Barking & Dagenham

Notice of Meeting of the

ASSEMBLY

to be held on Wednesday, 26 July 2023
commencing at 7:00 pm in the
Council Chamber, Town Hall, Barking

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

Date of publication: 18th July 2023

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.

3. **Minutes - To confirm as correct the minutes of the meeting held on 17 May 2023 (Pages 5 - 14)**

4. **Minutes of Sub-Committees - To note the minutes of the JNC Appointments, Salaries and Structures Panel held on 22 May 2023 (Pages 15 - 17)**

5. **Leader's Statement**

   The Leader will present his statement.

6. **Appointments**

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

7. **Appointment of Statutory Chief Financial Officer (Pages 19 - 20)**

8. **The Localism Act 2011- Appointment of Independent Persons (Pages 21 - 25)**

9. **Treasury Management Annual Report 2022/23 (Pages 27 - 57)**

10. **Motions**

11. **Questions With Notice**

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

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

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

Private Business

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

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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.

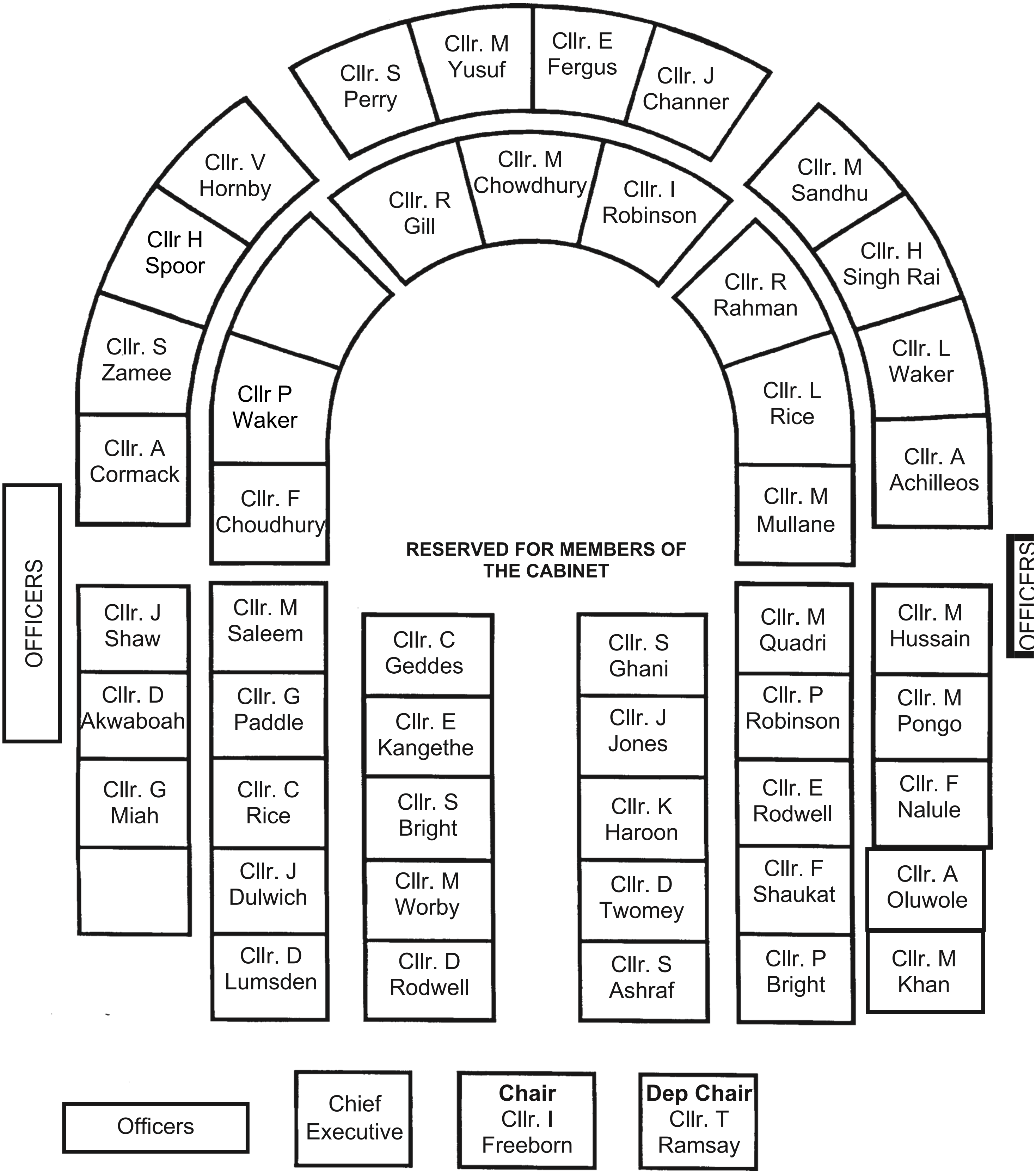
To support the delivery of these priorities, the Council will:

- 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.

BARKING TOWN HALL
COUNCIL CHAMBER



SEATING PLAN FOR THE ASSEMBLY

May'23

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MINUTES OF ASSEMBLY

Wednesday, 17 May 2023
(7:00 - 8:45 pm)

PRESENT

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

Cllr Andrew Achilleos	Cllr Dorothy Akwaboah	Cllr Saima Ashraf
Cllr Princess Bright	Cllr Sade Bright	Cllr Josie Channer
Cllr Faruk Choudhury	Cllr Nashitha Choudhury	Cllr Muhib Chowdhury
Cllr Alison Cormack	Cllr John Dulwich	Cllr Edna Fergus
Cllr Cameron Geddes	Cllr Syed Ghani	Cllr Kashif Haroon
Cllr Victoria Hornby	Cllr Manzoor Hussain	Cllr Jane Jones
Cllr Elizabeth Kangethe	Cllr Mohammed Khan	Cllr Donna Lumsden
Cllr Giasuddin Miah	Cllr Margaret Mullane	Cllr Fatuma Nalule
Cllr Adegboyega Oluwole	Cllr Glenda Paddle	Cllr Simon Perry
Cllr Michel Pongo	Cllr Moin Quadri	Cllr Regina Rahman
Cllr Hardial Singh Rai	Cllr Chris Rice	Cllr Lynda Rice
Cllr Ingrid Robinson	Cllr Paul Robinson	Cllr Emily Rodwell
Cllr Muhammad Saleem	Cllr Muazzam Sandhu	Cllr Faraaz Shaukat
Cllr Jack Shaw	Cllr Harriet Spoor	Cllr Lee Waker
Cllr Maureen Worby	Cllr Mukhtar Yusuf	Cllr Sabbir Zamee

APOLOGIES FOR ABSENCE

Cllr Rocky Gill	Cllr Darren Rodwell	Cllr Dominic Twomey
Cllr Phil Waker		

1. Appointment of Chair and Deputy Chair

The Acting Chief Executive opened the meeting and the Monitoring Officer invited nominations for the positions of Chair and Deputy Chair of the Assembly for the 2023/24 municipal year.

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

2. Declaration of Members' Interests

There were no declarations of interest.

3. Minutes (1 March 2023)

The minutes of the meeting held on 1 March 2023 were confirmed as correct.

4. Minutes of Sub-Committees

The Assembly received and noted the minutes of the JNC Appointments, Salaries and Structures Panel meetings held on 20 March, 27 March and 24 April 2023.

5. Appointment of Chief Executive

(The Acting Chief Executive left the Chamber for the duration of the item and returned following the resolution made by the Assembly).

The Deputy Leader and Cabinet Member for Community Leadership & Engagement presented the report on the appointment of Chief Executive.

The external recruitment exercise for a permanent Chief Executive started in February 2023 and the Deputy Leader advised on the rigorous process had been followed. Applicants were subject to technical panel assessment interviews and two candidates were shortlisted to attend informal meetings with key stakeholders and Cabinet Members, as well as undertaking psychometric testing, prior to final interviews on 24 April 2023.

After a very thorough evaluation and interview process, the JNC Panel unanimously agreed to recommend the appointment of Fiona Taylor, the current Acting Chief Executive and Strategic Director of Law and Governance, to the position of Chief Executive (and Head of Paid Service).

The Deputy Leader spoke positively of her work with Ms Taylor as the Acting Chief Executive over the last twelve months and welcomed her ambition and drive to achieve the very best for the local community and for the well-being of the Council’s employees.

The Assembly **resolved** to agree the appointment of Fiona Taylor to the post of Chief Executive (and Head of Paid Service) at the designated Chief Executive spot salary of £184,557.

Upon returning to the Chamber, Ms Taylor thanked the Assembly for its support.

6. Appointment of Strategic Director, My Place

(The Interim Strategic Director, My Place, left the Chamber for the duration of the item and returned following the resolution made by the Assembly).

The Deputy Leader and Cabinet Member for Community Leadership & Engagement presented the report on the appointment of Strategic Director, My Place.

The Deputy Leader advised that during the former Strategic Director’s career break period and subsequent to her resignation, Leona Menville, Director of Homes and Assets within My Place, undertook the role of Interim Strategic Director of My Place. On the previous incumbent’s resignation, the recruitment for a permanent replacement to the role was commenced. As part of the Council’s ‘grow our own’ succession and talent management approach it was agreed to consider internal applicants in the first instance.

Following that process and after an officer assessment panel of the sole candidate's application, it was recommended that Leona Menville be interviewed by the JNC Panel, which initially met on 23 January 2023. A further meeting took place on 20 March 2023, at which the JNC Panel received additional information and evidence as to the candidate's suitability for the permanent position. Following a very thorough evaluation process, the Panel agreed to recommend the appointment of Leona Menville, the current Interim Strategic Director, My Place to the role on a permanent basis.

The Assembly **resolved** to agree the appointment of Leona Menville to the post of Strategic Director, My Place at grade CO5 (£134,750).

Upon returning to the Chamber, Ms Menville thanked the Assembly for its support.

