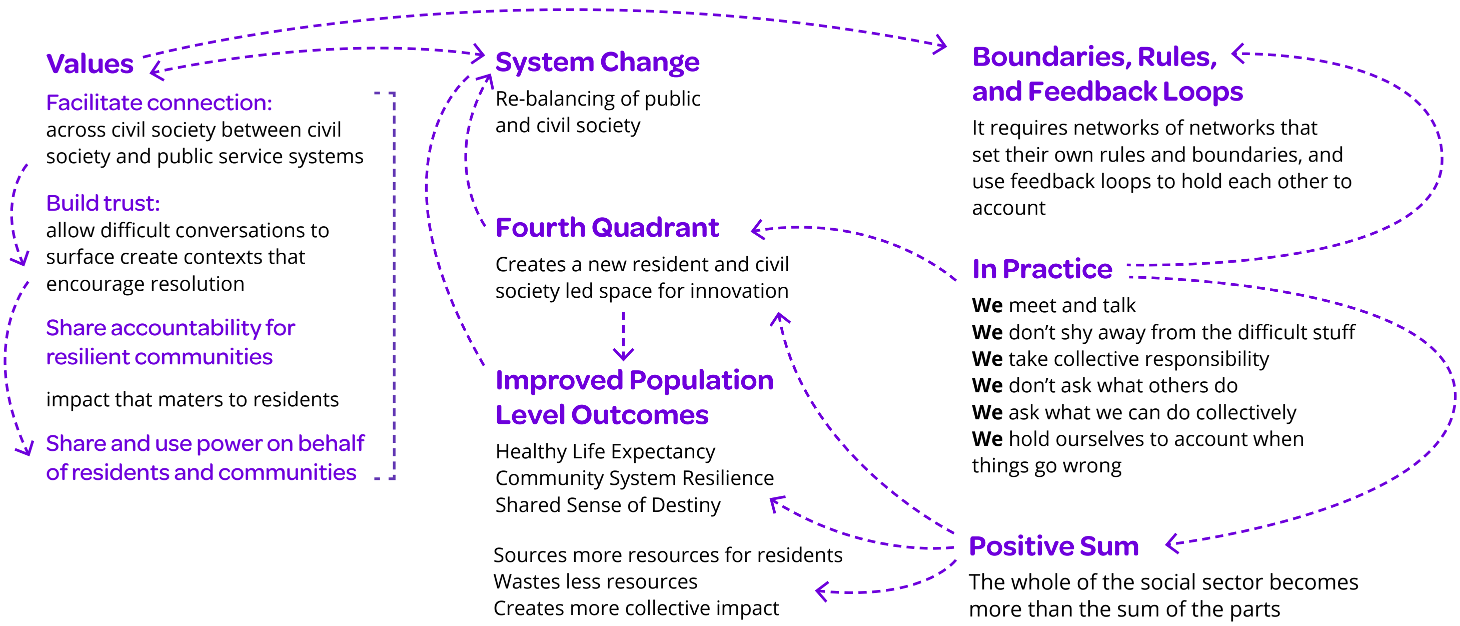
Ordinary human relationships sit at the core. Meeting and talking. Not shying away from difficult conversations. Not asking what others can do but asking what 'we' can do collectively. And holding 'we' accountable when things go wrong.

When these things happen, a positive sum is generated. The whole of civil society organisations becomes more than the sum of its parts. (There is also self-interest. Organisations that engage in collective activity increase their income).

Shared endeavour opens up the potential for innovation that is collectively designed across civil society.

To be sustained, these shifts will require a re-balancing of public systems and civil society to protect the collective space.

The objective also shifts from 'I' to 'we', from fixing residents one case at a time to better population level outcomes, such as healthy life expectancy.



Getting out of
the way of Civil Society

Most of the learning has focused on what the social sector can do to re-build trust across civil society. Local government and public systems also have a role to play.

Part of this concerns the culture of public services. For example, elected members and professional staff lose sight of the relatively small role of local government services in the health and well-being of residents, and the significant role of civil society and residents themselves.

Money flows are another part. There is an imbalance of investment in services to meet the needs of individual residents and in social infrastructure that increases residents' potential to be their better selves. Re-balancing commissioning across the four quadrants of the above diagram is one way to realise this opportunity. Another shift from 'I' to 'we'.

Barking and Dagenham Council is working hard to generate more external investment in the Borough. Using that investment to re-invigorate civil society will not only address staggering inequalities that cost the average resident five years in healthy life expectancy, it can also bolster democracy in a borough where all seats are held by a single political party.

Conclusions

The idea of self-organising, informal co-operation across civil society that benefits residents and participating organisations is clearly relevant to the recovery of the United Kingdom. The ideas contained in this report should be relevant to the multiplicity of place-based initiatives across the country, not to mention the prospects of relational social policy.

Within Barking and Dagenham, the picture is mixed. On the one hand, there is a broad appreciation that a changing Borough needs a changing approach to public policy. The limits of public services to meet the needs of residents one case at a time is widely appreciated. The alternatives are not clear, but working with, tapping into the capability of and/or ceding power to civil society is increasingly seen as a fruitful avenue for exploration. The Collective is at least an oil to lubricate these efforts and, at best, could be a core mechanism for change.

On the other hand, there are extremely strong conservative forces, the strongest of which are in the social sector itself. For anybody running a small to medium-sized social sector organisation, the risks of using a collective approach to radically disrupt public policy in the Borough appear to be mostly on the downside. Strong values, transparent structures, co-operative working and a greater voice for residents' sound enticing to the outsider. To the insider they represent giving up power and learning new ways of working.

As with most innovation, the question is whether there are sufficient innovators and early adopters ready to take a chance on an, yet, unproven product, knowing that if they are proved right others will follow their example. The next 15 months will begin to answer this question.

In November 2018 an inquiry into the future of civil society, which I chaired, published its final report, Civil Society Futures. Thanks to the work of brilliant colleagues and the input from many organisations and individuals, within and outside civil society, we tried our best to predict the trends and changes that faced civil society in the coming years. We listened hard to the experiences of people

civil society – in all its richness and diversity - may be in a parlous state, but it is still, despite everything, our best hope of success.

THE GOOD, THE BAD

Dame Julia Unwin is an experienced non-executive, speaker, consultant and mentor.

She was the Chief Executive of the Joseph Rowntree Foundation for a decade until the end of 2016.

In 2017 she launched and chaired the Independent Inquiry into the Future of Civil Society in England, which reported in November 2018, and held a fellowship with Carnegie UK Trust 2017/18 considering the role of kindness in public policy.

She has written and spoken extensively on issues relating to philanthropy, governance, the voluntary sector and its relationship with government. Her publications include 'Why Fight Poverty?', 'Kindness, Emotions and

AND THE UGLY

REFLECTIONS BY DAME JULIA UNWIN

Relationships', the 'Blind Spot in Public Policy Making' and 'The Grant Making Tango'.

She is currently a non-executive director of the Mears Group PLC and of Yorkshire Water. She is Inaugural Chair of Smart Data Foundry based at Edinburgh University. She also chairs the Board of Governors at York St John University.

In 2010 Dame Julia was awarded the Outstanding Leadership Award in the Charity Awards and has received honorary doctorates from three universities. In the 2020 New Year Honours she received a DBE. For more information about Julia please visit her website: **www.juliaunwin.com**

all over the country, trawled through oceans of data and examined the opinions of experts in coming up with our report.

Looking back, after such a difficult period for the country – after the Covid pandemic and all its associated challenges, during political turmoil and a cost-of-living crisis to surpass all other, it is worth asking the question, what did we get right? And what did get we wrong? What did we spot? And what did we miss?

Well, we said that we were heading for challenging times (how right we were!). We talked about precariousness – the likelihood of economic volatility, civil unrest, cyber-attack, terrorism, and every other sort of chaos, but what we did not foresee was a global pandemic that upended the world. A pandemic which has seen half of us in the UK working from home, caused huge dislocation to the economy, added to the enormous pressures on the depleted NHS and opened up major fault lines in politics and society as a whole.

We did say that 'we need to talk about race' and argued that a huge weakness for civil society in England was its failure to properly address questions of race, and work to face up to the huge damage that is caused by racism. The massive impact of the murder of George Floyd, and the subsequent Black Lives Matter movement, has challenged all of us to think differently, more deeply and more seriously about race and racism. We were right to acknowledge that civil society needs to make progress on this issue.

Most importantly, we said that civil society, renewed and reenergised, was the only way we would meet the challenges of our times.

We also said that associational life – the ability of individuals and communities to get together – was incredibly important. Whether it was a choir or an allotment society, a major national charity or a new and emerging network, our report pointed out people really cared about the places they lived in and mourned the lack of shared spaces. This insight seems only more important now.

We also said that civil society, renewed and reenergised, was the only way we would meet the challenges of our time – the climate crisis, the democratic deficit and our frayed and exhausted social fabric. If we have learned anything, it has been that civil society – in all its richness and diversity – may be in a parlous state, but it is still, despite everything, our best hope of success.

Civil Society Futures

In launching the Civil Society Futures inquiry, we wanted to listen really hard, observe really carefully and learn from what is really going on within civil society. I said we wanted to be humble. But I also said I wanted us to be bold. It is too easy to repeat platitudes about civil society. Too easy to say that all would be well if only... if only funders were better, or government supported us better, if only local authorities commissioned better. Too easy to say we have to work better together.

What we heard in the inquiry was much more challenging and much more demanding than that. We travelled across England (And the Inquiry was only about England) and heard time and time again about the deeply divided society we live in. A society divided of course in income and in wealth. But a society divided between towns and cities. A society divided by age, by ethnicity and by faith. A society in which power was hoarded, and relationships were fractured.

And we heard that, perhaps inevitably, civil society contained all these deep divisions too. There are great divisions between richer and poorer organisations. Between the long-established institutions and the emergent networks and movements. Between the self-organisation of younger people, and the frameworks and structures familiar to older generations. How could it not be this way? Civil society obviously reflects the society in which it exists.

But we were adamant. If civil society could be renewed, re-energised, re-thought, its potential was limitless. The time since we reported has taught us so much about what we can achieve at our very best.

Since 2019, this terribly difficult period, I've observed that a lot of what we reported has happened. The good, the bad, and frankly, the ugly.

THE GOOD

We've learned that in every city and town, in every neighbourhood, in every place, people want to help their neighbour. The 'explosion of mutual aid' which followed the early days of lockdown took government by surprise but astonished no-one who knew about the realities of local communities and the deep connections which existed below the radar of much of officialdom. We also learned that in the places where local government was really used to working in genuine partnership with community groups, amazing things happened.

We learned that in a damaging and desperate cost of living crisis it was local community organisations that set up community larders, that arranged warm places, that drew attention to the devastation being wrought by an economic crisis that was never made by the communities' who rose so valiantly to respond.

We've learned that at their very best, partnerships between national bodies and small local networks were productive and made a big difference in hard times.

And we learned that without noisy advocates, public policy in a crisis would just ignore those groups already easily overlooked - people with cancer, for instance, those with chronic and challenging conditions and those women and children to whom a 'stay at home' order was a sentence to abuse and cruelty.

Their voices were amplified by supporters in the charity world whose deep connections and awareness of what was happening meant that policymakers had to sit up and take notice of their needs.

We learned that when extreme weather events take place, and more will surely come, it is local communities, sometimes supported by national organisations, that organise the protective response, shout for aid when it is needed, and protect the most vulnerable.

And we learned that those who seem to have most power – the funders and grant makers are also capable of real and effective response. We've learned that when push came to shove, some of the biggest funders were able to change their rules and approaches to get money to the places it was needed - quickly and efficiently.

THE BAD

But there has been bad news too. We've learned that organisations 'running hot', whether in private, public, or voluntary sector cannot both 'run hot' and deal with an unexpected crisis. We got an insight into the precarious nature of so many essential services, when many groups faced closure, and in Black led groups were particularly at risk. When national charities had to lay off staff as fund raising activities and high street shops closed, demonstrating that this is no way to pay for the services on which we all depend.

We've learned that organisations 'running hot', whether in private, public or voluntary sector cannot both 'run hot' and deal with rolling and repeated crises.

Through all of these crises it was very clear that the vital role of this complex and interdependent web of organisations, groups, networks and movements is simply not understood. That we, in civil society, have not done enough to get a clear, honest and comprehensive understanding of the power, the depth and the value of civil society.

THE UGLY

Revelations of poor practice, of bullying, and of racist, homophobic and misogynistic behaviour in all sorts of supposedly 'worthy' organisations were devastating. The hard work of making sure that the culture of civil society is fit for the 21st century became ever more urgent. It will be taxing and painful to make some changes but hiding our weaknesses or our failures means we will fail to achieve our potential in difficult times.

For civil society to really live up to its potential it needs to have a culture that is suitable for the changing times. That means a culture and a way of behaving that brings people together, doesn't divide. That increases trust, rather than fostering suspicion. That focuses on what needs to change, not how to grow. That plays to its strengths, not attacking others for weakness.

In Civil Society Futures, we argued for a PACT for civil society. A new strategic approach to addressing the behaviours attitudes and practices which form our cultures. We started with a new focus on Power. Power is obviously not evenly distributed, and one of the vital roles of civil society is to ensure that those who could have power because of their experience, are able to use that experience to change the minds of those who do hold the power to affect their lives. We also made the case for a new focus on Accountability. To focus less on accountability to funders, regulators, and government, but the essential accountability to our communities. And we maintained that Connection is at the heart of civil society - that deep connection between people in communities and between movements and networks and big organisations. Unless we do more to deepen our relationships within civil society, we will always be hampered and undermined. And finally, we argued that we needed to invest in Trust, an asset worth more than anything else on our depleted balance sheets, which makes it possible for us to thrive.

We argued for a new focus for voluntary and community organisations, not so much on the funders and the regulators, but on the people and communities they exist to serve. Too often we allow our energies to go into those who have power, not those who we exist to empower. For too long we have followed the money. We need to learn that when good work happens, money will come. We are working in devastating times. An exhausted voluntary sector will be asked to do more, and to play a key part in rebuilding for a better, greener, more equal future. It seems to me that our Inquiry four years ago identified the essential strength and capability within civil society and suggested some ways in which we could truly be ready for the challenges ahead. It is as relevant now as it was then.

This report from BD_Collective takes all this work forward. It is deeply rooted in the real experience of communities and those who work in them. It is timely because it recognises the enormity of the challenging times we are in. But above all it is optimistic, because it recognises that when civil society is at its best, lasting change happens. And change has never been more needed.

Dame Julia Unwin May 2023

> We've learned that at their very best, partnerships between national bodies and small local networks were productive and made a big difference in hard times.