7. Leader's Statement

The Deputy Leader and Cabinet Member for Community Leadership & Engagement presented a verbal statement updating the Assembly on a range of matters since the last meeting including:

Coronation Weekend: Many community events were held across the Borough to celebrate the Coronation of King Charles III, including a large screen for residents to watch the event at Valence Park. The One Borough Festival took place the following day and was attended by over 10,000 local residents and their families.

Tragic Murder of Jordan Kukabu: The Deputy Leader reflected on the tragic murder of teenager Jordan Kukabu at Dagenham Heathway the previous weekend, sending a message of thoughts and prayers to the bereaved families. Four men had since been charged with murder, attempted murder and use of an offensive weapon. The Leader had already written to Sir Mark Rowley, Met Police Commission to express the Councils extreme disappointment with Police resource issues within the Borough.

New Community Hub: The 10th Community Hub in the borough had been opened with a family fun day at Chadwell Heath Community Centre in Whalebone Ward. another home in whalebone at Chadwell heath community centre; and

Local Election Results: The Deputy Leader congratulated Labour colleagues across the country for their success in the recent local elections. Labour was now the largest party across local government, which the Deputy Leader felt sent a message to the Conservative Government that enough was enough. The Deputy Leader also commented on the need for Members to continue building on that success locally, supporting Councillor Darren Rodwell and Councillor Margaret Mullane in their campaigns for Parliament at the next General Election.

8. Appointments to the Political Structure and Other Bodies 2023/24

The Chief Executive introduced a report on appointments to the Political Structure and Other Bodies for the 2023/24 municipal year.

The nominations schedule was tabled at the meeting.

The Assembly **resolved** to:

(i) Approve the appointments to various Council committees and other internal and external bodies, as set out in Appendix 1; and

(ii) Delegate authority to the Chief Executive, in consultation with the Leader of the Council, to approve the appointment of councillors to fill any vacant positions prior to the next meeting of the Assembly on 26 July 2023.

9. Corporate Plan 2023-2026

The Deputy Leader introduced the draft Corporate Plan for 2023-2026 which set out the Council's key priorities, aims and objectives for the next three years and the activities that would help achieve them.

The Deputy Leader referred to the strong links between the Corporate Plan and the Borough Manifesto agreed in 2019, as well as the political manifesto that the Labour Group stood on at last year's Local Elections. The new Corporate Plan had been developed over many months in collaboration with local partners and the wider community and would maintain the Council's long-standing vision of "One Borough: One Community: No-One Left Behind".

The new Corporate Plan set out the Council's seven main priorities for the years ahead, namely:

- 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.

Cabinet Members gave their unanimous support for the new Corporate Plan and referred to a range of issues within the document and aspects relating to their respective portfolios.

Members also spoke on the magnitude of delivering on the priorities and ambitions within the Corporate Plan, particularly bearing in mind the significant underfunding of local services by the Government.

The Assembly **resolved** to:

(i) Approve the Corporate Plan 2023-2026 as set out at Appendix 1 to the report; and

(ii) Delegate authority to the Director of Strategy, in consultation with the Leader, Deputy Leaders and Deputy Cabinet Member for Performance and Data Insight, to develop and implement an Outcomes Framework relating to the new Corporate Plan.

10. Children's Care and Support Self-Evaluation and OFSTED Inspection Readiness

The Cabinet Member for Children’s Social Care and Disabilities introduced the report on the Children’s Care and Support Self-Evaluation and OFSTED Inspection Readiness.

Children’s Care and Support (Children’s Social Care) was last the subject of a full OFSTED Inspection of Local Authority Children’s Services (ILACS) inspection in February and March of 2019. The resultant OFSTED judgement from that inspection was one of ‘Requires Improvement’, which followed the previous inspection in 2014 that determined the same judgement. OFSTED uses classifications for its judgements. ‘Inadequate’; ‘Requires Improvement’; ‘Good’ and ‘Outstanding’.

Since 2019 work to deliver improvements in the service have been continuous, and progress throughout has been the subject of various briefings to elected Members, including updates provided to Overview and Scrutiny Committee (OSC).

The Cabinet Member advised that the next inspection was due to take place in 2023 and there had been many challenges since the last inspection, in particular the COVID-19 pandemic which produced significant strains on safeguarding services for children while removing protecting factors such as school services. The Borough had also grown rapidly since 2019, with the fastest rate of child growth in the country whilst being one of the most deprived boroughs in the county, of which brought many different challenges.

The service was improving; however, the pace and consistency of improvements needed to go further if the Council were to meet ‘Good’ by the next inspection.

Members of the Assembly gave thanks to staff that continued to work for the borough in difficult times and were pleased to note that improvements to the service would continue, despite budget limitations.

The Assembly **resolved** to:

(i) Note the preparations for the expected OFSTED Inspection of Local Authority Children’s Services inspection, as detailed in the report; and

(ii) Note the Children’s Care and Support OFSTED Self-Evaluation 2022 at Appendix A to the report.

11. Adoption and Corporate Parenting Annual Reports 2021/22

The Cabinet Member for Children’s Social Care and Disabilities introduced the Adoption and Corporate Parenting Annual Reports 2021/22.

The Adoption and Corporate Parenting annual report were presented to Assembly each year to ensure Members have sight of the work being undertaken with the children and young people they are responsible for and/or whose plan is adoption.

The Adopt London East Adoption Annual Report 2021-22, appended to the report, summarised the activity and performance of the East London Regional Adoption Agency (RAA) during this reporting year. ALE was jointly commissioned by Havering, LBBD, Tower Hamlets and Newham and was hosted by Havering. The report summaries all of the adoption work undertaken by ALE for all four boroughs which included the recruitment of adopters, family finding for children awaiting adoption and all post-adoption support for children and adopted adults.

The Local Authority was currently still measured on individual performance by the DfE requirements of A10 and A2 which were outlined at the end of the report in Appendix 1.This performance was a combined responsibility of the Local Authority and ALE as the LA was responsible for the children when they are Looked After awaiting court consent to the adoption plan and ALE was responsible for identifying suitable matches for children who had an adoption plan. Any delay in either of these areas impacted on these performance measures. The Local Authority retained all responsibilities for the children as Looked After until the adoption order was granted.

The Corporate Parenting Annual Report 2021-22, appended to the report, summarised the activity and performance of the Council with regards to its corporate parenting responsibilities during that reporting year. It outlined key achievements and how the Council was delivering on promises to children in care and care leavers.

The Assembly **resolved** to:

(i) Note the Adopt London East Report 2021/22, as set out at Appendix 1 to the report; and

(ii) Note the Corporate Parenting Annual Report 2021/22, as set out at Appendix 2 to the report.

12. Community Safety Partnership Plan 2023-2026

The Cabinet Member for Enforcement and Community Safety presented a report on the new overarching Community Safety Partnership Plan (CSPP) for 2023-2026.

The Cabinet Member explained that the CSPP had been developed by the Borough's Community Safety Partnership (CSP) Board and represented a significant commitment by partners, including the Council, Police, Fire, Probation and Health authorities as well as local voluntary groups, to working together to improve the lives of the Borough's residents. A Crime and Disorder Strategic Assessment (CDSA) was undertaken last year to understand trends and patterns in crime and disorder locally and to support priority setting. The CDSA identified that burglary, robbery, theft and vehicle offences during 2021/22 were below pre-Covid 19 levels although in comparison to 2020/21, total offences were up by 10.4% to 20,560.

The previous three-year CSPP had established five key priorities and the public consultation on the 2023-2026 plan supported the retention of those five priorities, namely:

- Priority 1 - Keeping children and young people safe.
- Priority 2 - Tackling safety in the neighbourhood & community.
- Priority 3 - Reducing offending.
- Priority 4 - Standing up to hate, intolerance and extremism.
- Priority 5 - Tackling violence against women and girls.

The Cabinet Member for Adult Social Care and Health Integration advised the Assembly that as part of the consultation process, a question-and-answer session was hosted with women and girls in the borough. Following on from this session, a Women's Safety Forum was launched which would be meeting on a regular basis.

The Cabinet Member for Educational Attainment and School Improvement advised the issues of gang culture and knife crime was being discussed openly in schools and children were being offered the opportunity to talk about or report issues they were scared of anonymously. There was also a regular Police presence after school in many secondary schools in the borough.

In response to questions, the Cabinet Member for Enforcement and Community Safety advised that:

- The Council had invested in a new Community Safety Enforcement Team and were undertaking partnership working by working closely with the Borough Superintendent;
- Residents were being asked to report to the Council crime hotspots in the borough that they were aware of; and
- The Council and the Police were working collaboratively to tackle gang culture and knife crime in the borough, including looking into and stopping 'County Lines' drug dealing.

The Assembly **resolved** to approve the Community Safety Partnership Plan 2023-26, as set out at Appendix 1 to the report.

13. Members' Allowances Scheme 2023/24

The Monitoring Officer presented a report on the Members' Allowances Scheme 2023/24.

Further to changes to the Members Allowance Scheme in 2022, the 2022 London Councils Independent Remuneration Panel (LCIRP) report recommended that Basic Allowances and SRAs should be linked to the local government staff pay award each year, as a way of ensuring that councillors received annual increases in line with those received by staff. Although that proposal did not form part of the recommendations to the Assembly last year, it was now proposed that the staff pay award for the preceding year be applied to the Basic Allowance and SRAs going forward (ie. the average local government staff pay award of 6.6% for the 2022/23 financial year be applied to the 2023/24 Members' Allowances Scheme).

The report also proposed the standardisation of an annual uplift to the Dependants' Carers' Allowance in line with the effective date of the London Living

Wage.

The Assembly **resolved** to:

(i) Agree that the Basic Allowance paid to all councillors and Special Responsibility Allowances be increased annually in line with the average local government staff pay award for the preceding year;

(ii) Agree that the Dependants' Carers' Allowance be increased in line with the effective date of any uplift to the London Living Wage; and

(iii) Adopt the Members' Allowances Scheme 2023/24 at Appendix A to the report, to be effective from 18 May 2023

14. Motions

There were no motions.

15. Questions With Notice

There were no questions with notice.