PASSING THE BATON

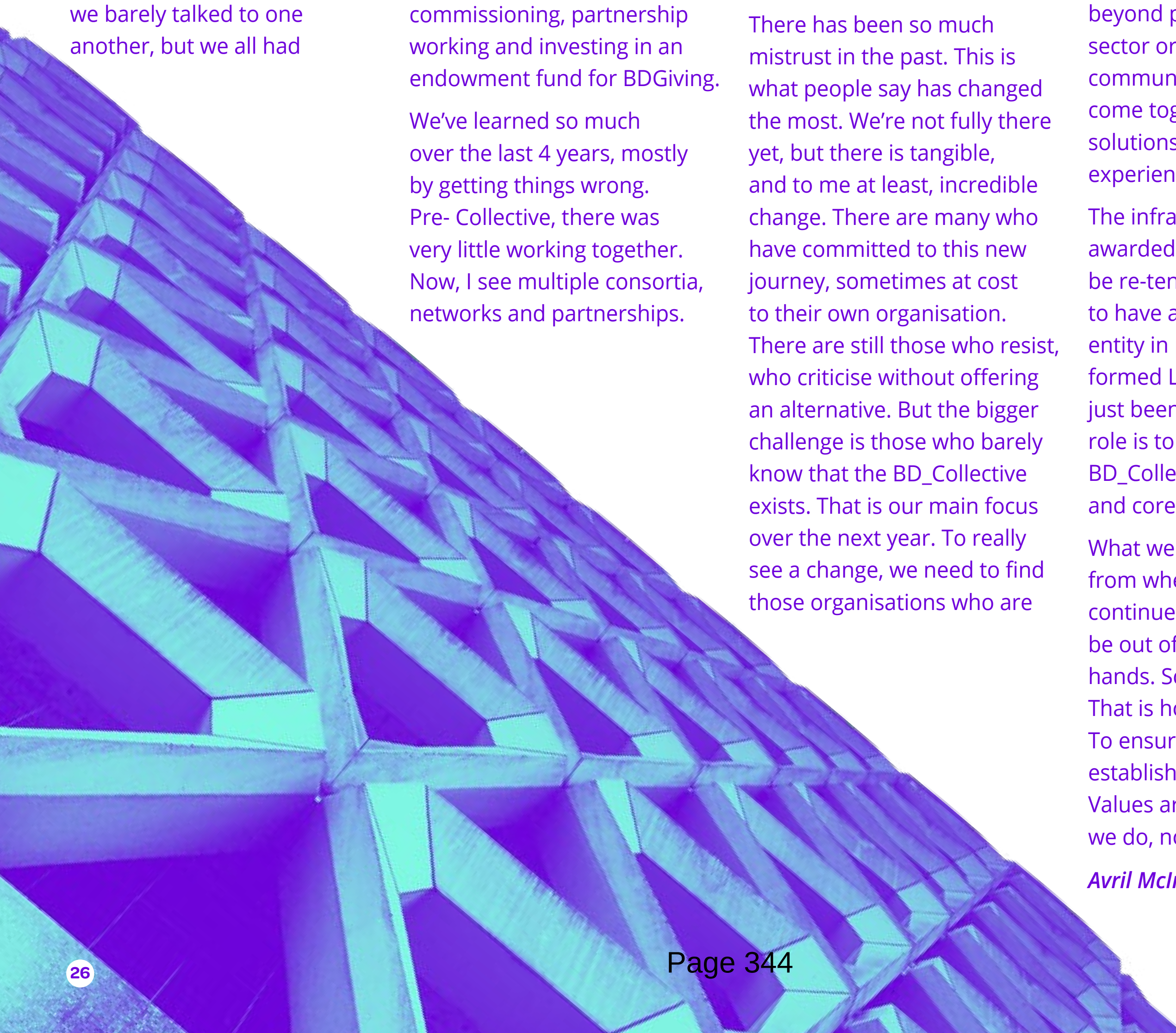
AVRIL'S REFLECTIONS

When I heard Julia Unwin talking to the Voluntary Sector at the launch of the Civil Society Futures' report back in 2019, I felt I'd been hit between the eyes. She challenged sector leaders, saying that we had become the new gatekeepers to the community, becoming the spokespeople for them. At the same time,I also witnessed, not only a very exciting vision emerge from Barking and Dagenham Council, but also a lot of sector resistance to the idea of being part of shaping it.

The nine other sector leaders I originally approached all had power and influence locally. Prior to the Collective, we barely talked to one another, but we all had strong models of delivery and good relationships with Council officers and / or politicians. We agreed to become 'door openers' rather than 'gatekeepers' – both to the wider social sector and also to local people. It was a significant moment. The buy-in was real and committed. There was a willingness to genuinely share power.

The Council took a brave step in commissioning BD_Collective with the £100,000 infrastructure contract previously held by the CVS (they didn't tender for the renewal). The Council have continued to take risks in working through consortium commissioning, partnership working and investing in an endowment fund for BDGiving.

We've learned so much over the last 4 years, mostly by getting things wrong. Pre- Collective, there was very little working together. Now, I see multiple consortia, networks and partnerships.



Information about what happens across the Collective is shared and all decisions are made by those involved – transparently and accountably. We seek to embody the values. That means connecting. Having hard conversations. Sharing accountability for our objectives. Taking power from the powerful and giving away power.

The development of BDGiving in parallel to the Collective has been so significant and is attracting new funders into the Borough. It models genuine devolved decision making and involves local people who would never have been involved before.

There has been so much mistrust in the past. This is what people say has changed the most. We're not fully there yet, but there is tangible, and to me at least, incredible change. There are many who have committed to this new journey, sometimes at cost to their own organisation. There are still those who resist, who criticise without offering an alternative. But the bigger challenge is those who barely know that the BD_Collective exists. That is our main focus over the next year. To really see a change, we need to find those organisations who are ready to work with others to bring lasting, sustainable change. I'm convinced we will find them.

Barking & Dagenham continues to have the highest deprivation stats across many categories. Yet, I believe now more than ever, we have the building blocks for real and lasting change. Our statutory system is broken, we need a different way to tackle the growing issues of mental and physical health, social isolation, housing, the list goes on. Can we realise the power of civil society; where neighbours are a source of support, businesses see their importance to the community beyond profit, where social sector organisations facilitate community power and people come together to identify solutions to the issues, they experience daily.

The infrastructure contract awarded to BD_Collective will be re-tendered. Our hope is to have a member-owned entity in place for that. A newly formed Leadership Team has just been established and its role is to shape the future of BD_Collective, its governance and core activity.

What we have is a long way from where we started. It will continue to evolve. It will be out of any one person's hands. Scary, but rewarding. That is how we set it up. To ensure power could not be established in any one place. Values are the basis of what we do, not the strap line.

Avril McIntyre May 2023

SOOTHING THE PANIC

MICHAEL'S REFLECTIONS

The Collective is different, and difference surfaces a range of reactions.

Most people are mute because they don't know about the change, or if they do know about it, the arguments for and against are muddled. I suspect that less than five per cent, and certainly no more than 10 per cent of the 5,000 civil society leaders in the Borough know about or understand the Collective.

Of those that do know, the primary reaction is instrumental. Civil society leaders ask 'what does this mean for me? And my organisation? And the staff I employ? Will it generate more income? Will it make the job any easier?

A common and rational answer to these questions is that although the Collective may be good for residents -something still to be established - it isn't going to enhance the income streams or stability of well-established medium size organisations. I am thinking here of faith organisations with space and resources to connect residents of any or no faith; organisations that operate effectively in the second quadrant as it is defined above; organisations already well networked with other provision in their community. The Collective doesn't bring any extra value, as far as I can see, to these organisations.

Another proportion leaders exhibit what Rebecca Solnit[12] calls 'elite panic', by which she means the fear of losing legitimacy and power when the context requires a radically different way of behaving.

When I hold up the mirror to Collective members, they see the fear. The adjective 'elite' jars, but most social sector leaders have an income in the top four deciles, and most are part of social and professional networks and speak regularly on the sector's politics with a small 'p'.

As much as many grumble about the competitive market and its unintended consequences, it is a market that they know well, and the unintended consequences can be manipulated to an advantage.

The moral agents ask questions about values, norms and ethics. They start conversations that open up new possibilities. They don't have a set destination.

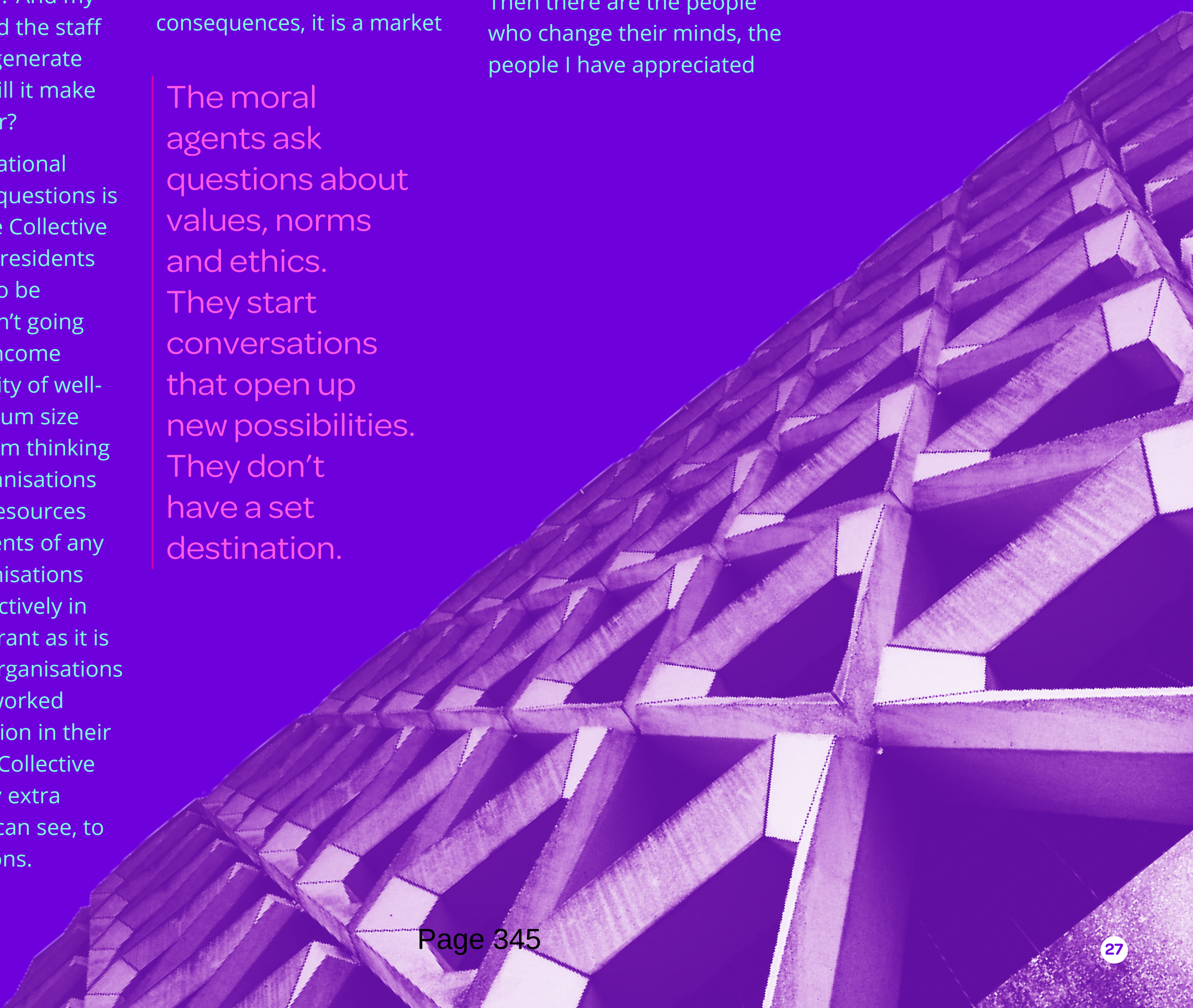
The panic stokes conservative instincts to keep the world as it is, or worse to take it back to a place in the past. The social sector thinks of itself as radical, and it has good reason to do so. But within there is a strong reactionary element.