Main Council Committee Appointments – May 2023
(Appointments are for one year unless otherwise stated)

Committee	Appointments
Assembly	Cllr Freeborn (Chair) and Cllr Ramsay (Deputy Chair)
Audit and Standards Committee	Cllr P Bright (Chair), Cllr Khan (Deputy Chair), Cllrs Akwaboah, Channer, Gill, Mullane, Oluwole and Sandhu
Health Scrutiny Committee	Cllr P Robinson (Chair), Cllr Pongo (Deputy Chair), Cllrs Chowdhury, Freeborn, Hussain and C Rice
JNC Appointments, Salaries and Structures Panel	Cllrs Lumsden, Nalule, Oluwole, Rahman, Saleem and P Waker (to form a pool)
Licensing and Regulatory Committee	Cllr Shaukat (Chair), Cllr Oluwole (Deputy Chair), Cllrs Hornby, Khan, Rahman, L Rice, Sandhu and Zamee (two vacancies)
Overview and Scrutiny Committee	Cllr Paddle (Chair), Cllr Akwaboah (Deputy Chair), Cllrs Achilleos, Lumsden, Nalule, I Robinson, P Robinson, Sandhu, P Waker and Yusuf
Pensions Committee	Cllr Hussain (Deputy Chair)
Personnel Board	Cllr E Rodwell (Chair), Cllr Nalule (Deputy Chair), Cllrs Dulwich, Hornby, Perry, Rahman, I Robinson, P Waker and Yusuf (to form a pool)
Planning Committee	Cllr Saleem (Chair), Cllr Shaw (Deputy Chair), Cllrs F Choudhury, Chowdhury, Cormack, Fergus, Geddes, Spoor, Twomey and Zamee

Other Internal / Outside Bodies Appointments – May 2023
(Appointments are for one year unless otherwise stated)

Body / Committee	Appointments
Chadwell Heath Community Trust Board	Cllrs Perry, Pongo and Yusuf
East London Waste Authority	Cllrs Akwaboah and Haroon
Employee Joint Consultative Committee	Cllrs Ghani, Saleem, Twomey and Worby (two vacancies)
Member Development Group	Cllr S Bright (Chair), Cllrs Chowdhury, Khan, Lumsden, Nalule, Oluwole, I Robinson, Saleem, Rahman, Zamee (three vacancies)
OFSTED Report Panel	Cllr Kangethe (Chair), Cllrs Akwaboah, Fergus, Lumsden, Oluwole, Paddle, Rahman, I Robinson and P Waker (one vacancy)

MINUTES OF JNC APPOINTMENTS, SALARIES AND STRUCTURES PANEL

Monday, 22 May 2023
(11:33 - 11:47 am)

Present: Cllr Darren Rodwell (Chair), Cllr Muhammad Saleem and Cllr Dominic Twomey

Apologies: Cllr Donna Lumsden

1. Declaration of Members' Interests

There were no declarations of interest.

2. Private Business

It was resolved to exclude the public and press from the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraphs 1 and 4 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

3. Senior Leadership Salary Pay Review and Appointment to JNC Officer Vacancies

The Chief Executive presented a report on the outcome of an independent review of the senior management pay structure, alongside a number of recruitment proposals to help stabilise the Council's senior management structure.

With regard to the pay review, the Chief Executive advised that a full review had not been undertaken since 2013/14 even though there had been a commitment at the time to do so every three years. In August 2020, the JNC Panel agreed arrangements for the commissioning of an external, independent review and, following a competitive tender process, PricewaterhouseCoopers (PwC) was appointed to undertake the review, which commenced in May 2022. The review encompassed all senior management roles across the Council, including the 21 JNC-level posts currently within the Council's structure.

Key factors that PwC was asked to take account of as part of the review related to the Council's organisational needs, talent pressures and fairness, all aligned to the Council's long-term vision and the affordability issues that it faced. PwC had proposed a new approach which established four main pay zones of 'learning', 'competent', 'discretionary' and 'maximum' within each of three JNC-level categories (Chief Executive (x1), Strategic Directors (x6) and Operational, Commissioning and other Directors (x14)) to reflect an individual's experience and/or market factors. The new grading structure would also retain flexibility where extenuating circumstances existed, such as was the case for the Strategic Director, Children and Adults post which the JNC Panel had previously agreed a market supplement. The Chief Executive advised that across the 21 JNC-level posts, the additional cost of the new pay structure (excluding any pay award for 2023/24) amounted to approximately £16,000 (or £22,000 inclusive of on-costs) in a full year.

It was further recommended that six-month probationary arrangements be introduced for newly appointed JNC officers, beginning with the Chief Executive and the Strategic Director, My Place who were formally appointed at the Assembly meeting on 17 May 2023.

The Chief Executive explained that the above proposals represented Phase 1 of the review exercise, while Phase 2 would cover the following timescales and activities:

- **May - September 2023**: review of expectations of the Council's leaders and managers; a formal pay progression policy setting out the steps that need to be taken to review expectations; and moderation panel governance arrangements.
- **September/October 2023**: formally agree the pay progression scheme/moderation panels; mandatory training and guidance for all staff involved in setting expectations and agreeing performance measures.
- **October/November 2023**: finalised set of expectations in place for the Performance, Feedback and Development (PDF) conversations.
- **Ongoing**: Evidence of achievement against expectations to support pay decisions to be gathered.

The Chief Executive confirmed that no additional pay issues would be presented for consideration by the JNC Panel until the above had been completed and formally moderated.

In respect of current / impending vacant posts amongst the Executive Management Team and other senior leadership positions, the Chief Executive outlined plans to extend current interim arrangements in respect of the Strategic Director, Inclusive Growth and Director of Strategy posts while arrangements for the permanent recruitment to those posts and the posts of Strategic Director, Finance and Investment and Director of Homes and Assets were progressed. It was further proposed that a new JNC-level post of Director of Law and Governance (and Monitoring Officer) be established to replace the two current posts of Strategic Director, Law and Governance and Chief Legal Officer.

In discussing the proposals, Members stressed the importance of continuing to increase the ethnic diversity of the senior management team as well as the wider workforce. To that end, officers were asked to ensure that all possible steps were taken in the impending recruitments to achieve the Council's aim of having a workforce that represented the make-up of the local community at all levels. The Director of Workforce Change undertook to provide Members with details of a London-wide benchmarking exercise that had recently been undertaken on diversity issues at Leadership level.

The Panel **resolved** to:

(i) Agree the proposals for a revised JNC Officer pay and grading structure relating to the Chief Executive, Strategic Directors and Operational, Commissioning and other Directors under Phase 1 of the Senior Leadership Salary Pay Review proposals, as detailed in Appendices A and B to the report;

(ii) Agree the timelines for Phase 2 of the Senior Leadership Salary Pay Review relating to expectations, pay progression policy and moderation panel governance arrangements, as set out in section 6 of the report;

(iii) Agree the formal probation arrangements for JNC Officers, as set out in Appendix C to the report, subject to consultation with JNC Officers and Trade Unions;

(iv) Agree the arrangements for recruitment to the following senior leadership posts on a permanent basis, with the recruitment being undertaken internally and externally at the same time and a package of support for internal applicants:

Strategic Director, Finance and Investment.
Strategic Director, Inclusive Growth
Director of Strategy
Director of Homes and Assets

(v) Delegate authority to the Chief Executive, in consultation with the Cabinet Member for Finance, Growth and Core Services, to appoint an interim Strategic Director, Finance and Investment for a period of up to 12 months while arrangements to fill the post on a permanent basis were progressed;

(vi) Delegate authority to the Chief Executive to progress arrangements to extend the existing secondment arrangements in relation to the interim Strategic Director, Inclusive Growth and the interim Director of Strategy for up to a further six-month period, while arrangements to fill the posts on a permanent basis were progressed;

(vii) Approve the creation of the new JNC-level post of Director of Law and Governance and Monitoring Officer, who shall be designated the Council's Monitoring Officer (subject to the approval of the Assembly) and, on the appointment to that post, the subsequent deletion of the posts of Strategic Director, Law and Governance (and Monitoring Officer) and Chief Legal Officer (and Interim Monitoring Officer); and

(viii) Delegate authority to the Chief Executive, in consultation with the Leader of the Council, to progress the necessary arrangements, including determining the job description, person specification and grade, relating to the Director of Law and Governance and Monitoring Officer post.

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ASSEMBLY

26 July 2023

Title: Appointment of Statutory Chief Financial Officer	
Report of the Chief Executive	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: Alan Dawson, Head of Governance & Electoral Services	**Contact Details:** Tel: 020 8227 2348 E-mail: alan.dawson@lbbd.gov.uk
Accountable Director: Alison Stuart, Chief Legal Officer	
Accountable Executive Team Director: Fiona Taylor, Chief Executive	

Summary

In accordance with Section 151 of the Local Government Act 1972 and the Local Government Finance Act 1988, every local authority is required to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs. At Barking and Dagenham Council, that responsibility is currently designated to the post of Strategic Director, Finance and Investment.

At the JNC Appointments, Salaries and Structures Panel on 22 May 2023, it was noted that the current postholder, Philip Gregory, had tendered his resignation with effect from 18 July 2023. By Minute 3(v) of that meeting, the Chief Executive was authorised to appoint an interim Strategic Director, Finance and Investment for a period of up to 12 months while arrangements to fill the post on a permanent basis were progressed.

Professional agencies and CIPFA (Chartered Institute of Public Finance and Accountancy) were asked to search for suitably qualified candidates for the interim role. 9 candidates applied, 4 shortlisted, 1 withdrew and 3 applicants were shortlisted. Technical assessments were undertaken, and 3 shortlisted candidates were interviewed. The panel has appointed Jo Moore to the role of Interim Strategic Director, Finance and Investment.

Jo Moore (Fellow of the Association of Chartered Certified Accountants) has executive level financial and corporate leadership skills with over 30 years business and leadership experience and substantive experience as a Chief Finance Officer/Resources Director/Section 151 Officer.

The Council's Constitution stipulates that the appointment of the Chief Financial Officer (in addition to the other statutory posts of Head of Paid Service and Monitoring Officer) shall be the responsibility of the Assembly.

Recommendation(s)

The Assembly is recommended to:

(i) Note the appointment of Jo Moore as the Council's Interim Strategic Director, Finance and Investment with effect from 20 July 2023; and

(ii) Approve the appointment of Jo Moore as the Council's statutory Chief Financial Officer.

Reason(s)

To accord with the provisions of the Local Government Act 1972 and the Local Government Finance Act 1988 and the Council's Constitution.

1. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

1.1 The post of Strategic Director, Finance and Investments is a fully funded post within the Council's establishment. Any additional costs arising from the appointment of an Interim Strategic Director will be met from within the Finance and IT budget which is currently forecasting an underspend or, if necessary, from the centrally held pay contingency budget.

2. Legal Implications

Implications completed by: Dr. Paul Feild, Principal Corporate Governance Lawyer

2.1 Section 151 of the Local Government Act 1972 requires that the Council must appoint a person to the office of Chief Financial Officer, being the person having responsibility for the administration of the financial affairs of a local authority. The Local Government Finance Act 1988 stipulates the office holder must be a qualified accountant. It is a requirement of the Councils Constitution (See Part 4 Chapter 3 Para 2.1) that the appointment of the Statutory Officers such as the Chief Financial Officer is subject to approval by the Assembly.

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

List of appendices: None

ASSEMBLY

26 July 2023

Title: The Localism Act 2011- Appointment of Independent Persons	
Report of the Monitoring Officer	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: Dr Paul Feild Principal Governance & Standards Solicitor	**Contact Details:** E-mail: paul.feild@lbbd.gov.uk
Accountable Executive Team Director: Alison Stuart, Chief Legal Officer and Monitoring Officer	
Summary: This report relates to the proposal to increase the number of independent persons to allow for inclusivity and diversity in alignment with the requirement that the Council must have at least one Independent Person to carry out an advisory role as part of arrangements the Council must have in place to investigate and determine complaints regarding the Councillors Code of Conduct as required by Sections 28(6) (a) & (b) and 28(7) the Localism Act 2011(the Act).	
Recommendation(s) The Assembly is recommended to: (i) Agree the continuation of the appointment of all the Council's current Independent Persons, namely Michael Carpenter; Dr.Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu, until the next Assembly meeting following the Annual Assembly in 2025, in accordance with section 28 of the Localism Act 2011; and (ii) Note that a further Independent Person appointment recommendation is pending.	
Reason(s) Section 28(8) (c) (iii) of the Act states that decisions of appointment of Independent Persons must be agreed by a majority of the whole number of Councillors.	

1. Introduction and Background

1.1 From 1 July 2012, the Localism Act 2011 (the Act) required that principal councils such as district, county and London boroughs all adopt local codes of conduct and establish the means to investigate and determine complaints. At the Assembly meeting on 11 July 2012, Members adopted the LBBD Code of Conduct in accordance with the Act, together with procedures for investigating and deciding on allegations of breaches of the Code.

1.2 The Act further required that the Council appoints at least one Independent Person (IP):

(a) whose views are to be sought, and taken into account, by the Council before it makes its decision on an allegation that it has decided to investigate; and

(b) whose views may be sought—

(i) by the Council in relation to an allegation in circumstances not within paragraph (a),
(ii) by a member, or co-opted member, of the Council if that person's behaviour is the subject of an allegation.

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1.3 To ensure 'independence', this person is not to have links to the Council, Councillors or officers or been a Member for the last five years. This meant that the previous independent Members of the statutory Standards Committee, who had served for a number of years, were disqualified from applying for the role as they were co-opted members of the Council. Initially two Independent Person's were appointed.

1.4 The Council's previous Monitoring Officer presented a report to Assembly on February 2014 where it was noted that the level of complaints against Members requiring the involvement of Independent persons had so far been at a low level. It recommended that the Council make an additional appointment of an Independent Person to provide resilience in the event of potential issues of conflict of interest or general unavailability of one of the Council's IP's. The Assembly followed the recommendation of appointment and the identified need to have three IP's.

1.5 In accordance with the Act, to meet the risks identified, the then Monitoring Officer working with the lead Member carried out a recruitment exercise. The recruitment was conducted with local and web-based advertisements. Two expressions of interest were received from Dr. Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu. The quality of the performance of the candidates under interview and their experience was high. Both candidates had experience in dealing with ethical issues and neither have any connection with any political parties or been elected members.

1.6 In 2015 the Government changed the disciplinary procedure for statutory chief officers being the Head of Paid Service, Chief Finance Officer, and the Monitoring Officer. The change requires two Independent Persons to take part in statutory Chief Officer disciplinary procedure by amending Statutory Standing Orders (SI 2015 / 881) to make their participation mandatory. The Councils Independent persons terms of engagement were so amended.

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

2. Review

2.1 A desk top review has been carried out to look at the matters which required a formal Members Complaints Hearings Sub-Committee requiring the involvement of the Independent Person. The first being in February 2016 and the second in October 2018. While it is difficult to be certain about future complaints the picture continues to be that standards and code of conduct matters are held in high regard by Members and Officers and transgressions are rare.

2.2 On 7 February 2023 the Audit and Standards Committee agreed to the limited cyclical recruitment of a reserve Independent Person with the purpose of increasing gender diversity and inclusion. The post was subsequently advertised and a press release issued and received one application which, at time of this report, remains pending.

2.4 The Monitoring Officer has contacted the current three Independent Persons, namely Mike Carpenter, Pastor Thomas Adeyemi Aderounmu and Dr.Gurpreet Singh Bhatia. They all expressed a willingness to continue in the Independent Person role.

3. Terms of engagement

3.1 The proposal is that appointments will run until the next Assembly after the Annual Assembly meeting in 2025 with a pending application to be confirmed at the next Assembly.

3.2 The appointment attracts an annual allowance of £500. The IP's may also claim reasonable expenses for attendance, travel and subsistence. The IP's are not Co-opted Members and therefore the inclusion of such an allowance provision will not engage any need to have it approved / reviewed.

3.3 The Monitoring Officer recommends that the Assembly confirms that Mike Carpenter, Dr.Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu be retained as the Council's independent persons for the purposes of section 28 of the Localism Act 2011 (Note: under Section 28(8)(c)(iii) of the Localism Act 2011, this decision must be agreed by a majority of the whole number of councillors).

4. Options Appraisal

4.1 The appointment of at least one Independent Person is a statutory requirement of the Act. However, that number of Independent Persons is considered too small as a Member facing a complaint is entitled to be able to consult with an Independent Person, and that same Independent Person cannot go on to be consulted by the Council in the same matter as there would be a conflict of interest.

4.2 When the Council's scheme was established in late 2012, a minimum number of two was proposed principally because of the risk of conflict of interest this was raised to three since 2014 to provide the necessary level of resilience at minimal cost to the potential risk.

4.3 Since that decision the change in the mandatory standing orders means that two Independent Persons have to be utilised in the disciplinary process for statutory officers (JNC Independent Persons Committee as required by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 and section 102(4) of the Local Government Act 1972. The JNC Independent Persons Committee shall consist of at least two Independent Persons appointed under the Localism Act 2011 with priority to an Independent Person(s) appointed by the Council who is a local elector, followed by an Independent Person(s) appointed by the Council who is not a local elector and finally an Independent Person(s) appointed by another Authority.

4.4 The JNC Independent Persons Committee shall consider the evidence as presented to the JNC Investigation and Disciplinary Panel, its reasoning for its decision and determine such advice, views or recommendations as it considers reasonable for the Assembly to take into account in its consideration of the recommendation to dismiss presented to the Assembly by the JNC Investigation and Disciplinary Panel. While it may be legally possible to ‘borrow’ another Authority’s Independent Person(s) it is hardly ideal as they will have to be trained and would need to be available, and in any event the Secretary of State has set a required preference that in a statutory officer disciplinary process it should be an Independent Person who is a local resident.

5. Consultation

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

6. Financial Implications

Implications completed by: Katherine Heffernan, Finance Manager

6.1 The allowance and expenses required to fund these posts will be funded from existing budgets within Governance Services.

7. Legal Implications

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

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

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

8. Other Implications

8.1 **Risk Management -** The Council has a duty to promote and maintain high standards of conduct. Failure to appoint IP's puts the Council at risk of not being able to fulfil these duties in accordance with the Act.

8.2 **Customer Impact -** Residents of the borough must be confident that the Council will continue to promote and maintain high standards of conduct through the implementation of the statutory requirements of the Act.

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

List of Appendices: None

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ASSEMBLY

26 July 2023

Title: Treasury Management Annual Report 2022/23	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Executive Team Director: Fiona Taylor, Chief Executive	

Summary

Changes in the regulatory environment now place a greater onus on Elected Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities, significant new proposed borrowing, and highlights compliance with the Council's policies previously approved by the Assembly prior to the start of each financial year.