Other groups face in another direction. The moral agents ask questions about values, norms and ethics. They start conversations that open up new possibilities. They don't have a set destination.

Then there are the people who change their minds, the people I have appreciated the most in my work with the Collective. Often feisty, bordering on the polemical, I watched them listen to the other side of the argument and find a new path, one that is new to all.

The relationships between these groups of people will determine the future of the Collective. The openness of moral agents to change. The shifting mindsets and new paths found. The soothing of panic as the radical becomes mainstream.

Michael Little, May 2023



BD COLLECTIVE

in collaboration with

RATIO

bdcollective.co.uk

[1] https://civilsocietyfutures.org/

[2] Solnit, R. (2010). A paradise built in hell: The extraordinary communities that arise in disaster. Penguin.

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[4] Don Berwick, Era 3 for Medicine and Health Care, JAMA, 2016

[5] Toby Lowe and Dawn Plimmer, Exploring the New World, Collaborate, 2017

[6] Robert Putnam and Shaylyn Romney Garrett, The Upswing, 2020

[7] https://civilsocietyfutures.org/wp-content/uploads/sites/6/2018/11/Civil-Society-Futures The-Story-of-Our- Future.pdf

[8] Onora O'Neill, A Question of Trust, 2002

[9] Philip Roth, American Pastoral, p.35

[10] Mancur Olson, The Logic of Collective Action, 1965

[11] David Hume, David, [A Treatise of Human Nature, 1739-40

[12] Rebecca Solnit, A Paradise Built in Hell, 2010

APPENDIX 5

Community and Equality Impact Assessment

As an authority, we have made a commitment to apply a systematic equalities and diversity screening process to both new policy development or changes to services.

This is to determine whether the proposals are likely to have significant positive, negative or adverse impacts on the different groups in our community.

This process has been developed, together with **full guidance** to support officers in meeting our duties under the:

- Equality Act 2010.
- The Best Value Guidance
- The Public Services (Social Value) 2012 Act

About the service or policy development

Name of service or policy	Social Infrastructure Contract 2024-28
Lead Officer Contact Details	Monica Needs Head of Participation and Engagement

Why is this service or policy development/review needed?
In 2019, the council commissioned a social infrastructure support service contract on a three year plus one basis. The current contract will therefore expire on the 30th of June 2023. To continue to invest in the social infrastructure of Barking and Dagenham and witness the benefits of a stronger and more connected social infrastructure, the council will need to re-commission a new partner to provide a support service to local VCSE groups from July 2024. Much progress has been made since 2019 when we first commissioned the support service. This includes the development of a local endowment fund, which the council has invested £1.67 million of CIL money into, and its investment policy developed was by a resident panel. In addition, we have witnessed the growth of multiple networks of VCSE groups joined together through shared issues such as mental health, early help, and food. These networks have brought in £2.2 million worth of funding into the borough and have meant that fewer people have gone hungry, more people are connected across diverse backgrounds, and residents are more able to find solutions to problems in their community. This has led to fewer people reaching crisis point and accessing council services, reducing pressure on council resources and funding which has been put under significant financial strain over the last ten years. While we should celebrate the progress the borough has made, if we wish to see this growth of collaborative working and trust between the council and social infrastructure continue, the council must re-invest in a new social infrastructure contract from 2024 onwards. The social infrastructure contract's specification for 2024 will focus on the key themes outlined below: 1. Leading the sector to stimulate new opportunities in the borough 2. Develop collaboration between civil society groups and between the sector and partners 3. Support local groups to build sustainable organisations 4. Provide representation of the local VCSE sector with the council and other partners

1. Community impact (this can be used to assess impact on staff although a cumulative impact should be considered).

What impacts will this service or policy development have on communities? Look at what you know. What does your research tell you? Please state which data sources you have used for your research in your answer below *Consider:*

• National & local data sets • Complaints • Consultation and service monitoring information • Voluntary and Community Organisations • The Equality Act places a specific duty on people with 'protected characteristics'. The table below details these groups and helps you to consider the impact on these groups. • It is Council policy to consider the impact services and policy developments could have on residents who are socio-economically disadvantaged. There is space to consider the impact below.

Potential impacts	Positive	Neutral	Negative	What are the positive and negative impacts?	How will benefits be enhanced and negative impacts minimised or eliminated?
Local communities in general	X			The social infrastructure contract will benefit local communities in general by building the relationships between VCSE partners and the council to help more people find solutions to problems in their localities and communities. This will mean that it's easier for local communities to find help nearer to home and from places they know and trust. Not everyone can or wants to use the council to help them; for a lot of people, a local community group, café, or faith space may be much more approachable. Developing spaces where communities can connect and find help will encourage more cohesion between communities where people from different backgrounds can	Benefits to local communities may be enhanced by ensuring that the provider develops a diverse set of relationships so that communities across the borough and from a variety of backgrounds can benefit from support. The benefits to local communities in general can be enhanced further by asking the provider to ensure that smaller civil society groups are included in discussions, workstreams, and have a place at the table in decision making.

				interact. The provider will act as a facilitator in connecting these groups in a variety of workstreams focused on the outcomes of the Borough Manifesto.	
Age	X			The provider will work with the council and VCSE sector to support local people of all ages. A strong social infrastructure can provide young people with opportunities to engage with their local communities in meaningful activities, as well as through employment and skills training. Through supporting organisations in developing relationships and resources, the social infrastructure contract will contribute to improved outcomes for young people. VCSE groups are valuable sources of community activity and can help in reducing social isolation and health among older people. By supporting and enhancing social action projects delivered by VCSE groups, the social infrastructure contract will aid the reduction of loneliness and isolation, as well as physical health ailments through activities such as community check-ins.	The council will support VCSE groups in their engagement with young people, to gauge their views on joint projects and issues within the borough. The council will support the provider and VCSE groups in organising community events and ensure council-led events appeal to a range of ages.
Disability	X		X	**Positive impacts** Joint projects, networks, and learning events referenced in the social	**Minimising Negative Impacts** The provider will provide support and guidance to VCSE groups looking to move premises,

				infrastructure contract have the potential to provide opportunities for people with disabilities to engage in the community. Many VCSE groups provide community support for people with disabilities. **Negative impacts** There is a risk of people with disabilities being excluded from events and discussion forums if they are not sufficiently accessible. Parking at in person workshops and meetings could potentially have an impact on the wider community, especially on people with mobility issues, if parked cars block walkways.	including guidance on accessibility needs for disabled people. The provider will agree to encourage sensible parking at events and meetings which does not impede public walkways.
Gender reassignment	X		X	**Positive impact** Generating more collaboration across the community and with a variety of VCSE groups will mean that people from all backgrounds and perspectives can interact and learn from each other's experiences. These interactions should lead to shared understanding and increased empathy between people with different perspectives and backgrounds. **Negative impact** There may be tensions among some VCSE groups on the topic of gender reassignment. Some groups, particularly those who	The provider will endeavour to incorporate people from all backgrounds into workstreams and decision-making bodies, helping to mitigate against biases and create spaces where everyone is free to share their experiences. If issues relating to gender reassignment arise, the provider, with support from the council, can provide guidance and signposting to relevant organisations.