This report presents the Council's outturn position in respect of its treasury management activities during 2022/23. The key points to note are as follows:

Interest Income and Investments:

i) Total treasury investments held at 31/03/2023 was £54.0m (2021/22: £154.9m);

ii) Total cash held at 31/03/2023 was (-£18.4m) (2021/22: £1.7m);

iii) Total loans lent held at 31/03/2023 was £168.9m (2021/22: £124.9m);

iv) Total Equity held with Muller was £23.4m (2021/22: £23.4m)

v) Net General Fund interest income for 2022/23 was a surplus of £6.5m compared to a net expenditure budget of £5.2, an outperformance of £11.7m.

vi) £7.0m of the outperformance from interest income was transferred to the Investment Reserve, with the remaining balance used to cover shortfalls in the Investment and Acquisition Strategy (IAS);

vii) Investment income from the Council's IAS totalled £1.5m (2021/22: £4.3m) for the year compared to a budget of £6.1m, an underperformance of £4.6m, which will be covered by the outperformance in interest;

viii) The Council's average treasury interest return of 1.99% for 2022/23; and

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

Interest Expense and Borrowing:

x) Interest payable for 2022/23 totalled £40.9m (2021/22: £37.4m), consisting of £13.5m for PFI / Finance leases, £11.0m for the HRA and £16.4m for the General Fund;

xi) Capitalised interest for 2022/23 totalled £9.7m;

xii) The Council borrowed £30m of medium-term General Fund borrowing in 2022/23 at an average rate of 0.77% and an average duration of 2.4 years;

xiii) The total long-term General Fund borrowing at 31/3/2023 was £729.9m, comprising of market loans, Public Works Loan Board (PWLB), Local Authority, European Investment Bank and other loans;

xiv) The value of short-term borrowing as at 31 March 2023 totalled £165.3m;

xv) HRA borrowing totalled £295.9m of long-term debt and £30.6m of internal borrowing;

xvi) With PFI / finance lease borrowing totalling £356.6m, the total Council borrowing as at 31 March 2023 was £1,547.7m (this excludes internal HRA borrowing).

xvii) The Council did not breach its 2022/23 Operational Boundary limit of £1,600m or its Authorised Borrowing Limit of £1,700m;

xviii) The Council complied with all other set treasury and prudential limits;

xix) That a loan impairment of £2.4m was made in 2021/22 against the loan to Barking and Dagenham Trading Partnership (BDTP) relating to the purchase of London East UK (LEUK), as outlined in paragraph 7.9 of the report; and

xx) A further impairment of £7.74m is required for 2022/23 relating to additional capitalised interest on the LEUK loan and two working capital loans to BDTP, as outlined in paragraph 7.10 of the report.

The Cabinet considered and endorsed this report at its meeting on 20 June 2023.

Recommendation(s)

The Assembly is recommended to:

(i) Note the Treasury Management Annual Report for 2022/23;

(ii) Note that the Council complied with all 2022/23 treasury management indicators;

(iii)	Approve the actual Prudential and Treasury Indicators for 2022/23, as set out in Appendix 1 to the report; and
(iv)	Note that the Council borrowed £140.0m from the PWLB in 2022/23.
Reason(s)	
This report is required to be presented to the Assembly in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services.	

1. Introduction and Background

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce a treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.2 For the 2022/23 period Assembly received the following reports:

- an annual treasury strategy in advance of the year (Assembly 02/03/2022);
- a mid-year (minimum) treasury update report (Assembly 23/11/2022); and
- an annual review following the end of the year (this report).

1.3 This Annual Treasury Report covers:

- Treasury position as at 31 March 2023;
- Economic Factors in 2022/23 and Interest rate forecasts;
- Treasury Investment Strategy and Performance in 2022/23;
- Borrowing Outturn and Capitalised Interest;
- Annual Investment Strategy 2022/23;
- Commercial and Reside Loans Outturn;
- Investment and Acquisition Strategy Outturn;
- Compliance with Treasury limits and Prudential indicators; and
- Prudential Indicators for 2022/23 (Appendix 2).

2. Treasury Position at 31 March 2023:

2.1 The Council manages its debt and investments through its in-house treasury section to ensure adequate liquidity for revenue and capital spend, security of investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. The position at 31 March 2023 is shown in table 1 below:

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

	31-Mar-22	Ave. Rate of interest	Average Life	31-Mar-23	Ave. Rate of interest	Average Life
	£'000	%	Years	**£'000**	**%**	**Years**
Fixed Rate Debt						
HRA – PWLB	265,912	3.50	33.81	**265,912**	**3.50**	**33.81**
HRA – Market	30,000	4.03	43.70	**30,000**	**4.03**	**43.74**
HRA - Internal Borrowing	35,905	1.98	1.00	**30,612**	**3.01**	**-**
Total HRA Borrowing	331,817	3.38	33.23	**326,524**	**3.55**	**32.28**
GF – PWLB	629,521	1.92	29.13	**641,592**	**1.86**	**28.19**
GF - Market	90,988	2.49	25.75	**88,296**	**2.50**	**25.97**
GF – ST Borrowing	63,000	0.58	0.14	**165,317**	**4.02**	**1.28**
Total GF Borrowing	783,509	1.98	27.38	**895,205**	**1.91**	**23.66**
Total Debt	1,115,326	2.33	28.72	**1,191,117**	**2.33**	**28.72**
Investments						
Treasury Investments	154,900	1.25	1.66	**54,000**	**3.36**	**1.02**
Cash	1,675	0.75	-	**-18,420**	**1.80**	**-**
Loans & Equity	148,287			**192,243**		
HRA Internal Lending	35,905	1.98	1.00	**30,612**	**3.01**	**1.00**
Total Investments	340,767			**258,502**		

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

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

UK Economy

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

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

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

3.4 The UK Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%. In the interim, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. The markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their period in office lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17 November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

3.5 GDP has been limited throughout 2022/23, although the most recent Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a recession will be avoided is still unclear. Ultimately, the Monetary Policy Committee at the Bank of England will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets before the Bank Rate is reduced. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

3.6 The pound remained resilient throughout this volatile period, recovering from a low of $1.035, following the Truss government’s “fiscal event”, to $1.23. Notwithstanding the pound’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

USA Economy

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

EU Economy

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

Borrowing strategy and control of interest rate risk

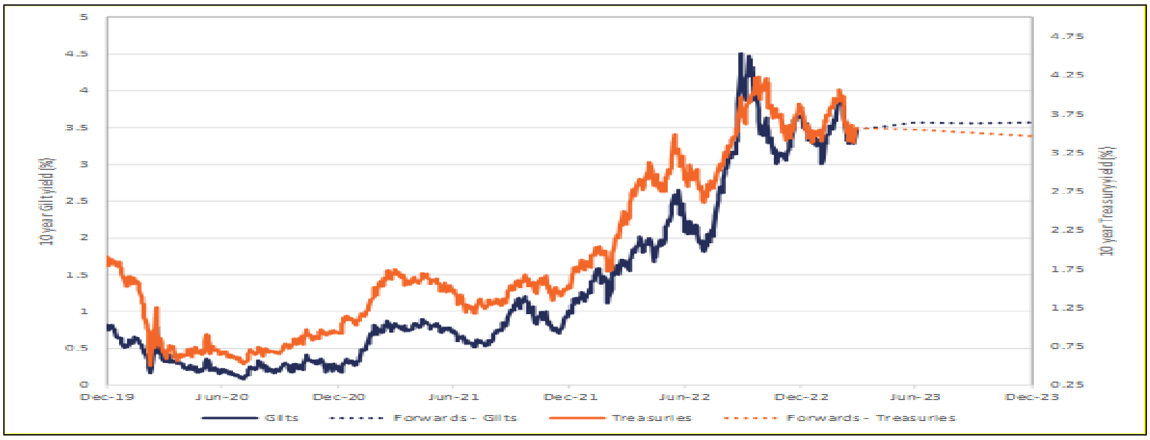
3.9 In 2022/23, the Council maintained an under-borrowed position and used cash balances. This meant that the capital borrowing need, (the CFR), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow were used. This strategy was prudent as returns were initially low and minimising counterparty risk on placing investments also needed to be considered. A couple of asset sales, Welbeck and Pondfield did not progress, which meant that the Council needed to borrow short term towards the end of 2022/23, resulting in a short-term borrowing position of £165.3m by 31 March 2023. Caution was adopted with the treasury operations, with the Investment Fund Manager monitoring interest rates in financial markets and adopted a pragmatic strategy of not locking in higher rates while cash balances were used.

3.10 Interest rate forecasts initially suggested only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the BoE engaged in monetary policy tightening at every MPC meeting during 2022, and into 2023, by increasing Bank Rate by either 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

3.11 The Council's Treasury advisor, Link, increased their September 2024 interest rate view during 2022/23 from a rate forecast for of 1% to 3.25%. More marked is the increase for June 2023 increasing from 0.75% to the current 4.5%. The current rate forecast is below and does show rates decreasing over the next two to three years:

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

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



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

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

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

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

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

5. Borrowing Outturn and Capitalised Interest

5.1 HRA Borrowing Costs

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

5.2 General Fund Long and short-term borrowing costs

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

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

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

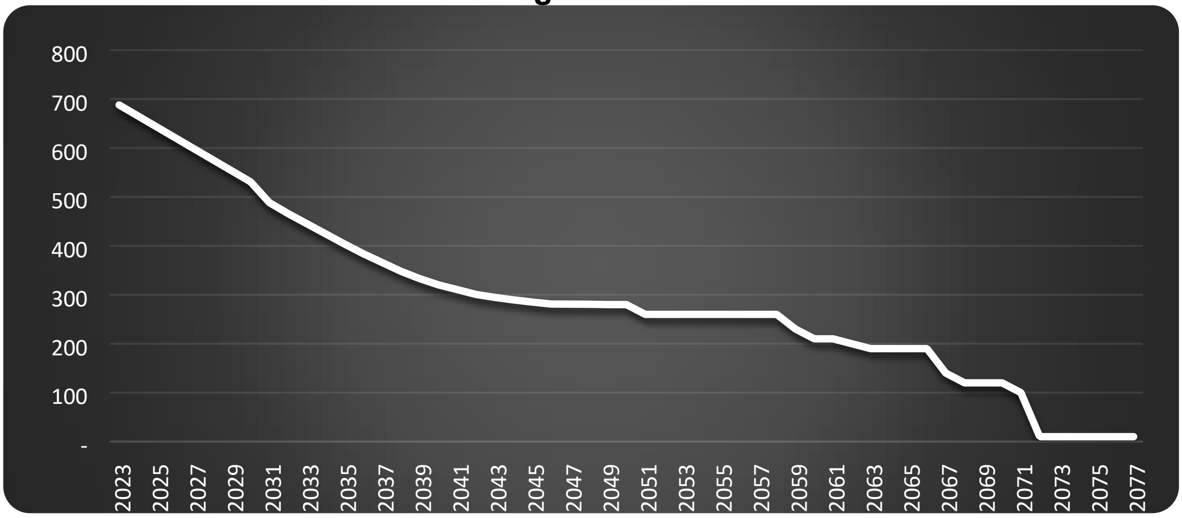
5.3 Officers have sought to ensure that the borrowing matches the relevant asset life and repayment profile of the Council’s investment portfolio. The current large short-term borrowing position is likely to increase in 2023/24 but if medium to long-term borrowing opportunities arise then the short-term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