				are founded on religious schools of thought, may be reluctant to change traditional views on the topic and could promote discrimination.	
Marriage and civil partnership		X		The Public Sector Equality Duty only applies to marriage and civil partnership in the context of preventing discrimination.	
Pregnancy and maternity	X			The social infrastructure contract will contribute to thriving, connected communities which may provide support for women during pregnancy and maternity. VCSE groups who focus predominantly on women's issues will have access to extra support and resources because of the social infrastructure support service. This support may be used to further their projects and provide additional help and guidance to their client base during pregnancy and maternity.	The social infrastructure support service will involve supporting groups of varying aims across the borough, including those who help women and their partners or carers in pregnancy and maternity. This support will encompass sharing resources and knowledge through networks, training opportunities, and access to consortium bids for funding. All of this can help develop those groups which specifically help women to become stronger and more sustainable.
Race (including Gypsies, Roma and Travellers)	X		X	A strong social infrastructure plays a key role in connecting communities and encouraging people from different backgrounds to interact and work together. Black and minority ethnic communities are statistically more likely to face socio-economic deprivation and therefore experience more issues that might	**Enhancing positive impact** The provider will be required to ensure that Black and minority ethnic led VCSE groups are included in networks and collaborative working, which will help to bring people from diverse communities together and allow people from all races to make decisions about issues that affect them most in their communities. **Minimising negative impact** The provider will be expected to ensure that networks, decision making representation and

				require external support beyond that of friends and family. These communities will therefore benefit from a stronger social infrastructure which is equipped with the knowledge, skills, and relationships to help those in need find the right route to support. The number of Black and minority ethnic led VCSE groups has declined over the last ten years in the UK (source: 360 Giving). The social infrastructure contract will support all VCSE groups in the borough, regardless of racial background, to ensure that they can continue to function and help fulfil their objectives. **Negative impact** There is a risk that Black, and minority ethnic-led groups do not share the same decision making powers as other groups, or are less likely to access funding opportunities due to structural inequalities.	access to funding is reflective of the borough's demographics. The provider will also be expected to help organisations that are struggling to sustain themselves with signposting to relevant support or training.
Religion or belief	X		X	**Positive impact** The social infrastructure support service will facilitate more collaboration between groups based around different faiths. There exist some community tensions between faith organisations, therefore, more work to connect these groups through	**Enhancing positive impact** The provider will encourage interfaith work and activities to encourage groups of different backgrounds and beliefs to interact and share decisions. **Mitigating negative impact** Work over the past four years has demonstrated that, for the most part, faith groups are willing to share spaces with groups of

				joint workstreams and collaboration will encourage individuals to put their differences aside and work for the good of the borough. When planning events, the provider will need to consider faith-based access needs. This will enable better inclusion of a variety of faith groups and improve cohesion between them. **Negative impact** Some organisations do not wish to work together or share spaces with organisations outside their own faith. There is a risk that the views of certain faith groups are incorporated more strongly into workstreams while other faiths are ignored. This could alienate some faith groups or leave some views underrepresented.	other faiths. The provider will be expected to use a variety of channels to engage VCSE groups to ensure that more faith groups are invited to get involved in joint working arrangements and can benefit from the sharing of spaces and resources. The Public Sector Equality Duty is inclusive of those with no faith or religion. Non-Faith groups, as such secular and humanist societies, will have access to the same opportunities as Faith-based organisations, such as support in accessing funding or securing new assets
Sex	X		X	**Positive Impact** A more vibrant social infrastructure will provide more opportunities for all genders to become involved in their communities. Groups with a focus on supporting a particular gender will benefit from the support service in accessing help, training, and increased access to funding pots through being part of a more connected social	**Enhancing Positive Impact** The specification of the support service contract will require the provider to ensure that there is a balance of genders at decision making forums and in accessing funding. **Mitigating Negative Impact** The social infrastructure support service contract informs the provider of their equalities obligations. The provider will be expected to step in where collaborative working is biased towards a certain gender, which

				infrastructure. By being part of a larger network, smaller organisations will benefit from the experience and expertise of more established groups. **Negative Impact** Some VCSE groups, particularly those of a faith-based nature, may have conflicting ideas about the roles of different genders. These ideas may conflict with the understandings set out in the council's Equality and Diversity Strategy.	may exclude certain views and experiences.
Sexual orientation	X		X	**Positive Impact** A more connected social infrastructure will allow people from all backgrounds to connect and contribute to work in the borough. Joint projects and events will allow the views of people from differing sexual orientations to be heard, shared, and implemented. **Negative Impact** There may be some tensions among some members of VCSE groups, particularly those of a faith-based nature, around the topic of sexual orientation. There is a risk that some individuals could use their organisation as a platform to promote discrimination.	**Enhancing positive impact** The provider will ensure that there is diversity of VCSE group representation at forums, consortium approaches to work, and at decision making boards. **Mitigating negative impact** If the provider or another VCSE group wants to engage with issues relating to sexual orientation, the council will provide support, guidance and signposting to relevant organisations.

Socio-economic Disadvantage	X			A strong social infrastructure encourages more VCSE groups to share resources and knowledge, adopting a values-driven approach to work rather than approach led by organisation first. This means that more people in need will access the help they need through a joined up social infrastructure where groups are equipped with the tools and knowledge required to signpost people to the right route of support. VCSE groups are already connected on topics such as food scarcity and social isolation, both most often affecting those from socio-economic deprived backgrounds. As the social infrastructure contract is re-commissioned, this work will be further supported to ensure that residents in need of financial guidance and support can access it more readily in their communities.	The provider will support VCSE groups to work collaboratively to join up skills and resources of groups across the borough. This collaboration will ensure that more people in need of support can access it.
Any community issues identified for this location?				N/A	

2. Consultation.

Two workshops, online and in person, with representatives from the VCSE sector were held in November 2023. These workshops were combined with an online survey which ran for four weeks through the council's One Borough Voice platform. A total of 12 representatives from the VCSE offered feedback at the workshops or through the survey. The questions and feedback discussed in these workshops and the survey can be found in Appendix 1 of the Procurement report. A consultation workshop with senior council officers was also held in December 2023, including officers from Public Health, Culture and Heritage, Strategy, Education, and Commissioning. A summary of the questions and feedback gathered through this workshop can be found in Appendix 2 of the Procurement report. There were no issues raised by VCSE representatives or the consulted council officers with the procurement of the contract, only suggestions were made as to how we can improve our relationship between sectors.

3. Monitoring and Review

How will you review community and equality impact once the service or policy has been implemented? *These actions should be developed using the information gathered in **Section1 and 2** and should be picked up in your departmental/service business plans.*		
Action	**By when?**	**By who?**
Review of the social infrastructure support service contract deliverables and outcomes	Quarterly, starting July 2024	Participation and Engagement Team and the provider
Review the contract progress and decide on one year extension	October 2026	Participation and Engagement Team and the provider
Final review and evaluation	June 2028	Participation and Engagement Team and the provider

4. Next steps

It is important the information gathered is used to inform any Council reports that are presented to Cabinet or appropriate committees. This will allow Members to be furnished with all the facts in relation to the impact their decisions will have on different equality groups and the wider community.

Take some time to summarise your findings below. This can then be added to your report template for sign off by the Strategy Team at the consultation stage of the report cycle.

Implications/ Customer Impact
The social infrastructure support service contract sets out a four-year vision for the the social infrastructure in Barking and Dagenham from 2024-2028. The main aims of the contract will be to: • Lead the sector to stimulate new opportunities in the borough • Develop collaboration between civil society groups and between the sector and partners • Support local groups to build sustainable organisations • Provide representation of the local VCSE sector with the council and partners The adoption of the contract will impact all VCSE groups in the borough from all backgrounds and topics of interest. The specification has been collaboratively designed with jointly agreed outcomes that will have an impact on the social infrastructure of the borough as well as the council for years to come.

5. Sign off

The information contained in this template should be authorised by the relevant project sponsor or Divisional Director who will be responsible for the accuracy of the information now provided and delivery of actions detailed.

Name	Role (e.g. project sponsor, head of service)	Date
Rhodri Rowlands	Director of Community Participation and Prevention	10/01/2024

CABINET

19 February 2024

Title: Procurement of an Internet Proxy and VPN Services Contract	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: Ben Davis, IT Procurement Lead	**Contact Details:** Tel: 07740561301 E-mail: Ben.Davis@lbbd.gov.uk
Accountable Executive Team Director: Jo Moore, Strategic Director, Resources	

Summary:

This report seeks permission for IT Services to conduct a procurement exercise to establish a new contract for Internet Proxy and VPN services for a period of 4-years (3+1 structure) from 1 August 2024 until 31 July 2028.

Internet Proxies and VPNs are used by organisations globally to keep users safe and secure when using business devices. For definition purposes an Internet Proxy acts as a firewall – a network security device that monitors incoming and outgoing traffic - and web filter to protect users from cyber-attacks and loss of data. This sits on all Council devices and without its presence users are unable to utilise Council systems and the internet.

A VPN or Virtual Private Network is a mechanism used by IT Services to create secure connections between individuals' devices and the wider Council network which is maintained by IT Services. Effectively allowing users to tap into the Councils services and remain connected. Paired together these solutions provide Council employees with a safe and secure working environment and are integral to the virtual safety and security of the Council, with deployment to every single Council device.

Since 2017, IT Services have used the Z-Scaler platform via the reseller Xalient to deliver the Z-Scaler Internet Access and Z-Scaler Private Access products. The market since 2017 has matured and many more players are now able to provide an equivalent service. The current contract ends on the 31st of July 2024.

IT service would like to engage in a procurement exercise using the Crown Commercial Services (CCS) 6100 – Technology Services 3 Framework Lot 3a – End User Services to implement a new four-year (3+1) contract for an Internet Proxy and VPN services provider. The total contract value should equate to no more than c£537,600 (inc VAT) over the four-years (c£134,400 (inc VAT) per annum), based on indicative costs to renew with the current provider.

Any additional cost for an Internet Proxy and VPN service will be covered by the IT budget.

Recommendation(s)
The Cabinet is recommended to: (i) Agree that the Council proceeds with the procurement of a contract for an Internet Proxy and VPN Supplier via the CCS RM6100 – Technology 3 Framework Lot 3a – End User Services in accordance with the strategy set out in the report; and (ii) Delegate authority to the Strategic Director, Resources, in consultation with Cabinet Member for Finance, Growth and Core Services and the Head of Legal, to conduct the procurement and award and enter into the contract and all other necessary or ancillary agreements to fully implement and effect the proposals.
Reason(s)
To accord with the Council's Contract Rules and the Public Contract Regulations 2015 and assist the Council to achieve its priority to "Provide value for money" through the procurement a more technologically and financially efficient product.

1. Introduction and Background

1.1 In 2017, the Council's primary method of defending users when online were in the form of Microsoft Direct Access and a product named Bloxx Proxy. These solutions required IT Services to have physical appliances on site within the Borough and virtually in the Agilisys IaaS Data centre. During this period of time, innovations in Cloud technology were offering a different solution, one which required no physical presence, in an effort to increase the flexibility of the workforce, promote innovation and reduce costs, the Council opted to move towards a cloud-based Internet Proxy and VPN solution, moving away from the on-premises model that had served IT well.

1.2 A shift towards a cloud-based solution removed a number of limitations which had previously been in place with the older solutions, such as the requirement to continually upgrade and refresh network equipment every couple of years, the limit of 40% of the workforce being remote, and new users would be unable to connect, and also solved various routing issues which existed. The shift to cloud-based solutions also proved crucial in transitioning the workforce to a "working from home" model during the 2020 Covid pandemic and lockdown and has formed a crucial part of IT Services security policies and practices since its adoption in 2017.

1.3 Z-Scaler is the incumbent product currently being used to provide these services to the Council and have been in place as our provider since our transition to a cloud solution in 2017. At the time, they were market leaders in cloud-based proxies and VPNs and considerably further ahead than the rest of the market. Now, in 2023 the rest of the market has caught up and there are many more suppliers able to provide business standard proxies and VPNs. IT Services believe with the current contract coming to an end in July 2024, a new, potentially more efficient solution for the Council can be acquired.

2. Proposed Procurement Strategy

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

2.1.1 As part of this procurement IT Services will be looking to acquire an Internet Proxy and VPN solutions provider, these two solutions can be described in detail as the following:

Internet Proxy
An internet gateway/proxy which inspects incoming and outgoing internet traffic between the internet and LBBDs staff devices, hosted in the cloud this device provides all user devices with a level of protection from the internet and the threats which exist there.

VPN (Virtual Private Network)
A cloud service that uses a distributed architecture to provide fast and secure access to the Councils IT infrastructure, most notably private applications which are key to Council services.

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

2.2.1 This contract is to be procured on a four-year term at a cost of c£537,600 (inc VAT) or £134,400 (£112,000.00 + VAT) per annum.

2.2.2 Any additional cost for an Internet Proxy and VPN service will be covered by the IT budget, this product is vital to the security and safety of users and is a must have for the service.

2.3 Duration of the contract, including any options for extension

2.3.1 This contract will be procured for a four-year term in a 3+1 structure, with the 1 representing a single 12-month extension.

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 PCR 2015 and the contract is for Services

2.5 Recommended procurement procedure and reasons for the recommendation

2.5.1 IT Services would like to complete a procurement exercise on the CCS 6100 – Technology Services 3 Framework Lot 3a – End User Services through mini-competition via the Frameworks recommended buyers guidance. This Framework is from 16 June 2021 and expires on 15 June 2025.

2.5.2 This process will involve an ITT supplied to all providers on the framework, an opportunity for response and then an evaluation and moderation of responses received.

2.5.3 This Framework has been chosen due to its high concentration of quality IT services resellers; IT Services believe this framework will provide the Council with the most high-quality competition to achieve the best value for money.

2.5.4 As Part of the procurement process, IT Services will be making it mandatory for any successful bidder to run a two-week Proof of Concept (POC). Due to the importance of this product in the IT infrastructure, it is imperative that it works without exception. Should the POC prove to be a failure then the contract will be terminated and the next best supplier from the evaluation process will be approached and asked to conduct the same process. On the completion of a POC to the standards and parameters set out by IT Service, the product will be fully implemented across the organisation and the contract will be validated.

2.6 The contract delivery methodology and documentation to be adopted

2.6.1 This contract will be put in place for the 1st of August 2024, prior to this date the Council will work with the provider to implement the new technology in an implementation program, to ensure the new technology is in place before the current contract goes end of life.

2.6.2 Once implementation has been achieved and the new contract has gone live, IT Services will be responsible for all contract management throughout its lifecycle.

2.6.3 This contract will adhere to the T&Cs of the CCS Technology Services 3 Framework in which the supplier would have signed up to and accepted as part of the process of being on the Framework.

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

2.7.1 This procurement is looking to procure a new technology provider for Internet Proxy and VPN services to streamline the new offering and reduce overall cost. This will be considered alongside the Council’s overall virtual safety; as to not compromise one for another.

2.7.2 All considerations have been worked into the specification and requirements which will form the basis of the ITT and evaluation process.

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

2.8.1 IT Services have decided to use the following weighting to assess potential suppliers:

60% Price
30% Quality
10% Social Value

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

2.9.1 IT Services will work with the key Social Value stakeholders in the Council to ensure that a suitable Social Value set of questions are used as part of the overall procurement process. Any questions will directly relate to the Councils Social Value manifesto.

2.9.2 IT Services have also included a 10% Social Value weighting as part of the assessment criteria for all suppliers, any suppliers who fail to make an offering will not be considered as part of this process.

2.10 London Living Wage (LLW)

2.10.1 Not applicable.

2.11 How the Procurement will impact/support the Net Zero Carbon Target and Sustainability

2.11.1 Not applicable.

3. Options Appraisal

3.1 The following options were considered when initiating this procurement process:

Option	Considerations
Do Nothing (Rejected)	Both products hold a key role in the overall virtual safety and security of the organisation and therefore are essential.
Renew with Z-Scaler (Rejected)	The current contract with Z-Scaler comes to an end on the 31st of July 2024, due to public contract regulations and the value of this contract, the Council must go out to market via competition and establish a new contract.
Alternative Framework – RM6259 Vertical Application Solutions Lot 1 (Rejected)	The choice of Framework was between RM6100 – Technology Services 3 and RM6259 – Vertical Application Solutions, the choice ultimately come down to which framework could offer the highest quality of competition from the highest number of quality suppliers. Technology Services 3 had a slightly wider choice of potential suppliers and was chosen on this basis.
Alternative Framework – G-Cloud 13 (Rejected)	Although easier to contract and a potentially quicker evaluation process, IT Services does not believe that G-Cloud 13 provides enough detail and information through their buying process to create confidence in purchasing, this is primarily down to the intricate nature of the solutions we are looking to procure and needing detailed information for any evaluation process.