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

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

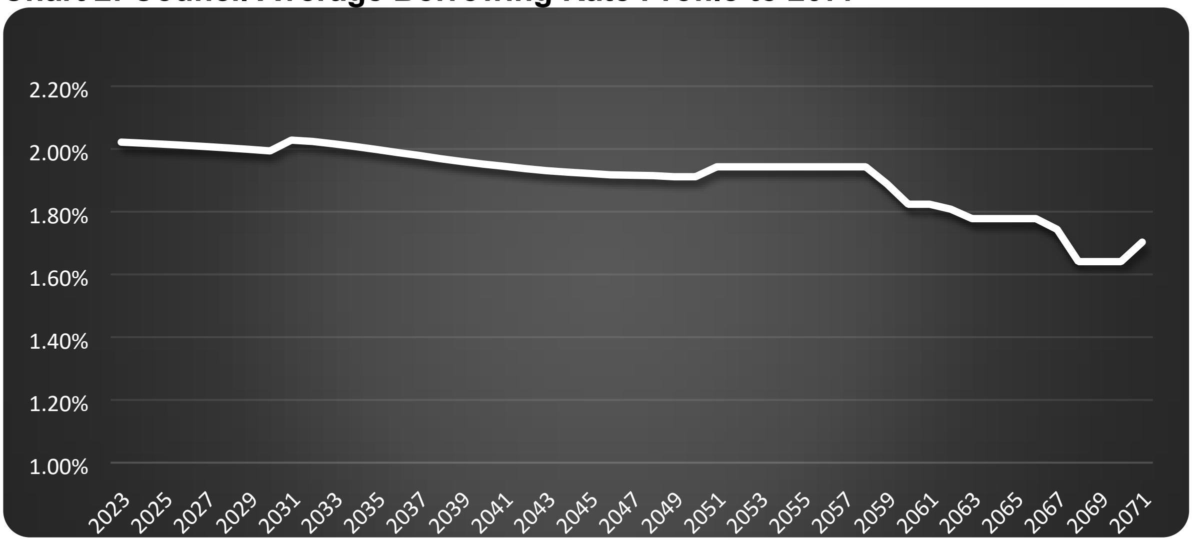
5.6 Chart 1 below summarises the GF long term debt position as at 31 March 2023, indicating the repayment profile average rate will increase. Officers will continue to monitor rates and will seek to lock in lower rates when they occur.

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



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

Chart 2: Council Average Borrowing Rate Profile to 2077



5.8 **Capitalisation of Development Interest**

5.8.1 The Council's IAS will increase the Council's interest payment costs as borrowing increases to fund the development costs. Were the Council to borrow a billion pounds at 2.0% (the current target average long-term debt rate) then the interest costs would be £20m per year, although this would decrease as debt is repaid. This will be funded by rental income from the various schemes but will result in a long-term obligation for future generations as some of the loans that will be taken out have maturity dates of up to 50 years.

5.8.2 The Council's borrowing is largely to fund the IAS. During the construction stage there is a cost of carry as there is no income from the scheme. For previous developments, such as Weavers, interest was capitalised during the construction against loans made to Reside. As construction is now carried out by the Council, a method to capitalise the interest was identified through advice provided by the fund's Treasury advisors, Link. As a result, interest incurred during the construction phase is capitalised against developments that cost over £5m and that take in excess of two years to build. This approach has reduced the pressure on the Council's interest budget.

5.8.3 Capitalisation of interest starts when the development is agreed at Gateway 2. Where land has been purchased as part of land assembly the capitalisation of interest will be from the later date of the either the completion date of the purchase or the date of this accounting policy. Some schemes, such as Temporary Accommodation have been combined as one overall scheme.

5.8.4 Interest is capitalised quarterly and will be based on the weighted average of the borrowing costs that are outstanding during the period. Cessation of capitalisation will occur when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete and the property is handed over to Reside.

5.8.5 For 2022/23 the capitalised interest rate was around 2.07% and so still very low but as further borrowing is made the capitalised interest costs will increase. The Council has also agreed to capitalise borrowing costs for schemes that are over £5m in total value and take longer than two years to develop. A total of £9.7m was capitalised against developments in 2022/23 against a budget £1.5m. It is likely that this will be around the peak of capitalised interest, as schemes complete and the pipeline of schemes reduces in the short term.

6. Annual Investment Strategy (AIS) 2022/23

6.1 All investments were managed in-house and were invested with institutions of high credit standing listed in the Council's approved lending list and specified limits. The Council's investment policy is outlined in the 2022/23 Annual Investment Strategy. The policy sets out the Council's approach for choosing investment counterparties.

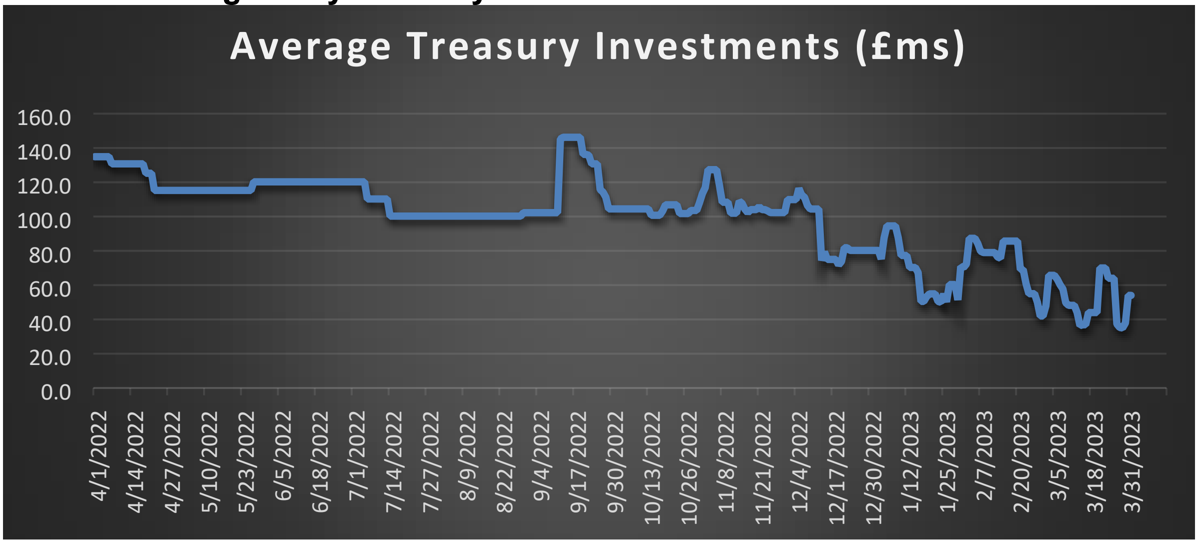
6.2 Council officers met quarterly with the Treasury Adviser to discuss financial performance, objectives, targets and risk in relation to the Council's investments and borrowing. The Cabinet Member for Finance, Performance and Core Services was briefed regularly on treasury activity by the Section 151 Officer.

6.3 **Investments decisions during 2022/23 -** When making investment decisions the Council's investment priorities are **security** of capital; **liquidity** of its investments; and **yield** (after ensuring the above are met). Using the above as the basis for investment decisions does mean that investment returns will be lower than would be possible were yield the only consideration. During 2022/23, the Council ensured that all investments were made with appropriately rated counterparties and that liquidity was maintained. On occasion, short term borrowing was also used to allow the Council to take advantage of investment opportunities.

6.4 Treasury made few investments during the year as cash and borrowing was used to fund the IAS developments. The Council held an investment balance of £154.9m at

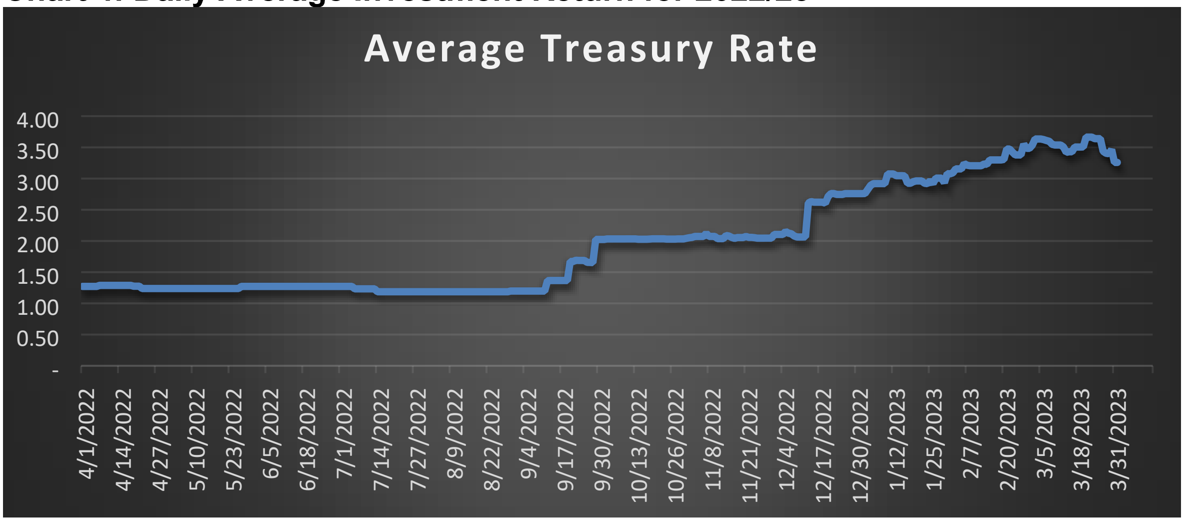
31 March 2022 and ended the year with a balance of £54.0m. The average investment balance (excluding cash) held for 2022/23 was £98m and is shown in chart 3 below, with the chart showing the steady decline in cash balance throughout the year.