4. Waiver

4.1 Not applicable.

5. Consultation

5.1 The proposals in this report were considered and endorsed by the Procurement Board on 18 December 2023.

6. Corporate Procurement

Implications completed by Sam Woolvett, Category Manager, Corporate Procurement

6.1 This report seeks approval to carry out a further competition from Lot 3 of the CCS 6100 – Technology Services 3 Framework. The Framework is live and enables local authorities to utilise the framework.

6.2 This approach complies with LBBD's Contract Rules. As the value of this procurement exceeds the threshold for services under the Public Contracts Regulations 2015 (the Regulations), standstill periods will be adhered to.

6.3 Corporate Procurement will be advising IT Services throughout the tender process and assisting in drafting the further competition documents.

7. Financial Implications

Implications completed by: Gina James, Finance Business Partner

7.1 The report seeks permission for IT Services to conduct a procurement exercise to establish a new contract for Internet Proxy and VPN services for a period of four years (3+1 structure) from 1 August 2024 until 31 July 2028.

7.2 The indicative costs of the new contract are c£112k per annum. Although IT have a specific annual budget of £112k there is a risk that the costs will exceed the available budget. Any additional cost for an Internet Proxy and VPN service will be covered by the wider IT budget.

8. Legal Implications

Implications completed by: Yinka Akinyemi, Solicitor, Contracts and Procurement Law, and Governance.

8.1 This report seeks approval of the Cabinet to agree the strategy proposed in the report to conduct a procurement exercise to establish a new contract for Internet Proxy and VPN services for a period of 4-years (3+1 structure) from 1st of August 2024 until the 31st of July 2028 with a total contract value of £537,600.00 over the four-year period.

8.2 A procurement of this nature and value is subject to the requirements for a full competitive tender exercise in accordance with the Public Contracts Regulations 2015 ("the Regulations") and the Council's Contract Rules.

8.3 Procuring the services via an established, compliant framework agreement meets the requirements of the Regulations and the Council's contract rules, provided that the proposed framework agreement permits the Council to procure via that framework agreement and the call-off is made in line with the framework terms and conditions.

8.4 The framework proposed in this report permits the Council to carry out a procurement under the framework terms as it specifically permits all UK public sector bodies to procure services using its framework terms and conditions.

9. Other Implications

9.1 **Risk and Risk Management –** A risk assessment has been undertaken and is set out at Appendix A.

9.2 **Corporate Policy and Equality Impact -** An Equality Impact Assessment Screening Tool has been completed and is attached at Appendix B.

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

List of appendices:

- **Appendix A** – Risk Register
- **Appendix B** – EIA Screening Tool

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Risk Register **APPENDIX A**

ID	Date raised	Risk description	Likelihood of the risk occurring	Impact if the risk occurs	Severity *Rating based on impact & likelihood.*	Owner *Person who will manage the risk.*	Mitigating action *Actions to mitigate the risk e.g. reduce the likelihood.*	Contingent action *Action to be taken if the risk happens.*	Progress on actions	Status	Useful resources
1	24/11/2023	Policies created to manage the web proxy in the previous product cannot be migrated to a new provider, should the incumbent be unsuccessful in the tendering process.	Medium	Medium	Medium	IT Services and Supplier	Work with the new supplier to organise and rewrite existing policies to an equivalent in the new system.	-			
2	24/11/2023	Issues with application access and function when transitioning to a new provider, should the incumbent be unsuccessful during tendering.	Medium	Medium	Medium	IT Services and Supplier	Applications will be identified, users will be notified, and IT Services will liaise with the new provider and software supplier to remedy any issues that arise. Identification of these applications is difficult prior to transition to a new supplier. Best efforts will be made to resolve these issues with minimal disruption to staff members.	Communication with the third party and the new supplier to reach a resolution with their expertise.			
3	24/11/2023	IT Services require time and training to achieve the same level of competency in the new product as the incumbent, should the incumbent be unsuccessful.	Medium	Low	Low	IT Services and Supplier	Training will be requested as part of the specification and requirements evaluation process, this will be organised with the new provider and the relevant IT Services personnel will be made available for any training.	Early life support of the product will form part of the tender and a new supplier will be expected to aid in knowledge gaps.			
4	24/11/2023	Downtime throughout transition to a new product, if applicable.	Medium	Low	Low	IT Services and Supplier	IT Services will work with the organisation to ensure any downtime is communicated to the business. IT Services will endeavour to ensure downtime is to a minimum and if possible, outside of core business hours.	-			
5	24/11/2023	Failure to procure a new Internet Proxy and VPN.	Low	Low	Low	IT Services	Ensure all procurement procedures are carried out in a timely fashion and to the demonstrated plan.	Emergency extension to current contract to facilitate additional procurement time.			

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APPENDIX B

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.

Proposal/Project/Policy Title	Procurement of an Internet Proxy and VPN via Lot 3a of the CCS RM6100 – Technology Services 3 Framework	
Service Area	IT Services	
Officer completing the EIA Screening Tool	Ben Davis, IT Procurement Lead	
Head of Service	Paul Ingram, Chief Information Officer	
Date	20/11/2023	
Brief Summary of the Proposal/Project/Policy Include main aims, proposed outcomes, recommendations/ decisions sought.	This procurement is to acquire an new contract and potential supplier for Internet Proxy and VPN services. This procurement will be conducted on a CCS Framework with the objective of awarding a contract for a 4-year period.	
Protected characteristic	**Impact**	**Description**
Age	Not applicable (N/A)	Describe the impact.
Disability	Positive impact (L)	Products are compatible with all accessibility software.
Gender re-assignment	Not applicable (N/A)	Describe the impact.
Marriage and civil partnership	Not applicable (N/A)	Describe the impact.

Pregnancy and maternity	Not applicable (N/A)	Describe the impact.
Race	Not applicable (N/A)	Describe the impact.
Religion	Not applicable (N/A)	Describe the impact.
Sex	Not applicable (N/A)	Describe the impact.
Sexual orientation	Not applicable (N/A)	Describe the impact.
Socio-Economic Disadvantage[1]	Not applicable (N/A)	Describe the impact.
How visible is this service/policy/project/proposal to the general public?		**Low visibility to the general public (L)**
What is the potential risk to the Council's reputation? Consider the following impacts – legal, financial, political, media, public perception etc		**High risk to reputation (H)**

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

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

The following procurement aims to establish a 4-year contract for Internet Proxy and VPN services. These functions are integral in keeping all Council employees and services safe when on the Internet. The products themselves are of low visibility even to users, with a client being installed on all Council devices and running in the background whilst users go about their daily routines and tasks. From a public perspective, potential data breaches could be huge in impact but these tools are there to prevent these incidents as opposed to being responsible for them, if anything, both these products keep key line of business applications safe and secure from unwanted access, thus further improving the security of the publics and the Councils data.

[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.

CABINET

19 February 2024

Title: Pay Policy Statement 2024/25	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: Gail Clark, Director of Workforce Change	**Contact Details:** E-mail: gail.clark@lbbd.gov.uk
Accountable Executive Team Director: Fiona Taylor, Chief Executive	

Summary

Under the terms of the Localism Act 2011 the Council must agree, before the start of the new financial year, a pay policy statement relating to the remuneration of its chief officers and the remuneration of its other employees. The Act also sets out the matters which must be covered in the statement.

The Council's draft Pay Policy Statement for 2024/25, attached at Appendix A, sets out the expected position at 1 April 2024.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2024/25 as set out at Appendix A to the report, for publication on the Council's website with effect from April 2024.

Reason(s)

Under the terms of the Localism Act 2011 the Council must agree a pay policy statement in advance of the start of each financial year

1. Introduction and Background

1.1 Section 38(1) of The Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior officers (Chief Officers) to be agreed by all councillors at an Assembly meeting before the beginning of each financial year. This policy is timetabled to go to the Assembly on 28 February 2024.