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



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

Chart 4: Daily Average Investment Return for 2022/23



6.6 **Performance Benchmark in 2022/23**

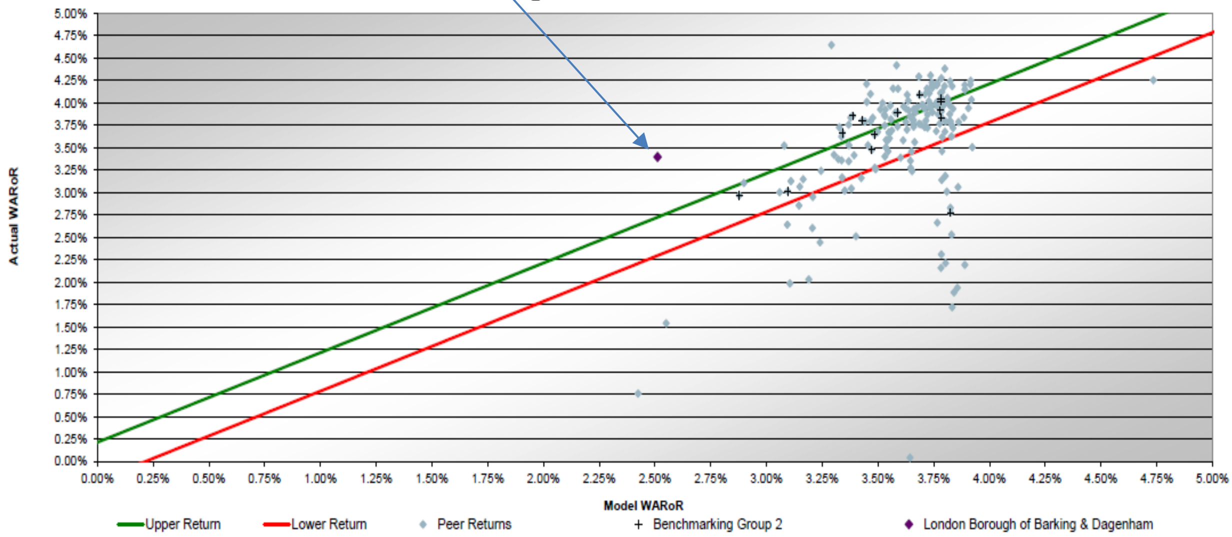
6.6.1 The Council's treasury performance is benchmarked by against a peer group of 22 London Authorities. Benchmarking data is provided by the Council's treasury advisors, Link Asset Services. Table 3 summarises the data as at 31 March 2023.

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

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

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

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



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

6.7 Investments held by the Council at 31 March 2023

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

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

6.8 **Treasury Income from investments and loans**

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

7. Investment and Acquisition Strategy Outturn

7.1 **Council's Growth Strategy**

7.1.1 In 2015, the Growth Commission Report – "No-one left behind: in pursuit of growth for the benefit of everyone", recommended the establishment of a Borough-wide regeneration vehicle that would be an early statement of the Council's intent to increase the pace of regeneration of the borough.

7.1.2 Subsequently Be First was set up to deliver the Council's long-term strategic regeneration objectives, including enhancing economic growth and prosperity for the people of Barking and Dagenham. In addition, Be First has been charged with delivering significant financial benefits to the council by bringing forward returns in New Homes Bonus, Council Tax and NNDR, and delivering dividends to the Council.

7.1.3 In October 2016, Cabinet agreed an Investment and Acquisition Strategy (IAS) and an Investment Panel was also established and charged with managing an investment portfolio. In 2017 the Council revised the IAS, with a revised strategy subsequently taken to Cabinet each year, the last one agreed was at the October 2020 Cabinet.

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

7.2 **IAS Capital Spend 2022/23**

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

Table 4: IAS Capital Spend 2022/23

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

7.3 IAS Returns

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

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

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

Table 5: IAS Outturn for 2022/23

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

Residential Rents						
Reside Surplus	-2,306	0	0	0	0	-2,306
Reside Costs		0	554	0	0	554
Net Return	-8,884	-10	2,296	4,074	1,024	-1,501

7.5 Commercial Property Holdings

7.5.1 Below is a list of the current IAS Commercial Holdings. In addition, several commercial properties within the residential developments will be added to the portfolio for 2023/24. Two large industrial schemes, Industria and 12 Thames Road will be added to the portfolio over the next two years. This will increase the overall size of the commercial portfolio to nearly £200m. MRP is being charged on the properties, with a total of £2.0m charged as at 31 March 2023. Most commercial properties are now medium-term hold positions.

Table 6: IAS Commercial Property Holdings 2022/23

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

7.6 Residential Property Loan

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

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

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

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

7.7 IAS Leases

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

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

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

Table 8: IAS Leases as at 2022/23

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

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

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

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

7.8 Other Commercial Loans Outturn

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

Table 9: Commercial and Reside Loans at 31 March 2023

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

7.8.1 Commercial loans durations vary with most of the loans having a maximum duration of 15 years. Each loan has a state aid compliant interest rate and have been agreed at Cabinet. A number of loans are linked to the Bank of England base rate and these will provide an increased return for 2022/23 due to the increase in base rate to 4.5%.

7.8.2 The equity investment in BD Muller Developments was for the purchase of the Muller site in Chadwell Heath, which was sold and the loan repaid in April 2022. The equity element will be repaid when the final payment is received in 2023.

7.9 **Loan Impairment**

7.9.1 The Council loaned one of its subsidiary companies, BDTP, £26.48m to purchase a company, London East UK (LEUK). The loan is secured against the land held by LEUK and BDTP. Included in the loan agreement is a breach clause, whereby a breach occurs if the combined value of LEUK and BDTP is below the outstanding loan balance. Since the purchase, BDTP has sold two parcels of land and has used the proceeds from the sale to fund losses incurred by BDTP over the past two years.

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

7.10 **Further Loan Provisions**

7.10.1 In 2022/23 the value of the loan to BDTP for the purchase of LEUK increased to £26.5m due to capitalised interest being added to the loan, now significantly higher than the asset value of £21.7m. A further provision of £2.4m has therefore been made against the loan, taking the total provision relating to LEUK to £4.8m.

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

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

8. Compliance with Treasury limits and Prudential Indicators

8.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordable limits) are included in the approved Treasury Management Strategy (TMSS).

8.2 During the financial year to date the Council has operated within and complied with the treasury limits and Prudential Indicators set out in the Council's annual TMSS. The Council's prudential indicators are set out in Appendix 1 to this report. In 2022/23, the Council did not breach its authorised limit on borrowing of £1.7bn or its Operational limit of £1.6bn.

9. Options Appraisal

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

10. Consultation

10.1 The Section 151 officer has been informed of the approach, data and commentary in this report.

10.2 The Cabinet considered and endorsed this report at its meeting on 20 June 2023.

11. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

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

12. Legal Implications

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

12.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor its budget during the financial year and its expenditure and income against the budget calculations. The Council sets out its treasury strategy for borrowing and an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

12.2 The Council is legally obliged to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act. Furthermore, the Prudential Code emphasises that authorities can set their own prudential indictors beyond that specified in the Code where it will assist their own management processes.

13. Risk Management

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

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

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

List of appendices:

- **Appendix 1** – Borrowing as at 31 March 2023
- **Appendix 2** - The Prudential Code for Capital Investment in Local Authorities
- **Appendix 3** - Glossary of Terms

Appendix 1

Borrowing as at 31 March 2023

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

Lender	Start Date	End Date	Amount	Rate %
HRA				
PWLB(Maturity)	28/03/2012	28/03/2042	50,000	3.50
PWLB(Maturity)	28/03/2012	28/03/2062	65,912	3.48
PWLB(Maturity)	28/03/2012	28/03/2061	50,000	3.49
PWLB(Maturity)	28/03/2012	28/03/2052	50,000	3.52
PWLB(Maturity)	28/03/2012	28/03/2060	50,000	3.49
Phoenix Life Ltd	15/05/2019	27/02/2060	10,000	4.05
Phoenix Life Ltd	15/05/2019	26/03/2059	10,000	4.05
BARCLAYS (Maturity)	30/05/2008	30/05/2078	10,000	3.98
	HRA Total LT Borrowing		**295,912**	
General Fund				
PWLB(Maturity)	09/06/2016	09/06/2066	20,000.00	2.72
PWLB(Maturity)	14/06/2016	15/12/2059	10,000.00	2.65
PWLB(Maturity)	28/06/2016	29/12/2059	10,000.00	2.49
PWLB(Maturity)	29/06/2016	29/06/2062	10,000.00	2.38
PWLB(Maturity)	07/07/2016	06/01/2062	10,000.00	2.14
PWLB(Maturity)	05/04/2017	05/04/2067	20,000.00	2.36
PWLB(EIP)	12/09/2017	12/09/2040	15,217.39	1.98
PWLB(Maturity)	19/12/2017	19/06/2058	30,000.00	2.36
PWLB(EIP)	21/02/2018	21/02/2036	14,444.44	2.38
PWLB(EIP)	07/03/2018	07/03/2035	7,058.82	2.20
PWLB(EIP)	19/03/2018	19/03/2038	15,000.00	2.31
PWLB(EIP)	31/05/2018	29/05/2043	16,400.00	2.27
PWLB(EIP)	01/10/2018	01/10/2039	32,380.95	2.38
PWLB(EIP)	30/10/2018	30/10/2036	15,555.56	2.14
PWLB(EIP)	10/12/2018	10/12/2043	16,800.00	2.28
PWLB(EIP)	04/02/2019	04/02/2042	16,521.74	2.17
PWLB(EIP)	26/03/2019	26/03/2042	33,043.48	1.99
PWLB(EIP)	04/06/2019	04/06/2046	17,407.41	1.97
PWLB(EIP)	08/08/2019	08/08/2039	16,500.00	1.39
PWLB(EIP)	05/09/2019	05/09/2042	16,956.52	1.23
PWLB(Annuity)	28/02/2020	01/03/2038	17,204.52	2.27
PWLB(Annuity)	03/03/2020	03/03/2038	17,184.34	2.18
PWLB(Annuity)	10/03/2020	10/03/2040	17,496.79	2.06
PWLB(Annuity)	11/03/2020	11/03/2045	18,086.76	1.98
PWLB(Maturity)	15/12/2020	15/12/2070	20,000.00	1.33
PWLB(Maturity)	23/12/2020	23/12/2030	20,000.00	1.02
PWLB(Maturity)	23/12/2020	23/12/2055	20,000.00	1.50
PWLB(Annuity)	12/07/2021	12/07/2039	18,333.33	1.38
PWLB(Maturity)	12/07/2021	13/07/2071	20,000.00	1.71
PWLB(Maturity)	17/11/2021	17/11/2071	20,000.00	1.51
PWLB(Maturity)	07/12/2021	07/12/2071	30,000.00	1.37