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

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

1.3 The Pay Policy statement:

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

2. Proposal and Issues

2.1 Attached at Appendix A is the draft Pay Policy Statement which reflects the expected position at 1 April 2024.

3. Options Appraisal

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

4. Consultation

4.1 The proposals in this report were considered by the Workforce Board at its meeting on 10 January 2024.

5. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

5.1 There are no financial implication arising from this report which simply sets out the Council’s pay policy. Staffing costs are a significant part of the Council’s budget and ensuring that there are sufficient resources to meet them is dealt with through our Medium Term Financial Plan and budget strategy.

6. Legal Implications

Implications completed by Mehzabeen Patel, Employment Lawyer

6.1 The Pay Policy Statement sets out clearly and concisely the Authority's approach to Pay. There are no legal implications in publishing the same, as this is a statutory requirement as detailed in 1.1 of this report. In the interest of openness and accountability, the approach taken in the statement is both clear and transparent.

7. Other Implications

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

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

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

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

List of appendices:

- **Appendix A** – Pay Policy Statement 2024/25

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APPENDIX A

LONDON BOROUGH OF BARKING AND DAGENHAM

PAY POLICY STATEMENT 2024/25

1. Introduction – Requirement for Council Pay Policy Statement

1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement to be agreed by Members before the beginning of each financial year. The Act does not apply to local authority schools. This document meets the requirements of the Act for the London Borough of Barking and Dagenham. This Pay Policy Statement presents the expected position at 1 April 2024.

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

2. Organisational Context

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

2.2 The Council continues to ensure that its Leadership Team is structured in a manner that enables it to deliver the Borough manifesto and Corporate Plan.

3. Pay and Reward Principles

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

- The Council can demonstrate fairness and equity in what it pays people at different levels and in different parts of the Council;
- Pay is set at levels which enable the Council to recruit and retain the quality of staff needed to help achieve its objectives at a time of financial hardship; and
- Pay levels are competitive and affordable for the Council.

3.2 Pay levels are determined through "job evaluation". For staff at PO6 and below, the Council uses the Greater London Provincial Council job evaluation system. For posts at PO7 and above, the HAY job evaluation system is used. In 2023, the Council implemented the PricewaterhouseCoopers (PwC) job evaluation system for Heads of Service and Chief Officers.

3.3 Each system assesses the relative "size" of the role against a range of criteria, relating to its complexity, the number of resources managed, and the knowledge required to undertake the role.

3.4 Pay rates are generally set against the national pay spine agreed by the National Joint Council, although there are local pay points at the top of the LBBD pay scale. The Council has committed to pay no less than the "London Living Wage" to its own staff or agency workers working with the Council and became a Living Wage Foundation accredited employer in 2022. The Council implemented the London Living Wage (LLW) increase from £11.95 to £13.15 from October 2023. The Council continues to ensure that it pays its employees and apprentices at or above the London Living Wage.

4. Defining "Chief Officers"

4.1 At the start of the 2024/25 financial year, the Council expects to have within its structure the following Chief Officer posts:

- Chief Executive (Head of Paid Service & Health Place Lead)
- Strategic Director, Resources (S151 Officer)
- Strategic Director, Children and Adults
- Strategic Director, My Place
- Strategic Director, Inclusive Growth
- Director of Strategy
- Director of Workforce Change
- Director of Public Realm
- Director of Public Health
- Operational Director, Enforcement and Community Safety
- Operational Director, Children's Care and Support
- Operational Director, Adults Care and Support
- Commissioning Director, Education
- Commissioning Director, Care and Support
- Director of Care, Community and Health Integration (fixed term)
- Director of Community, Participation & Prevention
- Director of Support & Collections
- Director of Homes & Assets

4.2 The number of JNC officers has reduced by three from the previous year.

5. Accountability for Chief Officers Pay

5.1 The pay arrangements for chief officers are overseen by the JNC Appointments, Salaries and Structures Panel, appointed by the Council's Assembly.

6. Current Pay Policy and Base Pay Rates

6.1 Setting Salary Levels

6.1.1 Chief Officer roles are currently evaluated using the PwC job evaluation system. There is a commitment to review salary levels on average every three years. PwC were appointed to undertake an external review of senior pay including Chief Officers, which commenced in May 2022.

6.1.2 The current salary benchmarking information comes from the London Councils' Chief Officers Salary Survey. The latest information held is from 2023. There were 29 responses to this survey among London Boroughs. The median rates of pay for roles in London, based on the information from the survey, were as follows:

	Median
Head of Paid Service / Chief Executive	£205,133
Tier 1 Managers	£162,420
Tier 2 Managers	£108,543

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

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

6.2 **Chief Executive**

6.2.1 The salary for the Chief Executive, agreed at appointment in May 2023, was £184,557. The PwC senior salary pay review increased this to £190,000 with effect from 1 June 2023 and which, in line with nationally negotiated pay awards, has increased to £196,650.

6.3 **Chief Officer Pay Range**

6.3.1 The Chief Officer pay structure was reviewed as part of the external review undertaken by PwC as outlined in paragraph 6.1.1 above.

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

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

Position	Grade	Grade Band	Salary Range
Chief Executive	CEX	Spot Salary	£196,650
Strategic Directors	Strategic Director	Learning	£126,063
		Competent	£129,209 - £145,728
		Discretionary	£151,234 - £157,527
Directors	Director	Learning	£105,363
		Competent	£107,474 - £118,559
		Discretionary	£122,254 - £126,477

6.3.4 All appointments are made at the Learning rate of pay but are subject to experience as determined by the JNC panel.

7. Contingent Pay

7.1 The Council pays its Chief Officers a spot salary. There is no element of performance pay, nor are any bonuses paid. No overtime is paid to Chief Officers. There are no lease car arrangements or private health benefits.

7.2 The Strategic Director, Children and Adults receives a market supplement of £34,161 per annum. This was reviewed as part of the Senior Pay Review referred to at paragraph 6.1.1 above.

7.3 No other additional payments are made.

8. Pensions

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

9. Other Terms and Conditions

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

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

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

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

10. Election Expenses

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

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

11. Termination / Severance Payments

11.1 Employees who leave the Council, including the Chief Executive and Chief Officers, are not entitled to receive any non-contractual payments from the Council, except in the case of redundancy, retirement or where there is a business case for doing so in the form of a settlement agreement as indicated below.

12. Retirement

12.1 Employees who contribute to the Local Government Pension Scheme who elect to retire or who are retired on redundancy or efficiency grounds over age of 55 are entitled to receive immediate payment of their pension benefits in accordance with the Scheme. Early retirement on the grounds of permanent ill health with immediate payment of pension benefits may be considered by the Council at any age.

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

13. Redundancy

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

14. Settlement Agreements

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

14.2 As of May 2022, new arrangements were put in place relating to "Special Severance Payments" following the Governments published "Statutory guidance on the making and disclosure of Special Payments by local authorities in England" issued under section 26 of the Local Government Act 1999. This has had an impact on Settlement Agreements as they relate to payments outside of statutory, contractual or other requirements when people leave employment in public services. They should only be made in circumstances where there is a clear, evidenced justification for doing so.

14.3 Under this statutory guidance there is now a three-tier system of approval for termination payments which is set out as follows:

(i) Payments of £100,000 and above must be approved by a vote of Full Council.
(ii) Payments of £20,000 and above, but below £100,000, must be personally approved and signed off by the Head of Paid Service, with a clear record of the Leader's approval and that of any others who have signed off the payment; and
(iii) Payments below £20,000 must be approved according to the local authority's scheme of delegation.

15. Fairness and Equality - Pay Ratios

15.1 It was agreed that as of 1 January 2013, no permanent employee should be paid less than the London Living Wage. This supports the Council's ambition to raise average local household incomes and reflects its commitment to pay fairness. The Council has also agreed that this should apply to all agency staff working on Council assignments.

15.2 Based on this figure, the Council's pay multiple in April 2023, the ratio between the highest and lowest paid employee, was 1:8.1. This means that the Chief Executive was paid 8.1 times more than the lowest salary. This is lower than the previous year.

15.3 The median annual salary for all employees on 1 April 2023 was £38,364 per annum, with the average salary being £40,653. Both median and average salaries referenced are full time equivalent and are adjusted according to individual contractual arrangements.

15.4 The ratio between the Chief Executive's salary level as of 1 April 2023 and the median salary figure as at the same date including the increase in the LLW, as detailed in paragraph 3.3 above, was 1:4.8. Across London, the average ratio between the highest and median salaries was 1:5, based on a Chief Executive's average salary of £205,133 (taken from London Councils' 2023 Senior Staff Pay Data survey).

16. Any Additional Reward Arrangements

16.1 No additional reward arrangements are in place.