PWLB(Maturity)	16/12/2021	16/12/2066	30,000.00	1.31
PWLB(Maturity)	16/12/2021	16/12/2071	20,000.00	1.25
SOUTH OXFORDSHIRE DC	14/04/2022	14/04/2025	5,000.00	0.30
Vale of White House DC	14/04/2022	14/04/2025	5,000.00	0.30
LEICESTER CITY COUNCIL	14/04/2022	15/04/2024	10,000.00	1.00
LEICESTER CITY COUNCIL	05/05/2022	03/05/2024	10,000.00	1.00
DEXIA (Maturity - LOBO)	30/06/2008	30/06/2077	10,000.00	3.98
L1 RENEW (Annuity)	15/12/2016	01/10/2046	6,732.75	3.44
EIB (Annuity)	30/01/2015	31/03/2044	71,563.23	2.22
		Total GF Long Term Borrowing	**729,888.05**	

Lender	Start Date	End Date	Amount	Rate %
PUBLIC WORKS LOAN BOARD	20/03/2023	20/03/2024	10,000.00	4.48
PUBLIC WORKS LOAN BOARD	20/03/2023	20/03/2024	10,000.00	4.48
WEST of ENGLAND CA	28/02/2023	27/02/2024	10,000.00	1.20
BF Developments (Muller) Ltd	12/09/2022	30/06/2023	25,817.03	4.03
MIDDLESBROUGH BC	20/01/2023	20/04/2023	10,000.00	3.65
SCARBOROUGH BC	20/01/2023	20/04/2023	1,500.00	3.67
LIVERPOOL CITY REGION CA	23/01/2023	17/04/2023	5,000.00	3.70
FURNESS BUILDING SOCIETY	25/01/2023	25/04/2023	5,000.00	3.80
L B REDBRIDGE	21/02/2023	14/04/2023	2,500.00	4.05
MIDDLESBROUGH BC	22/02/2023	25/04/2023	2,500.00	4.00
GUILFORD BOROUGH COUNCIL	28/02/2023	28/04/2023	4,000.00	4.10
SOUTH LANARKSHIRE	02/03/2023	02/06/2023	5,000.00	4.30
LINCOLN CITY COUNCIL	20/03/2023	20/09/2023	3,000.00	4.65
SOLIHULL MBC	15/03/2023	18/04/2023	5,000.00	4.50
SOUTH LANARKSHIRE	15/03/2023	15/06/2023	5,000.00	4.15
COLCHESTER CITY COUNCIL	15/03/2023	17/04/2023	2,500.00	4.10
COLCHESTER CITY COUNCIL	16/03/2023	17/04/2023	2,500.00	4.10
TEIGNBRIDGE DC	15/03/2023	25/05/2023	1,000.00	4.45
MANSFIELD DISTRICT COUNCIL	16/03/2023	19/04/2023	2,000.00	4.45
STROUD DISTRICT COUNCIL	16/03/2023	16/05/2023	2,000.00	4.50
HUMBERSIDE FIRE AUTHORITY	21/03/2023	21/04/2023	2,000.00	4.50
HUMBER BRIDGE BOARD	21/03/2023	21/04/2023	3,000.00	4.50
CHELMSFORD CITY COUNCIL	22/03/2023	22/06/2023	3,000.00	4.60
Cambridge City Council	17/03/2023	17/05/2023	5,000.00	4.55
SOUTH GLOCESTERSHIRE	01/02/2023	01/02/2023	3,000.00	3.91
LINCOLNSHIRE COUNTY C	31/01/2023	31/01/2023	10,000.00	3.95
SPELTHORNE BC	29/03/2023	29/03/2023	5,000.00	4.50
South Yorkshire Pensions	17/03/2023	26/04/2023	5,000.00	4.48
CITY & COUNTY of SWANSEA	20/03/2023	22/06/2023	5,000.00	4.50
CITY & COUNTY of SWANSEA	22/03/2023	22/06/2023	5,000.00	4.30
CITY & COUNTY of SWANSEA	30/03/2023	31/07/2023	5,000.00	4.40
		GF Total ST Borrowing	**165,317.03**	
		Total General Fund and HRA Borrowing	**1,191,117.09**	

Appendix 2

The Prudential Code for Capital Investment in Local Authorities

1. Introduction

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

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

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

2. Net borrowing and the Capital Financing Requirement

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

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

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

2.3 Net borrowing must not, except short term, exceeded the Capital Financing Requirement (“CFR”) for 2022/23 plus the expected changes to the CFR over 2022/23 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2022/23.

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

2.5 Once a scheme is agreed and after development starts, treasury will seek to secure the borrowing to fund the scheme at a competitive rate. As such, from time to time, the Council may hold a higher than average cash balance as it holds the borrowed amount until it is required for the investment. It also means that decisions made on future schemes may have different borrowing rate assumptions, depending on borrowing rates at the time.

2.6 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

2.7 **The authorised limit** – This sets the maximum level of external borrowing on a gross basis (i.e. Not net of investments) and is the statutory limit determined under Section 3 (1) of the Local Government Act 2003 (referred to in the legislation as Affordable Limit).

2.8 **The operational limit** – This links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limits reflecting the most likely prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit for future known capital needs now. It should act as a monitor indicator to ensure the authorised limit is not breached.

2.9 **Total external borrowing**, including PFI and Finance Leases at 31 March 2023 was £1.55bn, which is lower than the Approved Authorised Limit of £1.70bn and Operational Boundary of £1.60bn. During 2022/23 there were no breaches of these limits.

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

3.1 The capital programme as at 31 March 2023 was £457.1m, including the Travelodge finance lease and consists of £33.1m for the General Fund, £23.8m for HRA, £316.1m for the IAS, £2.1m for Transformation and £82.0m for the Travelodge lease and leaseback arrangement. The total revised budget was £546.7m, with the overall delivery at 83.6m%. A number of schemes completed in 2022/23 and grant was allocated to the schemes as they completed and were handed over to Reside, which reflects the high level of grant. A number of projects will be reprofiled in 2024/25 to take into account the carry forward amounts.

3.2 The HRA programme is self-financed using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms servicing the cost of borrowing. The HRA spend was a small underspend for stock investment, however this is against a much reduced, revised budget. Estate renewal, including buybacks underspent by £6.1m and this will be carried forward to 202/24.

3.3 **The 2022/23 outturn position is detailed below:**

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

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

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

4. Affordability Prudential Indicators.

4.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

4.2 The ratio of financing costs to net revenue stream. This indicator identifies the cost of capital (borrowing and MRP net of investment income) against the net revenue stream. For 2022/23 this was 3.84%, with most of the cost being MRP. In future the interest payable will increase significantly as the Council continues to borrow and the treasury income is likely to reduce as cash balances are reduced but there will be a significant increase in interest income from loans. There is forecast to be a significant increase in investment income.

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

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

5. Limits for Fixed and Variable Interest Exposure

5.1 The following prudential indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure is set to ensure the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The Council's existing level of fixed interest rate exposure is 100.0% and variable rate exposure is 0.0%. The high fixed interest rate is as a result of locking in low long-term rates for the HRA borrowing and for the IAS, which invests in property, which requires certainty over the cost of borrowing.

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

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

6. Maturity Structure of Fixed Rate Borrowing

6.1 This prudential indicator deals with projected borrowing over the period and the rates that they will mature over the period. The majority of GF borrowing is either equal instalment repayment or annuity repayment, which means that each year a part of the loan is repaid. Table 4 summarises the borrowing structure based on £895.2m GF and £295.9m HRA Borrowing long and short-term borrowing.

Table 4: HRA Borrowing as at 31 March 2023

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

Table 5: GF Borrowing as at 31 March 2023

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

7. Investments over 364 days

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

Maximum principal sums invested > 364 days £’000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Principal sums invested > 364 days	350,000	300,000	250,000

8. Summary Assessment

8.1 The outturn position is set out above in respect of the Prudential Indicators approved by Assembly in February 2022.

8.2 The outturn figures confirm that the limits and controls set for 2022/23 were applied throughout the year, and that the treasury management function adhered to the key principles of the CIPFA Prudential Code of prudence, affordability and sustainability. The treasury management indicators were regularly monitored throughout 2022/23.

Appendix 3

Glossary of Terms

1. **CFR:** capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

2. **CIPFA:** Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

3. **CPI:** consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

4. **ECB:** European Central Bank - the central bank for the Eurozone.

5. **EU:** European Union.

6. **EZ:** Eurozone -those countries in the EU which use the euro as their currency.

7. **Fed:** the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

8. **FOMC:** the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

9. **GDP:** gross domestic product – a measure of the growth and total size of the economy.

10. **G7:** the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

11. **Gilts:** gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

12. **HRA:** housing revenue account.

13. **IMF:** International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

14. **LIBID:** the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). These benchmarks ceased on 31st December 2021 and have, generally, been replaced by SONIA, the Sterling Overnight Index Average.

15. **MHCLG:** the Ministry of Housing, Communities and Local Government - the Government department that directs local authorities in England.

16. **MPC:** the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

17. **MRP:** minimum revenue provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

18. **PFI:** Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

19. **PWLB:** Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

20. **QE:** quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to ‘cool’ the economy.

21. **RPI**: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

22. **SONIA:** the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

23. **TMSS:** the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

24. **VRP:** a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

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